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## Corporate Governance

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**Toyobo Co., Ltd.**

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The corporate governance of Toyobo Co., Ltd. (hereinafter referred to as the “Company”) is described below.

### I. Basic Views on Corporate Governance, Capital Structure, Corporate Attributes and Other Basic Information

#### 1. Basic Views

Based on the corporate philosophy “Jun-Ri-Soku-Yu,” the Company believes that its purpose is to contribute to solving 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, and will work to appropriately collaborate with all stakeholders, such as shareholders. Furthermore, by carrying out its fiduciary responsibility and accountability to shareholders, the Company will ensure the effectiveness of corporate governance and continually work on its improvement.

#### **[Reasons for Non-compliance with the Principles of Japan’s Corporate Governance Code]**

The Company complies with all principles of Japan’s Corporate Governance Code.

#### **[Disclosure Based on the Principles of Japan’s Corporate Governance Code]**

##### [Principle 1-4 Cross-Shareholdings]

The Company shall periodically review cross-shareholdings from assorted perspectives, such as the impact on improving medium- to long-term corporate value and economic rationality, and sell any stock which is no longer meaningful as is appropriate. On the other hand, the Company shall enter into cross-shareholdings with key business partners when judging that the maintenance and strengthening of stable relationships with the business partners will contribute to sustainable growth and enhancement of medium- to long-term corporate value of the Company.

The Board of Directors individually reviews cross-shareholdings every year, including future business strategies and operational relationships, and determines whether or not to continue holding these shares.

Also, with regard to the exercise of voting rights in cross-shareholdings, the Company deeply considers the status of the business partner and the content of the proposals, and as needed, discusses with the business partner. The Company thereby confirms whether these holdings contribute to the sustainable growth and medium- to long-term enhancement of corporate value of the Company and its business partner, and makes a comprehensive decision.

[Principle 1-7 Transactions among Related Parties]

Competitive transactions and transactions involving conflicts of interest between the Company and Directors must be approved at the meeting of the Board of Directors according to laws and regulations, and internal rules. When this transaction is carried out, important facts shall be reported to the Board of Directors. Because there is no major shareholder who holds 10% or more of voting rights, the Company has not established approval procedures when conducting transactions with major shareholders.

[Supplementary Principle 2-4-1 Ensuring Diversity in Appointment of Core Human Resources]

As the Group believes that human resources are the most important management resource, it supports the growth of each employee through the creation of an environment where employees who have diverse experiences, skills and characteristics can work with pride and a sense of fulfillment.

The Group has specified in the “TOYOBO Group Charter of Corporate Behavior” and “TOYOBO Group Diversity Promotion Policy” that it will ensure the diversity of employees, and carries out various measures, such as the promotion of the active participation of female, initiatives aimed at the retention of foreign employees, hiring of employees with experience at other companies, achievement and maintenance of the employment rate of people with disabilities, and support of the active participation of middle-aged people and seniors. Furthermore, the department in charge of labor affairs, the occupational physician and nursing professionals, and the health insurance association work in close coordination under the Chief Health Officer to promote “health and productivity management,” aiming to contribute to organizational vitality and improvement of business performance by maintaining and improving employee health and productivity. Following on from last year, we have received the “2024 Certified Health & Productivity Management Outstanding Organization (Large Enterprise Category (White 500))” certification under the “Certified Health & Productivity Management Outstanding Organizations Recognition Program.” These policies and initiatives have been disclosed on the Company’s website and in the Integrated Report.

(Company’s website: [https://www.toyobo-global.com/sustainability/society/human\\_resources/](https://www.toyobo-global.com/sustainability/society/human_resources/))

(Company’s website (Integrated Report): <https://ir.toyobo.co.jp/en/ir/library/integrated.html>)

The diversity of managers, who are core human resources, is being worked on as an important theme that will support the Group’s sustainable growth, and the targets, current status, etc. of such is as follows (female and mid-career hires are on a non-consolidated basis and foreign hires are included in overseas Group companies).

- Appointment of female employees to management positions

Due to the continuous activities to promote the active participation of female, the ratio rose yearly to 5.5% as of the end of fiscal 2024. Now with fiscal 2026 as our milestone, the Company will continue to aim for a ratio of 5.0% or over and proactively carry out the hiring and training of female employees. One policy is that the ratio of female employees who are hired as new graduates from the global course, making them candidates for management, shall be 40%, and the cumulative result over the past five years was approximately 35%.

- Appointment of foreign employees to management positions

The Company believes that human resource strategies, not only for the Company, but for overseas Group companies as well, are becoming even more important for the promotion of global expansion. Currently, there are a small number of foreign managers at the Company, but at overseas Group companies, foreign managers make up around half of the approximately 170 employees at a level equivalent to department manager (full-time) or higher. Going forward, the Group will focus even more on hiring and developing foreign employees, and will appoint even more to management positions.

- Appointment of mid-career employees to management positions

Currently, the ratio of mid-career employees among the Company’s management is 20% or more. Going forward, the Company will proactively hire and appoint mid-career employees, primarily for roles where sophisticated skills are required, in order to improve the current level.

[Principle 2-6 Roles as Asset Owners of Corporate Pension Plan]

The results of operating reserves of the corporate pension fund has direct impact on not only asset building for employees after retirement, but also the parent entity. Therefore, the Asset Management Committee is comprised of labor side representatives and members selected by the Finance,

Accounting and Control, and Human Resources departments. This committee regularly monitors the status of asset management and deliberates the following items.

- 1 Matters concerning basic policy of management
- 2 Matters concerning management guidelines and ratios of policy-related asset holdings
- 3 Matters concerning the selection and evaluation of the fund management agencies
- 4 Other matters concerning asset management

The Company is taking efforts to construct a system which enacts proper management, including appointment of personnel with appropriate qualities in the executive director of operations of the corporate pension fund and regularly undergoing rotation, as well as regularly sending officers and employees to a pension seminar run by an outside institution to improve quality. In addition, regarding the exercising of voting rights by entrusted fund management agencies for proposals submitted at a General Meeting of Shareholders of the Company, the system appropriately manages conflicts of interest between the Company and beneficiaries by respecting the judgment of the entrusted fund management agencies and allowing labor union participation in the Asset Management Committee, Board of Governors and Board of Representatives.

[Principle 3-1 Enhancement of Disclosure]

(i) Management philosophy, management plan, etc.

The Company maintains a corporate philosophy based on the words the founder Eiichi Shibusawa lived by: “Jun-Ri-Soku-Yu (realizing prosperity by acting rationally)” Please refer to the Company’s website for information about “Jun-Ri-Soku-Yu.”

<https://www.toyobo-global.com/company/philosophy/>

Upon the establishment and public announcement of the management strategy and management plan, the Company presents its specific goals and a focused explanation of what must be done to achieve these goals through Presentation to Investors, Integrated Report, and on the Company’s website. The details of the medium-term management plan between fiscal 2023 and fiscal 2026 is disclosed on the Company’s website.

[https://ir.toyobo.co.jp/en/ir/management\\_policies/mid-plan.html](https://ir.toyobo.co.jp/en/ir/management_policies/mid-plan.html)

(ii) Basic views and basic policies on corporate governance

For basic views, please refer to “I. 1. Basic Views.” Basic policies are as follows:

[Basic policies on corporate governance]

(1) Securing the rights and equal treatment of shareholders

- The Company shall comply with laws and regulations to appropriately secure shareholders’ rights practically. Furthermore, the Company shall construct an environment for shareholders to appropriately exercise those rights in order to ensure appropriate cooperation with shareholders.

(2) Appropriate cooperation with stakeholders other than shareholders

- The Company shall respond flexibly to changes in the times based on the corporate philosophy of “Jun-Ri-Soku-Yu” and take efforts in corporate governance and compliance, which are the foundations of enhancing corporate value.
- The Company regards corporate value as “value formed by balancing economic value (corporate profit) and societal value (trust and valuation from stakeholders and contribution to solving social issues),” and we address issues surrounding sustainability under the leadership of the Sustainability Committee (chaired by the President).
- The Company will establish various principles for cooperation with each stakeholder in the TOYOBO Group Charter of Corporate Behavior and endeavor to ensure that these principles are widely understood and practiced by all Group officers and employees.

(3) Ensuring appropriate information disclosure and transparency

- The Company conducts appropriate disclosure of not only financial information, but also non-financial information such as the management policy and corporate governance based on laws and regulations. Furthermore, the Company takes efforts to provide easily understandable and useful information from the perspective of actively disseminating information about the Company’s efforts and ensuring the transparency and fairness of Company’s decision-making.

#### (4) Responsibilities of the Board of Directors

- Based on their fiduciary responsibility and accountability to shareholders, the Board of Directors of the Company shall construct a corporate governance system, described as below, which aim to enhance sustainable corporate value.
- The Company adopts a structure of a company with Board of Corporate Auditors and implements an executive officer system. This system 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.
- In order to establish a balanced system as a whole, which maintains the expertise and skills required for appropriate choices of a strategic course and important decisions on the execution of business and the independence required for the strengthening of management supervision, and secures diversity in terms of career history, gender, and age, etc., the Board of Directors is composed of the Chair of the Board, Outside Directors, and Directors who concurrently serve as Executive Officers. The ratio of Outside Directors shall be one third or more.
- Outside Officers are appointed based on the Independence Standards for Outside Officers so that they will be able to execute its role and responsibilities. In particular, for Outside Directors, the following main roles and responsibilities are stipulated to be fulfilled from the perspective of ensuring a supervisory function and maximizing shareholder return.
  - i. advise on management policy, management plan formulation, and management improvement based on own knowledge.
  - ii. supervise management through the appointment and dismissal of management and other important decisions at the Board of Directors.
  - iii. oversee any conflicts of interest between the Company or shareholders and management.
- The Company aims to enhance its support system for Outside Officers, such as the administrative office of the Board of Directors providing prior explanation of important matters. Furthermore, a Liaison Meeting of Outside Officer, comprised only of Outside Officers, is held regularly, where they can share their understanding and exchange information.
- The Company shall maintain transparency and fairness regarding the nomination and compensation of Directors, etc. by consulting to the advisory body comprised mainly of Outside Directors.

#### (5) Dialogue with shareholders

- The Company, in order to contribute to the enhancement of sustainable corporate value, strives to construct an appropriate environment for its shareholders to exercise their rights. Furthermore, the Company discloses in a timely and appropriate manner both financial and non-financial information which can contribute to constructive dialogue as well as takes efforts to construct a system to promote constructive dialogue between the Company and shareholders and investors.

#### (iii) The Board of Directors’ policies and procedures in determining the compensation of the senior management and Directors

The policies and procedures related to the compensation of senior management (hereinafter “Directors who serve concurrently as Executive Officers”; the same shall apply hereinafter) and other Directors are stated in the Notice of the Annual General Meeting of Shareholders (“Matters concerning corporate officers” of the Business Report).

(Company’s website: <https://ir.toyobo.co.jp/ja/ir/stock/shareholder.html>)

#### (iv) The Board of Directors’ policies and procedures in the election and dismissal of the senior management and the nomination of candidates for Director and Corporate Auditor

The election and dismissal of senior management and the nomination of candidates for Director and for Corporate Auditor are made in consideration of their excellent character and insight appropriate to their respective responsibilities, as well as the separately established standards for the nomination of officers, etc. The decision is made by the Board of Directors after deliberation by the Nomination and Compensation Advisory Committee, a majority of whose members are Outside Directors (Chair: Outside Director). For views on the composition of the Board of Directors and the Board of Corporate Auditors, please refer to Supplementary Principle 4-11-1.

<Reference: Outline of Standards for Nomination, etc. of Directors and Corporate Auditors>

- Candidate for Director (excluding candidate for Outside Director)
  - In addition to managerial knowledge, achievements, experience, and skills, the candidate should possess a company-wide perspective.
- Candidate for Outside Director
  - The candidate should contribute to the enhancement of corporate value and strengthening of supervisory functions, such as by providing business suggestions and management support.
  - The candidate must meet the Independence Standards for Outside Officers.
- Candidate for Corporate Auditor
  - The candidate should be able to make appropriate decisions from an independent and objective standpoint in auditing such matters as the execution of duties.
  - The candidate for Outside Corporate Auditor must meet the Independence Standards for Outside Officers.

The dismissal of senior management is decided by the Board of Directors after deliberations and reports from the Nomination and Compensation Advisory Committee when corrupt, unjust, or disloyal actions are suspected, or when there are reasons unbecoming of an officer.

(v) The Board of Directors' statements concerning individual election, dismissal and nomination when electing and dismissing senior management and nominating candidates for Director and Corporate Auditor based on (iv) above

Career summaries and reasons for nomination of candidates for Director and Corporate Auditor are disclosed in the Notice of the Annual General Meeting of Shareholders.

Information regarding the dismissal of senior management shall be disclosed as needed in a timely and appropriate manner to stakeholders, including shareholders.

[Supplementary Principle 3-1-3 Sustainability Initiatives, Etc.]

In order to accelerate initiatives for sustainability, the Group specified materiality (priority issues) on which to focus by taking into consideration stakeholders' expectations and wishes as well as management issues and the level of importance for the Group, and prioritizing them.

Concerning specific initiatives for solving materiality, the Group has set targets and KPI, and the progress of such is managed by the Sustainability Committee, which is chaired by the President.

These sustainability initiatives are proactively conveyed in the Integrated Report and on the Company's website.

(Company's website: <https://www.toyobo-global.com/sustainability/>)

(Company's website (Integrated Report): <https://ir.toyobo.co.jp/en/ir/library/integrated.html>)

Concerning human capital, R&D and innovation, data security, supply chains, etc., the initiatives for realizing the corporate philosophy and achieving SDGs are presented in the Integrated Report. Regarding intellectual property, its basic policies and strategies are disclosed on the Company's website.

Furthermore, in fiscal 2024, as initiatives carried out in line with the TCFD proposals, we studied the risks and opportunities for two scenarios: a less than 2°C scenario in which the transitional impacts become apparent, and a 4°C scenario in which the physical impact become apparent. In particular, for three risks and two opportunities that we considered important, we organized measures being taken by the Company and disclosed our efforts in the Annual Securities Report and the Integrated Report.

[Supplementary Principle 4-1-1 Outline of Scope of Matters Delegated to Management]

In addition to matters designated by laws and regulations, and the Articles of Incorporation, as well as matters delegated by the General Meeting of Shareholders, the Board of Directors of the Company shall make resolutions regarding important management matters designated in the Board of Directors Regulations, etc. Furthermore, matters which fall outside the scope of matters for decision by Board of Directors shall be decided by the Board of Management delegated by the Board of Directors or by

internal memos, based on detailed and specific proposal/report standards established based on importance.

[Principle 4-9 Independence Standards and Qualification for Independent Outside Directors]  
Independence Standards for Outside Officers is stated in the Notice of the Annual General Meeting of Shareholders.

(Company's website: <https://ir.toyobo.co.jp/en/ir/stock/shareholder.html>)

[Supplementary Principle 4-10-1 Views, Authority, Roles, Etc. Related to Independence of Composition of Committees]

The Company has established the Nomination and Compensation Advisory Committee as an advisory body for the Board of Directors after ensuring one third or more of the members of the Board of Directors are Independent Outside Directors. The majority of members of this committee are Outside Directors, and an Outside Director serves as Chair (current member composition: two Outside Directors, one inside Director (does not execute business); Observer: one Outside Corporate Auditor). With regard to 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 officer compensation for this committee, each committee member provides appropriate involvement and advice based on their abundant experience and knowledge in response to proposals from the President, who is responsible for executives. Furthermore, the Board of Directors shall pay maximum respect to the reports of this committee, which is highly independent, when carrying out decisions concerning nominations and compensation.

[Supplementary Principle 4-11-1 Composition of the Board of Directors]

The Board of Directors has identified seven areas of expertise and skills to be featured in light of the management strategy: "Corporate Management," "Production/Technology/Development," "Marketing/Sales," "Finance/Accounting," "Environment/Society," "Governance/Risk Management/Compliance," and "IT/DX," and publishes a skills matrix in the Notice of the Annual General Meeting of Shareholders. The Board of Directors is a balanced system as a whole that maintains the expertise and skills required for appropriate choice of strategic course and important decisions on the execution of business and the independence required for the strengthening of management supervision, and ensures diversity in terms of career history, gender, and age, etc. The ratio of Outside Directors is one third or more, and the number of members is prescribed in the Articles of Incorporation as 14 or less.

[Supplementary Principle 4-11-2 Concurrent Positions Held by Directors and Corporate Auditors]

In the election of Directors and Corporate Auditors, the Company confirms that candidates do not have concurrent positions which could hinder the expected execution of their duties before they are nominated, and sets guidelines for the number of companies in which they may hold concurrent positions. In the Business Report and the Reference Documents for General Meeting of Shareholders, the Company discloses the status of important concurrent positions, including cases when a candidate is serving concurrently as an officer in another listed company.

[Supplementary Principle 4-11-3 Evaluation of Effectiveness of the Board of Directors]

In order to further enhance the functions of the Board of Directors, the Company carried out an overall analysis and evaluation of the effectiveness of the Board of Directors in fiscal 2024 with the support of an external organization. An outline of this evaluation is as follows:

1. Implementation method

- |                             |                                                                                                                                                       |
|-----------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------|
| (1) Eligible persons        | All Directors and Corporate Auditors                                                                                                                  |
| (2) Method                  | A survey (roughly 50 questions) was conducted, and responses were made directly to the external organization to which the operations were outsourced. |
| (3) Analysis and evaluation | The analysis and evaluation were carried out by the Board of Directors based on the aggregate results reported by the external organization.          |

## 2. Outline of analysis and evaluation results

- (1) The results of the evaluation indicated that the number of members of the Board of Directors, the ratio of inside and outside Directors and management of the Board of Directors meetings by the Chairperson were largely appropriate. In addition, highly positive evaluation was given to the level of constructive deliberations and exchanges of opinion carried out.
- (2) It was confirmed that certain results and improvements were achieved as a result of addressing the five issues identified in the previous report: (i) risk management measures for safety and disaster-management measures, quality assurance, etc. (ii) efforts to review the business portfolio, (iii) enhancement of group governance, (iv) initiatives for the succession plan and election procedures for CEO, and (v) initiatives for other medium- to long-term themes, although there were some comments that some improvements were insufficient.
- (3) In particular, the above items (ii), (iii), and (iv) were rated relatively low, and are issues to be addressed going forward, together with “examination of policies, etc. for understanding and improving the cost of capital and capital profitability” which was newly identified in this round. The above (i) remains an issue to be addressed going forward as well, in order to further improve it through ongoing efforts.

## 3. Issues and future initiatives

- (i) Risk management measures for safety and disaster-management measures, quality assurance, etc.
  - Further enhance the Group-wide risk management system, including supervision of efforts toward important targets and KPIs.
- (ii) Examination of policies, etc. for understanding and improving the cost of capital and capital profitability
  - Examine and oversee the initiatives aimed understanding and improving the cost of capital and capital profitability of the Company.
- (iii) Efforts to review the business portfolio
  - Examine and oversee the initiatives for understanding and reviewing the current state of the business portfolio and the important issues.
- (iv) Initiatives for the succession plan and election procedures for CEO
  - Further ensure transparency and fairness by enhancing activity reports from the Nomination and Compensation Advisory Committee.
- (v) Enhancement of group governance
  - Receive reports on risk management and other matters concerning group companies from the Corporate Business Management Department, and get involved as appropriate.
  - Ensure the effectiveness of the internal audit function and enhance group governance by receiving reports on audit plans and results from the Internal Audit Department.

Through these efforts, the Board of Directors strives to improve the overall effectiveness of the Board of Directors.

### [Supplementary Principle 4-14-2 Policy on Training of Directors and Corporate Auditors]

As well as giving explanations to newly appointed Directors and Corporate Auditors concerning their roles and responsibilities, the Company bears the cost to send Executive Officers and Directors to an external training program upon their appointment, in order to acquire the necessary knowledge. In addition, newly appointed Outside Directors and Outside Corporate Auditors are given explanations concerning the Company’s operations, finances, and organization, etc. and provided visits to each business site. They are continuously provided with opportunities after assuming office to acquire the necessary knowledge in order to sufficiently fulfill their roles and responsibilities.

### [Principle 5-1 Policy for Constructive Dialogue with Shareholders]

Basic policy for dialogue with shareholders are as follows:

#### [Basic policy for dialogue with shareholders]

The Company constructs a system and takes efforts related to IR (including SR) to promote constructive dialogue between investors and shareholders (including beneficial shareholders) based on the below policy in order to continuously improve corporate value.

(Controlling supervisor)

Appointing an Executive Officer who controls IR operations as controlling supervisor, the Company constructs a system and takes efforts to generate constructive dialogue.

(Sufficient opportunities for dialogue)

The Company implements the below measures for sufficient opportunities for dialogue.

- Annual General Meeting of Shareholders
- Earnings briefings, etc. (for analysts and institutional Investors)
- Disclosure of related information on the Company's website

(Execution of individual dialogue)

In addition to the measures above, when the Company determines that it is beneficial to the medium- to long-term improvement of corporate value and sustainable growth of the Company, it also conducts individual dialogue after selecting appropriate responders on a case-by-case basis, while taking into consideration fairness in information disclosure.

Furthermore, in dialogue, from the perspective of ensuring effectiveness, the Company conducts surveys on shareholder structure on a regular basis.

(Method of feedback)

Executive Officers controlling IR operations report information gained by dialogue to the Board of Directors, etc.

(Cooperation with internal departments which assist dialogues)

The department in charge of IR operations cooperates with the Accounting and Control Department and other related departments and summarizes the content, etc. of the dialogues while sufficiently taking into consideration management of insider information.

(Management of insider information)

The management of insider information is handled in accordance with the disclosure policy posted on the Company's website.

(IR related materials)

The Company's website includes the following data to contribute to dialogues, etc. In light of the ratio of foreign shareholders, the Company also works to provide information in English.

- Consolidated Financial Report
- Presentation materials for earnings briefings
  - Videos, audio recordings and scripts of presentations (H1 and year-end earnings)
  - Presentation script and outline of questions
- Materials for medium-term management plan
- Sustainability Meeting materials
- Annual Securities Reports
- Notice of the General Meeting of Shareholders
- Extraordinary Reports (voting results)
- Newsletter to Shareholders
- Factbook
- Integrated Report

[Action to Implement Management that is Conscious of Cost of Capital and Share Price]

In the 2025 Medium-Term Management Plan, the Company has "four measures" for achieving the sustainability goals set under Sustainable Vision 2030, and the Company regards this four-year as "a four-year transitional period of remaking and preparation." One of such measures, "Reorganization of the business portfolio," divides and categorizes each business into "Businesses focusing expansion," "Stable earning businesses," "Businesses requiring improvement," and "New businesses to be developed" based on the two axes of "profitability" and "growth potential," and the Company manages each business according to this positioning. The indicator used for profitability is Return on Capital Employed (ROCE), derived by dividing operating profit by capital employed, while the indicator for



growth potential is the compound annual growth rate (CAGR) in net sales. When formulating the 2025 Medium-Term Management Plan, the Group set ROE of at least 7.0% and an ROIC of at least 5.0%, as the fiscal 2026 targets. However due to the difficulties in the business environment posed by recent volatility, the Group's business performance and financial position have deteriorated. As a result, the Group is now targeting ROE of at least 4.5% and an ROIC of at least 4.0% for the fiscal 2026 targets. Going forward, we will continue to promote management that is conscious of cost of capital and stock price.

**[Dialogue with Shareholders]**

In accordance with [Principle 5-1 Policy for Constructive Dialogue with Shareholders], the Company has engaged in constructive dialogue with shareholders (including analysts, fund managers, ESG managers, persons in charge of exercising voting rights, and actual holders of the shares) and investors both in Japan and overseas.

In 2023, the Company engaged in dialogue with such shareholders about the reorganization of the business portfolio and other growth strategy matters, important ESG issues such as measures to reduce greenhouse gas emissions and evaluate the effectiveness of the Board of Directors, and its business results based on the long-term vision and action plan for achieving sustainable growth set out in the Sustainable Vision 2030 and the 2025 Medium-Term Management Plan, with attendance not only by senior management, including the President, but also by Outside Directors for certain themes. The Executive Officer controlling IR operations reports information obtained from such dialogue and opinions of shareholders and investors to the Board of Directors.

**2. Capital Structure**

Foreign Shareholding Ratio	From 20% to less than 30%
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**[Status of Major Shareholders]**

Name	Number of Shares Owned (Shares)	Shareholding Ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	13,494,400	15.32
Custody Bank of Japan, Ltd. (Trust Account)	10,287,400	11.68
TOYOBO Employee Stockholders' Association	2,400,674	2.72
GOVERNMENT OF NORWAY	2,302,444	2.61
Toyukai	2,016,510	2.29
Nippon Life Insurance Company	1,750,803	1.99
Meiji Yasuda Life Insurance Company	1,402,900	1.59
DFA INTL SMALL CAP VALUE PORTFOLIO	1,309,073	1.49
JP MORGAN CHASE BANK 385781	1,280,586	1.45
STATE STREET BANK WEST CLIENT-TREATY 505234	1,092,100	1.24

Controlling Shareholder (except for Parent)	—
Parent (Listed Stock Market)	N/A

—

**3. Corporate Attributes**

Listed Stock Market and Market Section	Tokyo Stock Exchange Prime Market
Fiscal Year-End	March
Type of Business	Textiles & Apparels
Number of Employees (Consolidated) at End of the Previous Fiscal Year	1,000 or more
Net Sales (Consolidated) for the Previous Fiscal Year	From 100 billion yen to less than 1 trillion yen
Number of Consolidated Subsidiaries at End of the Previous Fiscal Year	From 50 to less than 100

**4. Policy for Measures to Protect Minority Shareholders in Conducting Transactions with Controlling Shareholder**

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**5. Special Circumstances Which May Have Material Impact on Corporate Governance**

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## II. Business Management Organization and Other Corporate Governance Systems Regarding Decision-making, Execution of Business, and Supervision in Management

### 1. Organizational Composition and Operation

Organization Form	Company with Board of Corporate Auditors
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#### [Directors]

Maximum Number of Directors Stipulated in Articles of Incorporation	14
Term of Office Stipulated in Articles of Incorporation	1 year
Chairperson of the Board	Chair (excluding the case where the person concurrently serves as President)
Number of Directors	10
Appointment of Outside Directors	Appointed
Number of Outside Directors	5
Number of Independent Officers Designated from among Outside Directors	5

#### Outside Directors' Relationship with the Company (1)

Name	Attribute	Relationship with the Company*											
		a	b	c	d	e	f	g	h	i	j	k	
Takafumi Isogai	Academic												
Kimie Sakuragi	From another company												
Masaaki Harima	Attorney at law												
Hiroshi Fukushi	From another company								△				
Shoko Takase	From another company								△				

\* Categories for "Relationship with the Company"

\* "○" when the director presently falls or has recently fallen under the category;

"△" when the director fell under the category in the past;

\* "●" when a close relative of the director presently falls or has recently fallen under the category; and

"▲" when a close relative of the director fell under the category in the past

a. Executive (a person who executes business; hereinafter, the same) of the Company or its subsidiary

b. Non-executive director or executive of the parent of the Company

c. Executive of a fellow subsidiary of the Company

d. Party whose major client or supplier is the Company or an executive thereof

e. Major client or supplier of the Company or an executive thereof

f. Consultant, accounting professional or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as a director

- g. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a corporation)
- h. Executive of a client or supplier of the Company (which does not correspond to any of d., e., or f.) (the director himself/herself only)
- i. Executive of a corporation to which outside officers are mutually appointed (the director himself/herself only)
- j. Executive of a corporation that receives a donation from the Company (the director himself/herself only)
- k. Other

Outside Directors' Relationship with the Company (2)

Name	Designation as Independent Officer	Supplementary Explanation of the Relationship	Reasons for Appointment
Takafumi Isogai	○	No items to report.	The Company elected Takafumi Isogai as an Outside Director 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.
Kimie Sakuragi	○	No items to report.	The Company elected Kimie Sakuragi as an Outside Director 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.
Masaaki Harima	○	No items to report.	The Company elected Masaaki Harima as an Outside Director 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.

Name	Designation as Independent Officer	Supplementary Explanation of the Relationship	Reasons for Appointment
Hiroshi Fukushi	○	Hiroshi Fukushi worked for Ajinomoto Co., Inc., a business partner of the Company. The Company's transaction volumes from Ajinomoto Co., Inc. made up less than 1% of the sales of both companies on average for the past three years. Therefore, the Company determined that there is no risk of a conflict of interest between him and general shareholders.	The Company elected Hiroshi Fukushi as an Outside Director so that his extensive experience and wide-ranging knowledge as a manager can be leveraged to provide advice and supervision to the Company's management.
Shoko Takase	○	Shoko Takase worked for IBM Japan Ltd., a business partner of the Company. The Company's transaction volumes from IBM Japan Ltd. made up less than 1% of the sales of both companies on average for the past three years. Therefore, the Company determined that there is no risk of a conflict of interest between her and general shareholders.	The Company elected Shoko Takase as an Outside Director so that her extensive experience and wide-ranging knowledge as a manager can be leveraged to provide advice and supervision to the Company's management.

Voluntary Establishment of Committee(s) Equivalent to Nominating Committee or Compensation Committee	Established
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Committee's Name, Composition, and Chair's Attributes

	Committee Equivalent to Nominating Committee	Committee Equivalent to Compensation Committee
Committee's Name	Nomination and Compensation Advisory Committee	Nomination and Compensation Advisory Committee
Total Committee Members	3	3
Full-time Members	0	0
Inside Directors	1	1
Outside Directors	2	2
Outside Experts	0	0
Other	0	0
Chair	Outside Director	Outside Director

## Supplementary Explanation

For the major deliberations of the above committee, please refer to [Supplementary Principle 4-10-1 Views, Authority, Roles, Etc. Related to Independence of Composition of Committees] in [Disclosure Based on the Principles of Japan's Corporate Governance Code]. The composition of the Nomination and Compensation Advisory Committee as of the date of filing is as follows:

(Nomination and Compensation Advisory Committee)

Chair	Hiroshi Fukushi, Outside Director
Committee Member	Kimie Sakuragi, Outside Director
Committee Member	Seiji Narahara, Chair of the Board and Director
(Observer	Wakyu Shinmen, Outside Corporate Auditor)

### [Corporate Auditors]

Establishment of Board of Corporate Auditors	Established
Maximum Number of Corporate Auditors Stipulated in Articles of Incorporation	5
Number of Corporate Auditors	4

### Cooperation among Corporate Auditors, Financial Auditor and Internal Audit Department

- Corporate Auditors hold regular meetings to exchange information, in addition to receiving reports on the audit plans and results from Financial Auditor.
- 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.

Appointment of Outside Corporate Auditors	Appointed
Number of Outside Corporate Auditors	2
Number of Independent Officers Designated from among Outside Corporate Auditors	2

### Outside Corporate Auditors' Relationship with the Company (1)

Name	Attribute	Relationship with the Company*												
		a	b	c	d	e	f	g	h	i	j	k	l	m
Akihiko Irie	From another company										△			
Wakyu Shinmen	Certified public accountant													

\* Categories for "Relationship with the Company"

\* "○" when the corporate auditor presently falls or has recently fallen under the category;

"△" when the corporate auditor fell under the category in the past;

\* "●" when a close relative of the corporate auditor presently falls or has recently fallen under the category; and

"▲" when a close relative of the corporate auditor fell under the category in the past

- a. Executive (a person who executes business; hereinafter, the same) of the Company or its subsidiary
- b. Non-executive director or accounting advisor of the Company or its subsidiary
- c. Non-executive director or executive of the parent of the Company
- d. Corporate auditor of the parent of the Company
- e. Executive of a fellow subsidiary of the Company
- f. Party whose major client or supplier is the Company or an executive thereof
- g. Major client or supplier of the Company or an executive thereof
- h. Consultant, accounting professional or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as a corporate auditor
- i. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a corporation)
- j. Executive of a client or supplier of the Company (which does not correspond to any of f., g., or h.) (the corporate auditor himself/herself only)
- k. Executive of a corporation to which outside officers are mutually appointed (the corporate auditor himself/herself only)
- l. Executive of a corporation that receives a donation from the Company (the corporate auditor himself/herself only)
- m. Other

Outside Corporate Auditors' Relationship with the Company (2)

Name	Designation as Independent Officer	Supplementary Explanation of the Relationship	Reasons for Appointment
Akihiko Irie	○	Akihiko Irie worked for Osaka Gas Co., Ltd., a business partner of the Company. The Company's transaction volumes from Osaka Gas Co., Ltd. made up less than 1% of the sales of both companies on average for the past three years. Therefore, the Company determined that there is no risk of a conflict of interest between him and general shareholders.	Akihiko Irie has a wealth of experience in auditing, including serving as a corporate auditor of listed companies. The Company elected him as an Outside Corporate Auditor to reflect his knowledge, etc. in the auditing of the Company.
Wakyu Shinmen	○	No items to report.	Wakyu Shinmen is a certified public accountant with extensive experience in auditing. The Company elected him as an Outside Corporate Auditor to reflect his knowledge, etc. in the auditing of the Company.

**[Independent Officers]**

Number of Independent Officers	7
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Matters relating to Independent Officers
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All Outside Officers who meet the qualifications for independent officer are designated as independent officers.

**[Incentives]**

Implementation of Measures to Provide Incentives to Directors	Other
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Supplementary Explanation
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The Company introduced a plan of compensation for granting restricted shares to Directors (excluding Outside Directors). Furthermore, the Company introduced a similar plan for Executive Officers (excluding Directors who are also an Executive Officer).

Recipients of Share Options	
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Supplementary Explanation
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**[Director Compensation]**

Disclosure of Individual Directors' Compensation	No individual disclosure
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Supplementary Explanation
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The total amount of compensation, etc. for Directors and Corporate Auditors for the previous fiscal year was 308 million yen for 12 Directors and 71 million yen for four Corporate Auditors. Of the amount, the total amount of compensation, etc. for Outside Directors and Outside Corporate Auditors was 53 million yen for five Outside Directors and 18 million yen for two Outside Corporate Auditors. The total amount of compensation, etc. includes the compensation for two Directors and two Corporate Auditors who retired at the conclusion of the 165th Annual General Meeting of Shareholders held on June 28, 2023.

Policy for Determining Compensation Amounts or Calculation Methods Thereof	Established
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Disclosure of Policy for Determining Compensation Amounts or Calculation Methods Thereof
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This information is stated in the Notice of the Annual General Meeting of Shareholders (“Matters concerning corporate officers” of the Business Report).  
(Company’s website: <https://ir.toyobo.co.jp/ja/ir/stock/shareholder.html>)

**[Supporting System for Outside Directors and/or Outside Corporate Auditors]**

The administrative office of the Board of Directors was established and it works to enhance prior briefings of important matters. Members of the Internal Auditing Department are assigned as Corporate Auditors’ staff to assist Corporate Auditors in their duties.



**[Status of Persons Who Have Retired from a Position Such as President, CEO & Co-COO]**

Retired President, CEO & Co-COO, etc. Holding Advisory or Any Other Position in the Company

Name	Title/ Position	Responsibilities	Working Form and Conditions (Full-time/ Part-time, Paid/Unpaid, etc.)	Date of Retirement from Position Such as President	Term of Office
Junji Tsumura	Honorary Senior Advisor	External activities, etc. (uninvolved in management)	Part-time, unpaid	June 29, 2010	1 year
Ryuzo Sakamoto	Senior Advisor	External activities, etc. (uninvolved in management)	Part-time, paid	June 24, 2020	1 year

Total Number of Retired President, CEO & Co-COO, etc. Holding Advisory or Any Other Position in the Company

2

Other Matters

The senior advisor and honorary senior advisor system is established in internal rules.

**2. Matters on Functions of Business Execution, Audit and Supervision, Nomination and Compensation Decisions (Overview of Current Corporate Governance System)**

The Company is a company with Board of Corporate Auditors, and under this governance system, has elected five Outside Directors and adopted the Executive Officer system.

(1) Board of Directors

The Board of Directors has 10 Directors, including five Outside Directors. The term of office of 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. Furthermore, in order to establish a balanced system as a whole, which maintains the expertise and skills required for appropriate choices of a strategic course and important decisions on the execution of business and the independence required for the strengthening of management supervision, and secures diversity in terms of career history, gender, and age, etc., the Board of Directors is composed of the Chair of the Board, Outside Directors, and Directors who concurrently serve as Executive Officers. The ratio of Outside Directors is one third or more, 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.

(2) Business execution

There are 24 Executive Officers, including some who serve concurrently as Directors. President and Representative Director serves currently as CEO and efficiently executes businesses. The Board of Management, where Managing Executive Officers and Controlling Supervisors participate, 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 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 also discusses management issues and communicates management policies.

### (3) 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.

### (4) Audit by Corporate Auditors, internal audit, and accounting audit

#### (Audit by Corporate Auditors)

- 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 the duties of the Corporate Auditors, we have assigned two staff members for Corporate Auditors.
- Corporate Auditors attend to express their opinions at Board of Directors meetings as well as other important meetings based on internal rules, 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. Additionally, Corporate Auditor Takayuki Tabo has many years of experience in the accounting department of the Company, and Outside Corporate Auditor Wakyu Shinmen is a certified public accountant, and both of them have considerable knowledge of finance and accounting.

#### (Internal audit)

- The Company has established the Internal Audit Department under the direct control of the President and Representative Director. The Internal Audit Department with 15 members conducts internal audits based on the audit plans, including at group companies, and conducts monitoring activities to evaluate the effectiveness of internal controls. Depending on the purpose of the audit, we conduct general audits that audit matters related to operations under the jurisdiction of the auditee, audits of risk management systems related to major risks such as safety, disaster prevention, and quality, and thematic audits in which audits are conducted based on specific themes. If the results of an audit indicate that there are matters requiring improvement, we request the auditee to submit an improvement plan and a report on the implementation of improvements, and confirm the state of implementation and operation of the improvement plan, thereby strengthening internal control.
- The results of audits and the state of assessment of internal controls over financial reporting are reported to the President and Representative Director, the Board of Directors, and the Corporate Auditors, with whom the state of activities including audit plans is explained and opinions exchanged. It also regularly exchanges opinions with Accounting Auditor.

#### (Accounting audit)

- The status of the accounting audit is as follows.

Name of audit corporation:	KPMG AZSA LLC
Continuous audit period:	55 years
Certified public accountant who executed business:	Yoshihide Takehisa, Tetsuo Yamada, Seiko Ohashi
Composition of assistants:	11 certified public accountants, 24 others, total 35 persons

### (5) 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.

## 3. Reasons for Adoption of Current Corporate Governance System

The Company is a company with Board of Corporate Auditors, and under this governance system, has adopted the Executive Officer system and has constructed a corporate governance system which

enables timely decision-making and efficient business execution. Outside Directors bear a role of maintaining the transparency and fairness of the Company's management by utilizing their extensive experience and providing opinions from an objective perspective. The Company strives to further ensure transparency and fairness by establishing a voluntary committee (Nomination and Compensation Advisory Committee) which is chaired by an Outside Director.

In addition, in selecting Corporate Auditors, the Company includes personnel with expertise and skills in finance and accounting, as well as with knowledge of the Group's business, thereby ensuring the effective auditing of the execution of Directors' duties.

In view of the diverse and specialized nature of the Company's businesses, the Company considers this current corporate governance system to be suitable.

### III. Implementation of Measures for Shareholders and Other Stakeholders

#### 1. Measures to Energize General Shareholders Meetings and Smooth Exercise of Voting Rights

	Supplementary Explanations
Early Notification of General Shareholders Meeting	In addition to sending notification 22 days before the date of the General Meeting, the Company publishes information on the websites of the Tokyo Stock Exchange and the Company prior to sending notification.
Scheduling AGMs Avoiding the Peak Day	The Company schedules General Meetings to avoid so-called peak days.
Allowing Electronic or Magnetic Exercise of Voting Rights	Shareholders have had the option to exercise their voting rights via the internet using personal computers and smartphones. In addition, the Company has adopted a service that allows shareholders to easily exercise their shares using a 2D codes, thereby enhancing shareholder convenience.
Participation in Electronic Voting Platform and Other Efforts to Enhance the Voting Environment for Institutional Investors	The Company participates in the electronic voting platform operated and administered by ICJ, Inc.
Providing Convocation Notice in English (Translated Fully or Partially)	The brief Notice of Convocation and Reference Documents for the General Meeting of Shareholders are provided in English.
Other	The Company strives to enhance report details at the General Meeting of Shareholders. Additionally, for the Notice of Convocation, the Company is promoting visualization by adopting UD fonts, using color, and using graphs and pictures, and is striving to provide materials for the General Meeting of Shareholders that are easy for shareholders to read and understand.

## 2. IR Activities

	Supplementary Explanations	Explanation by Representative
Preparation and Publication of Disclosure Policy	This is published on the Company's website.	
Regular Investor Briefings for Analysts and Institutional Investors	After announcing the H1 and year-end earnings, the Company holds briefings in which either President or Director in charge of the Accounting and Control Department reports an outline of earnings, short-term and medium-term goals, and issues of the Company.	Yes
Posting of IR Materials on Website	The Company posts materials of earnings briefings for analysts.	
Establishment of Department and/or Manager in Charge of IR	The Company established an IR Group in the Corporate Communication Department.	

## 3. Measures to Ensure Due Respect for Stakeholders

	Supplementary Explanations
Provisions to Ensure Due Respect for Stakeholders in Internal Rules, etc.	Provisions are included in TOYOBO Group Charter of Corporate Behavior.
Implementation of Environmental Conservation Initiatives, CSR Activities, etc.	The Company established a Sustainability Committee chaired by President, describes initiatives related to CSR in the TOYOBO Group Charter of Corporate Behavior, and issues an Integrated Report once a year.
Formulation of Policies for Information Provision to Stakeholders	Provisions related to the disclosure of information are included in the TOYOBO Group Charter of Corporate Behavior.

## **IV. Matters Related to Internal Control System**

### **1. Basic Views on Internal Control System and Progress of System Development**

In accordance with Article 362 of the Companies Act and Article 100 of the Regulation for Enforcement of the Companies Act, the Board of Directors approved a resolution as follows and the Company is promoting a framework ensuring the properness of business operations.

- (1) Framework ensuring 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.” In 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 system also clearly defines in the Executive Officer Regulations, which state that Executive Officers have an obligation to comply with laws and the 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, and corporate ethics.
- (2) Framework ensuring the 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 Chair of the Board serves as Chairperson of the Board of Directors. In addition, a dedicated staff member will be assigned to the administrative office to improve the effectiveness of the Board of Directors.
  - For “business execution,” President leads business execution and serves as Chairperson of the Board of Management, and 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, establishes policies, measures, and targets related to important medium- to long-term issues, manages their progress, and reports to the Board of Directors.
- (3) 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 to the Company’s Document and Information Management Rules.
- (4) 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, selects major risks and manages the progress of measures to avoid or mitigate them.
- (5) Framework ensuring the properness of business operations of the corporate group consisting of the Company and its subsidiaries
  - In terms of business operations, the Company’s departments in charge or the Corporate Business Management Department manage the progress based on the business content of the relevant company.

- With regard to governance, the Corporate Business Management Department cooperates with the departments in charge and staffing sector and supports the development of such measures as risk management systems.
  - The Company ensures the properness of operations by clarifying the scope in which the Company 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, Group Companies Management Rules, and other guideline.
  - The Company promotes compliance with laws and regulations across the entire group.
  - In order to ensure the reliability of financial reports, the Company constructs an internal control system which includes group companies and conducts effective management and evaluation of the system.
- (6) Framework ensuring the effectiveness of auditing by Corporate Auditor
- (i) Matters related to employees who assist 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 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 persons 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 Auditor
- It shall be clearly stated in the internal rules 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.

(7) 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.

## **2. Basic Views on Eliminating Anti-Social Forces and Progress of Related Efforts**

The Company's basic views are published in the above "1. Basic Views on Internal Control System and Progress of System Development (7)."



## V. Other

### 1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	Not adopted
Supplementary Explanation	

The Company has established the following basic policy regarding company control.

(1) Basic policy on ideal person who has 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 or reject any large-scale purchases that involve a transfer of control over the Company should be ultimately decided based on the shareholders' will.

However, some large-scale purchase actions include those that aim to realize the profits of the large-scale purchaser at the expense of the Company and those that may actually force shareholders to sell their shares. We believe that there are some that may impair corporate value and, in turn, the common interests of shareholders.

As for the person who has control over decisions on its financial and business policies, the Company believes that anyone who engages in a large-scale purchase or similar activities that may impair the corporate value of the Company and, in turn, the common interests of shareholders as described above, is not appropriate. The Company believes that a person who has a sufficient understanding of the Company's finances, basic philosophy, business activities and core technologies, and aims to increase corporate value and, in turn, the common interests of shareholders from a long-term perspective is appropriate.

(2) Special efforts for realization of the basic policy

a. Efforts to improve corporate value by promoting the medium-term management plan

The Company was founded as a cotton spinning business, and thereafter expanded its business to chemical textiles and synthetic fibers. The Company later entered into the markets of films, functional polymers, ultrahigh strength polyethylene fiber, functional membranes and enzymes for diagnostics, and has continued to expand its specialty businesses as represented by these products. The Company later entered into the markets of films, functional polymers, ultrahigh strength polyethylene fiber, functional membranes and enzymes for diagnostics, and has continued to expand its specialty businesses as represented by these products. In 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 meticulous demands of customers with an integrated marketing, development and production segment. Under this business model, the Company has been steadily executing the medium-term management plan, aiming to maintain and expand its businesses in order to further place the Company on the path to growth.

b. Efforts to improve corporate value by strengthening corporate governance

Under our corporate philosophy of "Jun-Ri-Soku-Yu," the Company has established an appropriate corporate governance system according to the Company's position, and through various measures such as the medium-term management plan, we will address social issues. In addition to contributing to the solution of the above, 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 persons 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. Other Matters Concerning Corporate Governance System**

### Overview of Timely Disclosure System

The status of internal framework for timely disclosure of corporate information of the Company are as follows:

#### (1) Basic Policy of Information Disclosure

The Company's basic policy in regards to corporate communication is to "aim for lively communication and strive for timely and appropriate information disclosure, taking into consideration fairness and equality." As such, the Company is focusing on a. information disclosure as a social responsibility (accountability) and b. communication which doesn't harm corporate value.

Within which, we will engage in active bilateral communication with shareholders and investors to enhance corporate value.

#### (2) Internal Framework for Timely Disclosure

The Company has set General Manager of Corporate Communication Department as a person responsible for information handling and the IR Group as an organization responsible for information disclosure. The departments responsible for matters related to account settlement (including results forecasts) are the Finance Department and the Accounting and Control Department. The department responsible for matters related to basic policy of management is the Corporate Planning Department. The department responsible for matters related to organizational operations, etc. is the Human Resources Department. The department responsible for matters related to stock and securities exchanges is the Legal and Compliance Department. Proposal of important matters will be issued by each responsible department and, after passing through the Board of Management and being approved in the Board of Directors, the information will be promptly and timely disclosed. Furthermore, proposals related to decisions will be deliberated in the Corporate Planning Committee and Financial Control Committee before being proposed to the Board of Management.

If, contrary to our intention, a newspaper publishes information about matters not officially provided by the Company, our first response will be to disclose the information to our shareholders, investors, etc., as promptly as possible, through the stock exchange.

#### (3) Methods of information disclosure

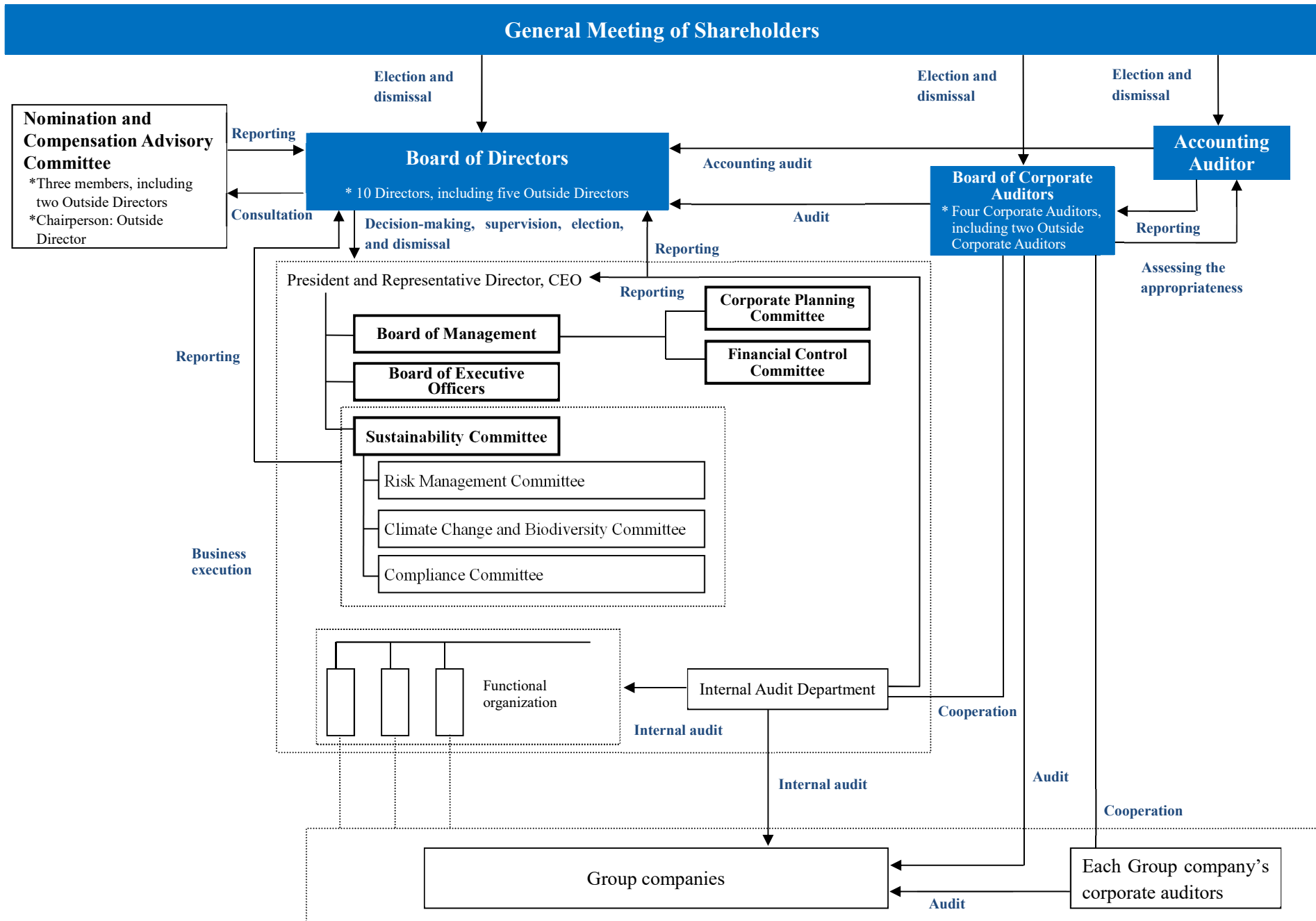
The Company shall disclose information through one or multiple of the following methods: submission of Annual Securities Reports, etc., registration to stock exchange, distribution of press release, and posting on the Company's website.

#### (4) Monitoring pertaining to management of corporate information

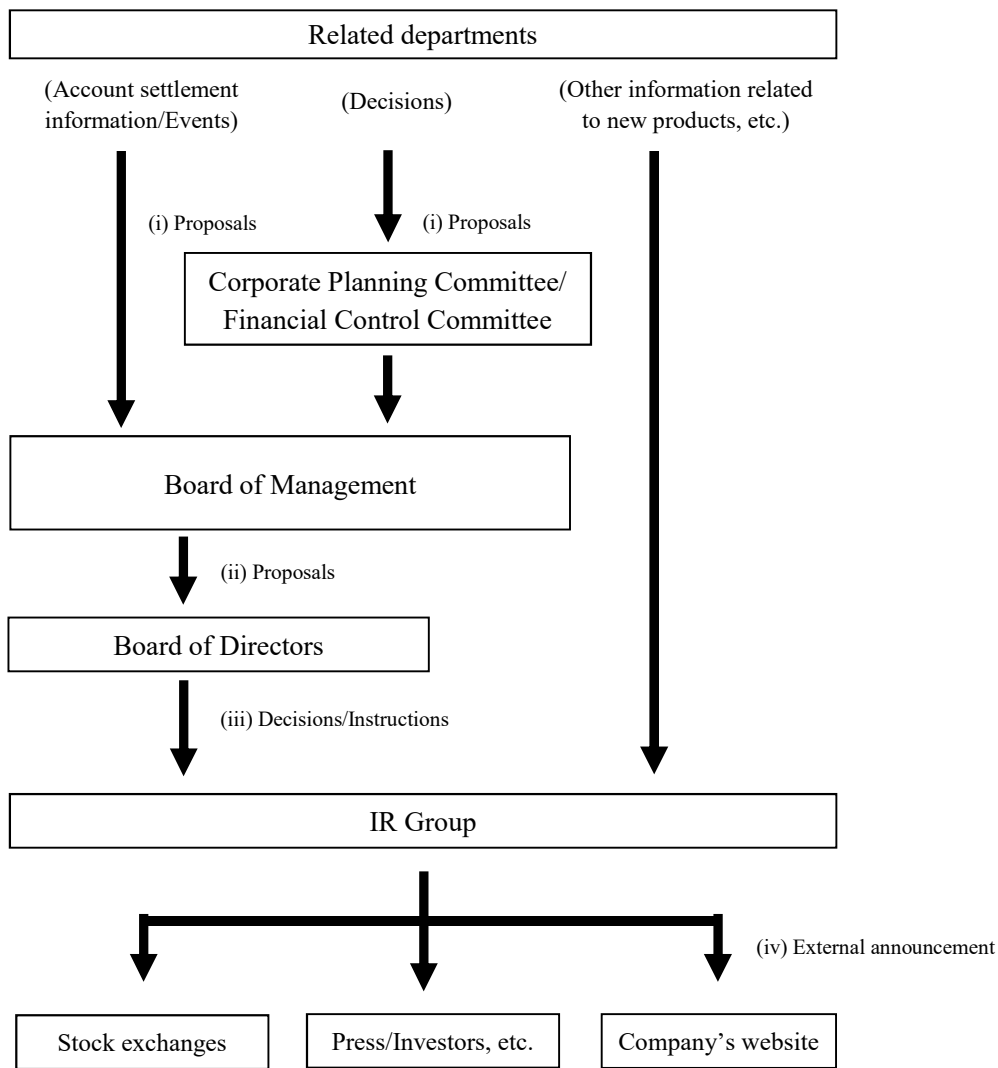
Multiple departments will inspect beforehand whether timely information disclosure is conducted properly and appropriately. In addition, Corporate Auditors will conduct an audit once a year.

(5) Other

The Company makes efforts to train employees regarding information management, spread knowledge and raise awareness by establishing rules in the Compliance Manual and the provisions on information handling management.



[Information Disclosure Structure]



- Information related to account settlement ... Content of account settlement, revisions to performance, revisions to dividends, etc. (Consolidated Financial Report, etc.)
- Information related to decisions ... Issuance of new shares, decrease in equity, share buybacks, share splits, etc.
- Information related to events ... Damages, changes in major shareholders, matters that cause delisting, etc.