

04

Foundation for value creation

48 Sustainability management

51 Disclosure based on TCFD recommendations

55 Environment

- Realization of a decarbonized society
- Realization of a circular society
- Conservation of water resources, conservation of biodiversity, chemical substances management

61 Society

- Safety and disaster prevention
- Respect for human rights
- KAERU — Creating opportunities for dialogue that brings awareness —
- Partnerships (supply chain)
- Quality
- Human capital
- Partnerships (social contribution)

69 Governance

- Outside Director message
- Corporate governance
- Compliance
- Management team
- Risk management

Sustainability management



Commitment of the officer in charge of sustainability

We accomplish sustainable growth by solving social issues through our business and with steady advancement of our initiatives



Nobuya Fujiwara

Managing Executive Officer
Head of Corporate Sustainability Division

Toyobo group has strengthened its sustainability initiatives since fiscal 2021, and has achieved definite results over these past three years. In Sustainable Vision 2030, the long-term vision we announced in May 2022, we identified five social issues that we can solve through our contributions, given the society we envision for 2030, including climate change, biodiversity, and human rights.

Regarding measures against climate change, we revised our GHG Emissions Reduction Plan, raising the fiscal 2031 reduction target for Scope 1 and 2 from 30% of the fiscal 2014 level to 46% or higher, and also setting a new reduction target for Scope 3. Our reduction target has been recognized as adhering to the levels stipulated by the Paris Agreement, and was also certified by the global Science Based Targets initiative in December 2022. As we work to reduce GHG emissions throughout our supply chain, we will strengthen our collaboration with our diverse stakeholders.

Our biodiversity conservation efforts include joining the 30 by 30 Alliance for Biodiversity in November 2022, an initiative to conserve 30% or more of land and sea as healthy ecosystems by the year 2030. We also applied for OECM international certification for forests owned by our group. We are implementing activities toward the (nature-positive) goal of stopping biodiversity loss and effecting restoration.

Regarding business and human rights, in October 2020 we laid out the Toyobo Group Human Rights Policy, and have stated our "respect for human rights throughout our supply chain" at the top of Sustainable Vision 2030. Having begun practicing due diligence in human rights from fiscal 2023, we place priority for our group on gaining a thorough understanding of the operational status of non-Japanese technical trainees. After starting the effort in Japan, we will implement a phased expansion to other countries in the future. Regarding our supply chain, we have established CSR Procurement Guidelines for all suppliers, and are advancing efforts to ensure our policies are understood, including through dialogue with suppliers that have issues.

Corporate sustainability consists of solving social issues through our business.

We have numerous products and solutions that contribute directly to solving social issues, and while expanding those products, we will generate new businesses by evolving and integrating our stock of technologies accumulated in the past. We could, for example, expand our products that bring about a reduction in carbon footprint through a combination of Scope 1 and 2 reductions and the use of recycled and biomass raw materials, thinning of components, etc. We will expand products and solutions that contribute to measures against climate change and to preservation of biodiversity, such as seawater desalination using less energy and renewable sources of energy, reuse of water, power generation using membranes, and devices that collect and reuse the volatile organic compounds used in the manufacture of electric vehicle batteries.

Genetic test reagents for PCR tests are helping with measures against the spread of COVID-19 and other infectious diseases. Biomanufacturing, which combines polymer technology and biomedical technology, the core technologies involved in genetic test reagents, can create businesses that solve issues in both climate change countermeasures and biodiversity conservation. We have, for example, started conducting basic research on uses for unutilized biomass. Future potential is thus hidden in such raw materials as those produced by thinning our group-owned forests.

We have been operating businesses that contribute to solving the social issues of the times ever since our founding in 1882, and our business portfolio has therefore been changing. One of the mottoes of our company's founder, Eiichi Shibusawa, was "*Jun-Ri-Soku-Yu* (Adhering to reason leads to prosperity)." With this as our corporate philosophy, we aim to be a group that continues to create solutions needed by people and the earth.

Being oriented toward sustainable growth means becoming a company that achieves sustainable growth through its contributions to the sustainability of society. Spreading and promoting this awareness is my duty.

Sustainability management



Basic approach

By contributing to the realization of a sustainable society, we realize the vision of Toyobo group, which expresses how we think about sustainability: “We are a group that continues to create the solutions needed by people and the earth with materials and science.” At the same time, the contributions our group makes to realizing a sustainable society will lead to profits, thereby increasing our corporate value, which in turn will lead to the growth of our business and to the realization of the next sustainable society. Our concept of sustainability consists in the continuation of this positive spiral.

• Policy

1. Management that takes the sustainability of society into consideration, and thus management that increases the sustainability of our company
2. Sustainability that builds a solid management foundation: The axis of our management foundation (ESG)
3. Sustainability that strengthens our competitiveness and drives growth: The axis of our business (CSV)

Organizational structure

Toyobo group has established a Sustainability Committee, with our President serving as chairperson. Committee meetings were held four times in fiscal 2023, with deliberations covering themes including checking on company-wide sustainability action, GHG emission reduction targets, nature-positive matters, geopolitical risk, and committee structure in consideration of the requirements of ISSB, etc. In April 2023, we reviewed our vision for our Sustainability Committee as a component of the sustainability management required by the Corporate Governance Code and by international sustainability standards. We reformed the committee into a system for integrated deliberations with a focus on medium- to long-term sustainability themes related to our company-wide long-term strategy.

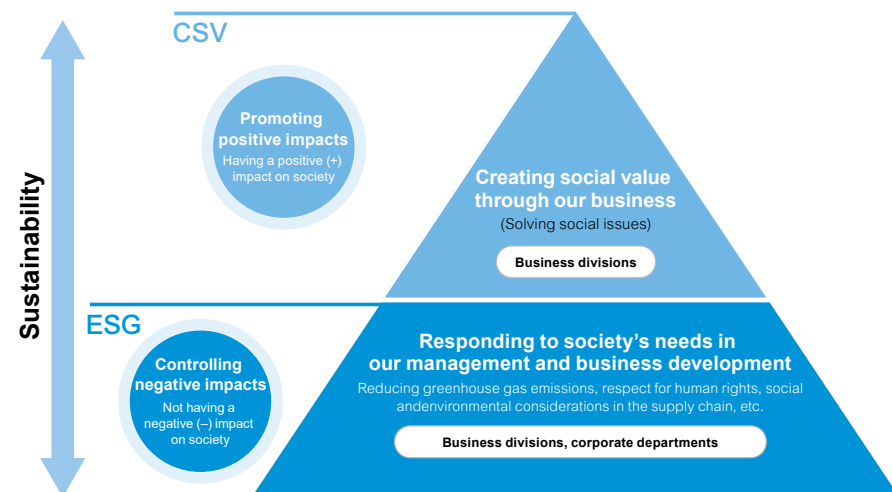
This new structure transfers the roles of eight committees previously under the Sustainability Committee umbrella to the respective divisions in charge, which will be responsible for advancing their activities. We are continuing with the Risk Management Committee and Compliance Committee, which require company-wide cross-organizational discussions and tasks,

and have established a new Climate Change and Biodiversity Committee.

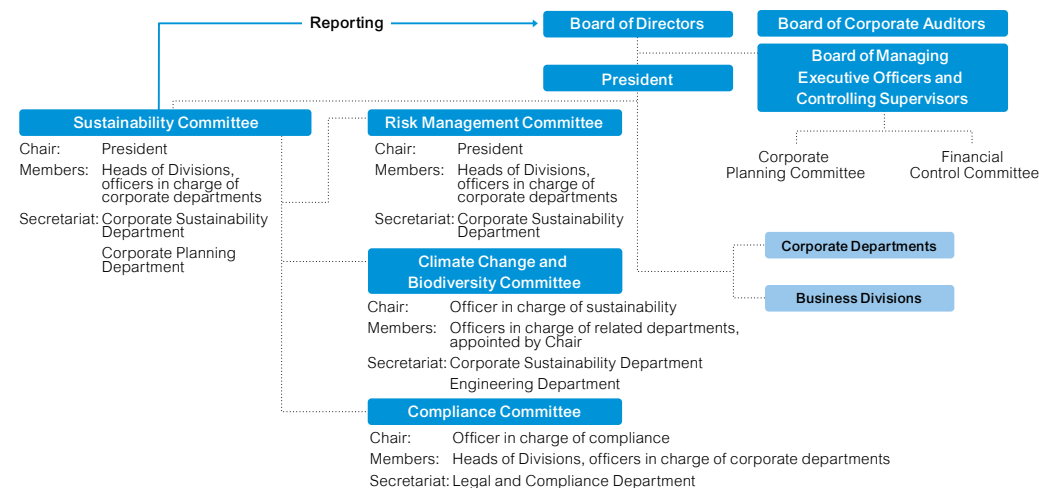
Meeting six times a year beginning in fiscal 2024, the committee will advance sustainability initiatives that lead us toward our envisioned ideal. It will engage in integrated discussions of priority issues (materialities), deliberate on strategies, measures, and indicators from the perspective of risk and opportunity, and manage the progress.

We have also established a Corporate Sustainability Division, which is responsible for drafting and promoting various specific measures, communicating them externally, and encouraging dialogue.

Conceptual clarification: Sustainability/CSV/ESG



Sustainability promotion structure (as of April 1, 2023)



Sustainability management



Initiatives

Since our group's founding by Eiichi Shibusawa, we have taken the philosophy of one of his mottoes, "Jun-Ri-Soku-Yu (Adhering to reason leads to prosperity)," as the basis for our concept that we grow our own business by enriching society. By putting this into practice, we have anticipated modern CSV.

Since fiscal 2021, we have been moving ahead with activities under a full-fledged sustainability management orientation. Our efforts have been particularly directed toward carbon neutrality, the circular economy, human rights, human capital, and biodiversity, and upon formulating these strategies, we have specified milestones.

The United Nations Global Compact

In January 2020, we became a signatory to the United Nations Global Compact (UNGC) and joined the Global Compact Network Japan, which comprises Japanese companies and organizations that are UNGC signatories. We have done so because we agree with the principle of solving global issues and achieving sustainable growth as a responsible corporate citizen. Moreover, through participating in subcommittees of the Global Compact Network Japan (on ESG, supply chains, environmental management, Kansai, reporting research, etc.), we gather information that we apply in our day-to-day activities.



Moving forward, we will strengthen our efforts in keeping with the Ten Principles of the UNGC as we contribute to the realization of a sustainable society.

Year and month	Details of initiatives
January 2020	Became a signatory to the United Nations Global Compact and joined the Global Compact Network Japan
	Endorsed the recommendations of the Task Force on Climate-related Financial Disclosure (TCFD)
April 2020	Established the Corporate Sustainability Department. Incorporated ESG elements into management and strategy, and strengthened communication of information to stakeholders
	Established the Sustainability Committee (renamed the CSR Committee), chaired by the President
April 2021	Placed the Corporate Sustainability Department under direct control of the President
	Established a system to promote efforts toward carbon neutrality
	Established the Carbon Neutral Strategies Council and the Carbon Neutral Strategies Cross-Functional Team
April 2022	Established the Risk Management Committee, chaired by the President
	Established the Corporate Sustainability Division
May 2022	Announced Sustainable Vision 2030
	Formulated the GHG Emission Reduction Plan by 2050
November 2022	Joined the 30 by 30 Alliance for Biodiversity
December 2022	Obtained Science based target (SBT) certification
April 2023	Restructured the Sustainability Committee

The Ten Principles of the UNGC

Human Rights	Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and	See p.15-17, p.63, p.67
	Principle 2: make sure that they are not complicit in human rights abuses.	
labour	Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;	See p.15-17, p.64-65
	Principle 4: the elimination of all forms of forced and compulsory labour;	
	Principle 5: the effective abolition of child labour; and	
	Principle 6: the elimination of discrimination in respect of employment and occupation.	
Environment	Principle 7: Businesses should support a precautionary approach to environmental challenges;	See p.15-17, p.32-41, p.44-46, p.55-60
	Principle 8: undertake initiatives to promote greater environmental responsibility; and	
	Principle 9: encourage the development and diffusion of environmentally friendly technologies.	
Anti-Corruption	Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.	See p.15-17, p.77

Disclosure based on TCFD recommendations

Recognizing the enormity of the impact that climate change has on our stakeholders and our group, Toyobo group has identified the realization of a decarbonized and circular society among its important sustainability goals.

In January 2020, we endorsed the Task Force on Climate-related Financial Disclosure (TCFD) recommendations, and are moving forward with disclosure of our initiatives in keeping with the recommendations.

In May 2022, we published our Roadmap for Carbon Neutrality as part of Sustainable Vision 2030.

In keeping with the levels sought by the Paris Agreement, we aim to reduce emissions of greenhouse gases (GHGs) from our business activities (Scope 1 and 2) by 46% or more from the fiscal 2014 level by fiscal 2031, and to reach net zero emissions by fiscal 2051.

Moreover, we have set a goal for fiscal 2051 of avoided emissions in an amount that exceeds the GHG emissions of the entire value chain of Toyobo group.

Governance

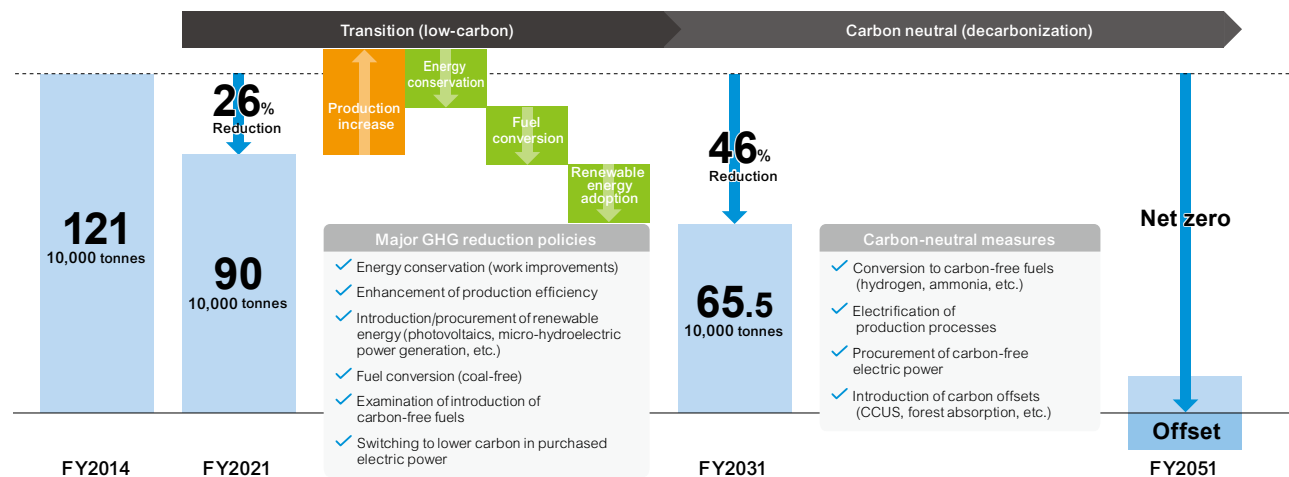
We have established the Sustainability Committee, chaired by the president who has the highest seniority regarding issues related to climate change. The committee deliberates the setting of high-level policies and targets for solving these issues. The Board of Directors receives the committee reports, approves important items such as high-level policies and targets, and monitors progress of the relevant activities.

We established the Carbon Neutral Strategies Council and the Carbon Neutral Strategies Cross-Functional Team (CN-CFT), and since fiscal 2022 have tasked them with formulating and advancing

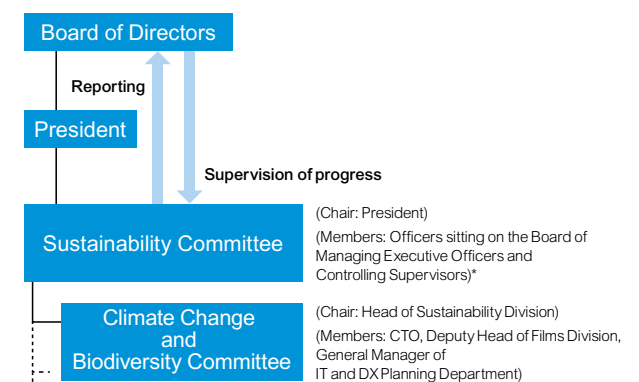
strategies toward realizing carbon neutrality. To steadily address the realization of carbon neutrality, we also formed a working group within the CN-CFT comprising members from an organizational cross section of the whole company, and undertook initiatives including formulation of a roadmap for carbon neutrality and the introduction of internal carbon pricing.

We revised our structure in fiscal 2023, including establishment of the Climate Change and Biodiversity Committee. As we incorporate international sustainability standards, we are moving ahead with a company-wide response to climate change.

Roadmap for Carbon Neutrality



Promotion structure (after fiscal 2024)



*The president, vice-president, heads of divisions, executive officers in controlling supervisory positions, the chairperson, and corporate auditors may express opinions.

Disclosure based on TCFD recommendations

Risk management

In fiscal 2022, our group set up a Risk Management Committee, which performs uniform group-wide management of risks including climate change issues. In addition to its overall administration of risk management activities (identification, analysis, assessment, and response), the committee formulates policy related to risk management for the whole group, builds and operates effective, sustainable organizations and systems by running the PDCA cycle, and works to strengthen the risk management system.

As our point of departure for risk management activities, we identify serious company-wide risks requiring intensive attention from the results of evaluations in terms of the two axes of severity of impact*1 and likelihood of occurrence*2 based on each risk scenario. Toyobo group manages its important risks based on a company-wide assessment of risks that include natural disasters such as flooding (floods, storm surges, etc.), which are increasing in severity due to climate change.

*1 Scope of impact, duration of business operation stoppage, personal harm, reputation, and financials are evaluated on a three-point scale that includes "major damage equivalent," "moderate damage equivalent," and "minor damage equivalent."

*2 Evaluations use a three-point scale including "occurs frequently," "occurs occasionally," and "occurs infrequently."

Strategy

In Sustainable Vision 2030, Toyobo group has identified the realization of a decarbonized and circular society among its important sustainability goals.

In keeping with the TCFD recommendations, we also analyzed and compiled future risks and business opportunities under climate change scenarios based on the Paris Agreement. After identifying the financial and other impacts of these risks and opportunities, we intend to boost the resilience of our business strategy by specifying countermeasures together with indicators and targets.

• Scenario analysis

Although a wide range of scenarios are conceivable depending on how global warming countermeasures are implemented, we referenced the scenario shown in the diagram on the right as being typical. We considered the impact on our business and new opportunities for our group through 2050 under each of two scenarios: One in which the average global temperature increase is kept under 2°C, and one in which it rises by 4°C.

Summary scenario analysis

Specified scenario	Under 2°C scenario	4°C scenario
Description of society	Sweeping policies and technological innovations are advanced in efforts to keep the average atmospheric temperature increase by the end of the century to within 1.5°C, and to achieve sustainable development of society. We will have a society in which social changes accompanying a shift to a decarbonized society will be highly likely to impact business. Case example • Introduction of a carbon tax and increased carbon prices • Shift to vehicle electrification, spread of renewable energy	Even with the implementation of intended nationally determined contributions established by Paris Agreement signatory countries in line with the agreement, average atmospheric temperature rises by as much as 4°C under business as usual by the end of the century. We will have a society in which changes in climate, including rising temperatures, will be highly likely to impact business. Case example • Increase in flooding damage due to heavy rains
Reference scenarios	• SDS (IEA WEO2021/ETP2020) • NZE (IEA Net Zero by 2050 A Roadmap for the Global Energy Sector) • RCP2.6 (IPCC AR5) • SSP1-1.9 (IPCC AR6)	• RCP8.5 (IPCC AR5) • SSP5-8.5 (IPCC AR6) • STEPS (IEA WEO2022/ETP2020)
Risk and opportunity trends	In the transition, risks and opportunities emerge more readily	Physical risks and opportunities emerge more readily

Risks, opportunities, and their countermeasures under each scenario

Social change and its impact	Risks and opportunities			Measures taken by the Toyobo group
	Category	Period	Details	
Impacts of the transition to a decarbonized society (sweeping changes in policy, laws and regulations, technology, markets, etc.)	Transition and risk	Short term	Introduction of carbon pricing	<ul style="list-style-type: none"> • Advancement of GHG reduction plans (energy conservation, better production efficiency, fuel conversion, renewable energy adoption, etc.) • Use of internal carbon pricing systems
		Medium to long term	Increase in raw material prices (carbon price pass-through, etc.)	<ul style="list-style-type: none"> • Appeals to and collaboration with suppliers (low-carbon raw material development, production technology assistance, etc.) • Diversification of raw material procurement methods (expanded multiple purchasing and local procurement)
			Increase in costs resulting from promotion of energy conservation, adoption of high-efficiency equipment, etc.	<ul style="list-style-type: none"> • Innovation in production processes and pursuit of super-efficiency • Greater efficiency of production throughout the value chain (affiliate integration, stronger partnerships, M&A, etc.)
	Transition and opportunities	Medium term	Cost increases due to adoption of renewable energy	<ul style="list-style-type: none"> • Renewable energy procurement method selection
			Cost increases due to requirements for low-carbon and decarbonized product manufacturing	<ul style="list-style-type: none"> • Expansion of renewable energy adoption and procurement • Promotion of greater efficiency and energy conservation in production processes • Fuel conversion for (coal-free) in-house power generation • Study of carbon-free fuel utilization (hydrogen, ammonia, etc.) • Study of adoption of CCU/CCS or other innovative technologies
			Increasing demand for petroleum-derived resource reduction and replacement	<ul style="list-style-type: none"> • Acceleration in the shift in raw materials toward recycled and biomass-derived materials • Study of withdrawal from general-purpose materials business that relies on petroleum-derived resources • Acceleration in the shift in raw materials toward recycled and biomass-derived materials • Addressing of procurement issues (shortages) with raw materials (recycled and biomass-derived materials) • Advancement of development and planning of products with low-carbon and decarbonized materials • Enhanced production and quality control systems for low-carbon and decarbonized products
Physical risks	Short to medium term	Stoppage of raw material supply due to natural disasters	<ul style="list-style-type: none"> • Review of inventory levels and expansion of multiple purchasing 	
		Facilities damage and operational shutdowns due to flooding (floods, storm surges, etc.)	<ul style="list-style-type: none"> • BCP training implementation • Enhancement of durability of production and power facilities, relocating or elevating them to higher locations • Production site dispersal, relocation, and consolidation 	
	Medium term	Increase in demand for civil engineering work	<ul style="list-style-type: none"> • Expansion of products used in disaster mitigation and restoration work • Sand-proofing sheets, concrete delamination prevention sheets, soft roadbed improvement materials, etc. 	
Physical opportunities	Medium term	Increased demand for seawater desalination due to water shortages and droughts	<ul style="list-style-type: none"> • Expanded sales of (RO/FO, etc.) membranes for seawater desalination • Energy-conserving and high-durability development for RO/FO membranes, etc. • Strengthening of production and quality control system for RO/FO membranes, etc. 	
	Long term	Increased demand for (prevention and treatment) measures against infectious diseases associated with temperature increases	<ul style="list-style-type: none"> • Expanded demand for products related to food packaging • Promotion of research and development of products and technologies related to infectious diseases 	

Disclosure based on TCFD recommendations

• Determining risks and opportunities under each scenario

We worked out the group's risks and opportunities focused on climate change in the under-2°C scenario and the 4°C scenario. Only the film business was under consideration in fiscal 2022, but the study was expanded to cover all group businesses in fiscal 2023. We compiled the specified risk and opportunity items, reclassified them from the standpoint of social changes, and then considered countermeasures proposed for each (diagram: "Risks, opportunities, and their countermeasures under each scenario"). Risks and opportunities we recognize as being particularly important upon evaluation along the two axes of severity of impact and likelihood of occurrence are described as follows.

We recognize GHG emissions reduction throughout the supply chain, including in raw material procurement, as a means of both reducing risk and creating opportunity. Specifically, through planned Scope 1 and 2 reductions, we will lighten the future burden of carbon pricing as we prepare to reliably meet our customers' requirements for decarbonization. In addition, shifting to recycled and biomass materials for our raw materials will lower our reliance on petroleum-derived resources, reduce future business risk, and lead us to obtain and expand business opportunities. With respect to the water shortage issue, which poses a growing worldwide risk, we intend to obtain and expand business opportunities through solving this social issue by selling membranes for seawater desalination, which enables low-energy fresh water production.

Risks and opportunities recognized as particularly important

• Important risk 1: Risk of damage to buildings and facilities due to flooding (floods, storm surges, etc.)

Our group's primary plants at Tsuruga, Iwakuni, and Inuyama, are all located near rivers and coastline and are situated in low-lying areas, which puts them at risk of flood damage. In the event that climate change progresses, we assume that rising sea levels and changes in rainfall patterns will further heighten the flood damage risk. Our estimate of asset decrease (the amount of damage to buildings and equipment) due to flood damage in the 2030s, calculated from book value, indicated a maximum total for all three plants of approximately ¥50 billion. To obtain our estimate of the

amount of asset decrease from flood damage at these three plants, we multiplied the book value of their buildings and equipment by the flood damage rate* published by the Ministry of Land, Infrastructure, Transport and Tourism.

Because our group understands the flood damage risk to our plants to be an important climate-related risk, we are implementing a phased reinforcement of our flood damage countermeasures that includes moving items such as our production and power facilities to higher locations.

**Flood Control and Economic Research Manual (Draft)" (April 2020), Ministry of Land, Infrastructure, Transport and Tourism

• Important risk 2: Carbon pricing implementation

Under a business-as-usual (BAU*) scenario taking fiscal 2021 (actual 900,000 tonnes CO₂) as the base year, Scope 1 and 2 will increase to approximately 1.3 million tonnes CO₂ in fiscal 2031 as sales expand. Assuming that the unit price for carbon is ¥15,000 per tonne CO₂ in fiscal 2031, our annual cost would be approximately ¥20 billion under a BAU scenario.

Our group understands Scope 1 and 2 increases to be an important climate-related risk, and published Sustainable Vision 2030 in fiscal 2023, which includes our Roadmap for Carbon Neutrality through fiscal 2031. With the roadmap, we are targeting reductions in Scope 1 and 2 in fiscal 2031 to 655,000 tonnes CO₂ or less through energy optimization measures that involve energy conservation (including increased production efficiency), fuel conversion, and adoption of renewable energy. In such a case, our annual cost incurred from carbon pricing would be approximately ¥10 billion, resulting in the cost reduction effect of approximately ¥10 billion compared to under the BAU scenario. We plan to include the cumulative amount of investments through 2025 under our Roadmap for Carbon Neutrality in our investments in the environment, safety, and disaster prevention (approximately ¥33 billion).

*BAU: "Business as Usual," indicating a case in which no particular GHG emission reduction measures are taken.

• Important risk 3: Increase in demand for reduction and replacement of petroleum-derived resources

• Important opportunity 1: Increase in demand for low-carbon and decarbonized materials and products

Our group's core films and functional materials businesses represent more than 40% of total group sales. Amid the change (transition) of society into future decarbonization, we can expect to see increasing demands from society, including our customers, that we reduce or replace our use of petroleum-derived resources, and we acknowledge that this is an important climate-related risk. At the same time, we recognize that there are business opportunities in the simultaneous increase in demand for low-carbon and decarbonized materials and products.

Of our current film business sales, approximately 90%, or ¥120 billion, depend on petroleum-derived resources. In Sustainable Vision 2030, we have defined the technologies and initiatives* that bring about reductions in petroleum-derived resource use as "greening," and have set the goal of greening 60% of our film products by fiscal 2031. Film products that cut down on petroleum-derived resource use are also low-carbon or decarbonized products, and by promoting the greening of our film products, we intend to reduce risk while also obtaining and expanding business opportunities.

Of our film business sales target for fiscal 2031 of approximately ¥220 billion, approximately ¥130 billion is to come from obtaining and expanding these opportunities.

*Development of films using biomass raw materials, and films of thin, lightweight materials (strengthening), environmentally friendly design facilitating post-use film recycling (mono-materialization), development of films using recycled raw materials and of recycling technology

Disclosure based on TCFD recommendations

• Important opportunity 2: Increase in demand for seawater desalination

Our group recognizes that the advance of climate change will increase the risks of water shortages and droughts worldwide. Securing water will become an issue in many regions, not just for industrial uses, but for domestic uses as well. This is expected to further intensify the demand for seawater desalination.

Our group's HOLLOSEP[®] hollow fiber reverse osmosis membrane module has characteristics that include resistance to contamination, giving it particular advantages in desalination of seawater in enclosed sea areas (such as in the Middle East) that are susceptible to proliferation of microorganisms. Since its superior chlorine resistance enables HOLLOSEP[®] to supply chlorinated raw water directly to the module, this controls microbial growth within the module at a relatively low cost, while easy maintenance also helps improve desalination plant operating rates.

As we work toward obtaining and expanding business opportunities through solving societal issues, our group set the goal in Sustainable Vision 2030 of using seawater desalination with membranes to produce a volume of tap water equivalent to the needs of 10 million people in fiscal 2031.

Indicators and targets

Our group has set targets with respect to climate change, and we are moving forward with measures for each of them. Our targets for Scope 1 and 2, as well as for Scope 3*, are based on levels sought by the Paris Agreement, and were certified as Science Based Targets under the SBT Initiative in December 2022.

Amid a 6.4% year-on-year increase in sales, we produced 894 thousand t-CO₂ under Scope 1 and 2 in fiscal 2023 (a 1% decrease from 903 thousand t-CO₂ the previous fiscal year).

*Indirect emissions other than Scope 1 and 2. This SBT certification concerns GHG emissions resulting from activities (manufacturing, etc.) related to the purchase of products and services, and to the use of sold products.

Indicators and targets

Category	Indicator	Target	Key measures
GHG	GHG emissions	Scope 1, 2 FY2031: 27% reduction (SBT)* (From FY2014: Equivalent to a 46% reduction) *Base year: FY2021	<ul style="list-style-type: none"> Improved energy conservation, improved production efficiency, fuel conversion, adoption of renewable energy, etc.
		FY2051: Net zero	<ul style="list-style-type: none"> Adoption of carbon-free fuels, renewable energy procurement, production process innovation, etc.
		Scope 3 (Categories 1 and 11) FY2031: 12.5% reduction (SBT)* *Base year: FY2021	<ul style="list-style-type: none"> Category 1*: Acceleration in the shift in raw materials toward recycled and biomass-derived materials *Emissions from activities (manufacturing, etc.) related to purchased raw materials and services Category 11*: Energy conservation with VOC recovery equipment, etc. *Emissions from the use of products sold
Climate-related opportunities	Green ratio of film products (Specified also as an indicator for transition risk reduction)	FY2031: 60% or more	<ul style="list-style-type: none"> Progress in material and chemical recycling, development and increased adoption of biomass raw materials, reduction of film thickness, etc.
	Seawater desalination with membranes	FY2031: Equivalent of tap water volume for 10 million people	<ul style="list-style-type: none"> Expansion of sales of (RO/FO, etc.) membranes for seawater desalination Energy-conserving and high-durability development for RO/FO membranes, etc. Strengthening of production and quality control system for RO/FO membranes, etc.
Capital allocation	Capital investment	FY2023-26 cumulative total: ¥33 billion (Total capital investment for environment, safety, and disaster prevention)	<ul style="list-style-type: none"> Carbon reduction for in-house power generation facilities, adoption of renewable energy facilities, etc.
Internal carbon pricing	-	<ul style="list-style-type: none"> Set an in-house carbon price of ¥10,000 per tonne CO₂ (revised annually as needed) Expansion of decision-making on capital investment and investment in development facilities which increase or decrease CO₂ emissions 	
Compensation	-	<ul style="list-style-type: none"> Consideration of officer's compensation set according to the state of GHG reduction 	

E Policies and activities—environmental aspects

Realization of a decarbonized society



Basic approach

At Toyobo group, we recognize that climate change is a social issue of great importance and will have major impacts on our business. We support the Paris Agreement and the Glasgow Climate Pact adopted by the Conference of the Parties (COP) to the United Nations Framework Convention on Climate Change (UNFCCC), and we aim by fiscal 2051 to achieve carbon neutrality according to the global target of 1.5°C.

Organizational structure

Our president serves as our most senior executive officer for climate change-related issues. We have established a Sustainability Committee chaired by the CEO & Co-COO, which deliberates high-level policies aimed at solving climate change-related issues. The Board of Directors receives committee reports, approves important items such as high-level policies and targets, and monitors progress of the relevant activities.

Targets and results

• Targets

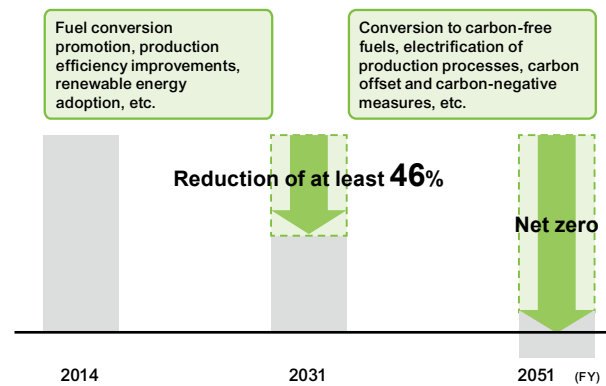
Our target for fiscal 2051 is net zero (Scope 1 and 2*) greenhouse gas (GHG) emissions from our business activities. As momentum toward realizing a decarbonized society has grown, we responded in May 2022 with the passage by our Board of Directors of a resolution to increase our fiscal 2031 interim target to a reduction of 46% or more compared to fiscal 2014. We will promote the reduction of GHG emissions throughout the value chain involved in our activities, and will expand the avoided emissions of GHGs through our products and services.

In December 2022, we received certification from the global Science Based Targets initiative confirming that our group's GHG emission reduction targets are grounded in science.

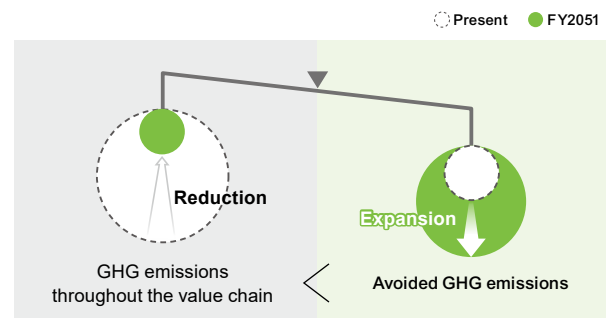
* Scope 1: Direct emissions by the business itself.
Scope 2: Indirect emissions resulting from use of electricity, heat or steam provided by other companies.

[Details on acquiring SBT certification](#)

Targets for Scope 1 and 2 reduction of emissions from business activity



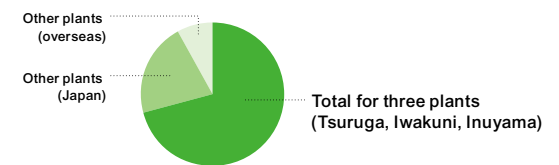
Targets for the whole value chain (Fiscal 2051, including contributions made through products and solutions)



• Results

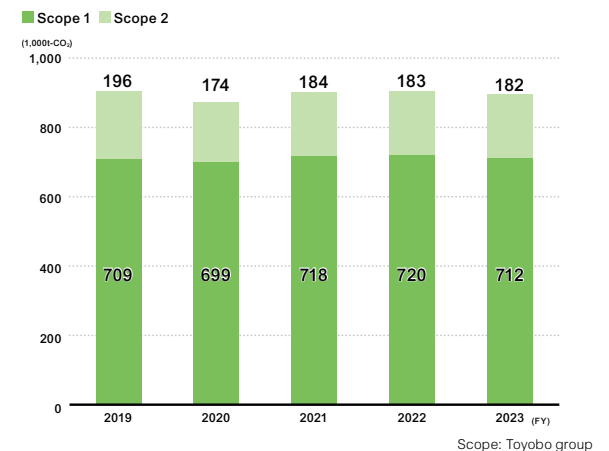
Of the GHG emissions (Scope 1 and 2) from our group's business activities, about 70% are emitted by our three main plants (Tsuruga, Iwakuni, and Inuyama).

Scope 1 and 2 ratios by emissions source



In fiscal 2023, our total Scope 1 and 2 emissions were 894 thousand t-CO₂ (down 26.4% compared to fiscal 2014). Amid a sales increase of 6.4%, we kept GHG emissions below the level of fiscal 2022 by acting to conserve energy and taking measures to improve production efficiency.

GHG emissions



E Policies and activities-environmental aspects

Realization of a decarbonized society



Initiatives

• Reduction of Scope 1 and 2

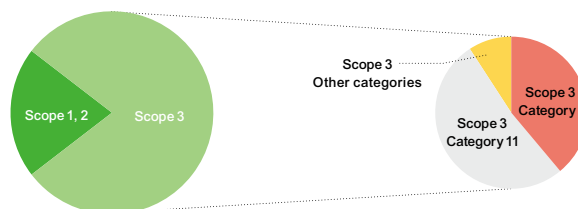
In our efforts for the low-carbon transition, we are moving forward with fuel conversion (coal-free) for our in-house power generation facilities, and with expansion of our gas co-generation systems.*¹ We will begin by renewing our in-house thermal power generation plant at the Iwakuni Production Center, converting the fuel from coal to liquefied natural gas and RPF.*² Major reductions in GHG emissions are expected from the operation, scheduled for October 2023. We are carrying out GHG reduction measures including fuel conversion at other business sites as well.

Solar power generation equipment that takes advantage of rooftops and vacant lots is also being installed at business sites, with systems to become operational at the Inuyama Plant in fiscal 2023 and at the Utsunomiya Plant in fiscal 2024. We are considering the introduction of renewable energy sources at other sites as well.

*1 A system that uses natural gas or other fuels to generate electricity where it is needed, while making effective use of the thermal energy generated simultaneously to make steam or hot water, which will be used in the production process, hot water supply, or heating and cooling.
*2 An acronym for "Refuse-derived Paper & Plastics Densified Fuel," solid fuel made mainly from used paper and waste plastic

• Scope 3 reduction

Our group is aiming for reductions in Scope 3 emissions, focusing efforts on Category 1*³ and Category 11*⁴ in which emissions are large. In Category 11, we will continue to reduce GHG emissions by reducing our usage of utilities (steam, electricity, etc.), adopting new and energy-conserving technologies for VOC recovery equipment.*⁵



*3 Emissions from activities (manufacturing, etc.) related to purchased raw materials and services
*4 Emissions from the use of products sold
*5 Equipment that recovers volatile organic compounds (VOCs) as liquid organic solvents through VOC removal by absorption or cooling methods. In addition to zero CO₂ emissions from VOC decomposition, this enables the reuse of the recovered organic solvents.

• Expansion of the avoided emissions

Our group's products mostly comprise materials and intermediates. Among these are many that contribute to reducing GHGs in the value chain, compared to conventional products and technologies. We are conducting calculations to quantitatively assess the avoided emissions of GHGs over the products' life cycles. Some typical examples of these technologies are reverse osmosis (RO) membranes used in seawater desalination, and VOC recovery equipment that suppresses emissions of VOCs, which are of concern in terms of atmospheric pollution and their effects on the human body.

In fiscal 2023, we compiled in-house guidelines that summarize our methods of calculating the GHG emissions avoided as a means of integrating our in-house rules for calculation while expanding the range of products subject to the calculations. Moving forward, we will advance the development of technology and expand sales of products that help reduce GHGs as we promote the expansion of avoided emissions.

• Participation in organizations focused on climate change issues

Our group has endorsed the GX League (GX: Green transformation) announced by the Japanese government. GX refers to the aim of transforming the overall economic and social system toward achievement of the nation's 2030 targets for GHG emissions reduction, and of carbon neutrality in 2050. Through our participation in the GX League, which has been fully operational since April 2023, we will accelerate our in-house initiatives toward decarbonization.

As a member organization of the Japan Chemical Industry Association (JCIA), we also participate in the Carbon Neutral Action Plan of the Japan Business Federation (Keidanren). Through the activities of JCIA, we confirm the climate change policies of the Japanese government and reflect them in our group policies. Together with JCIA, we carry out climate change countermeasures such as submission of opinions on policies, and conduct activities aimed at achieving a decarbonized society.

Solar power generation equipment installation at the Inuyama Plant

We have proclaimed the slogan "Aiming for a Sustainable Plant" at our Inuyama Plant, where we are striving to improve energy efficiency, adopt energy-conserving facilities, and put renewable energy to use. In March 2023, we used a power purchase agreement (PPA) arrangement to install a new solar power generation facility of approximately 500 kW. We will use the resulting knowledge to move forward with the adoption of solar power generation facilities at our other plants in the future.



At the Inuyama Plant, 1,608 solar panels installed on the rooftop generate approximately 500 kW.

Voice of the person in charge

This was the first time our company had tried a PPA (Power Purchase Agreement), so we got the cooperation of a range of people, and the manufacturer of the solar power generation facilities, company headquarters and the manufacturing division within the plant all worked together. It was a particular struggle connecting these facilities while giving consideration to the effect it would have on our existing electrical system. When it started generating electricity without a hitch, I breathed a sigh of relief, and our hard work is paying off even more as it leads to reduced electric charges while prices continue to soar.

Tatsuro Fukudome, Section Manager
Kenjiro Ueda, Section Chief
Inuyama Plant

E Policies and activities-environmental aspects

Realization of a decarbonized society



FY2023 results

☑ Indicators for fiscal 2023 with this icon are externally assured by KPMG AZSA Sustainability Co., Ltd. See p.82 of this Integrated Report for Independent Assurance Report. > p.82

Relevant laws are shown in abbreviated form, e.g., Act on the Rational Use of Energy (Energy Conservation Act)

Data aggregation period: (Domestic) April 1, 2022 - March 31, 2023 (Overseas) January 1, 2022 - December 31, 2022

	FY2023 results	Calculation methods
Scope 1	☑ 712 thousand t-CO ₂	In accordance with the GHG Protocol, we include GHG emissions, calculated by converting the quantity of energy required to produce electricity or steam sold to other companies. GHG emissions with non-energy origins are calculated for Toyobo (non-consolidated) only. The factors shown below are used in the respective calculations. ■ CO ₂ emission factors for purchased electricity: (Domestic) Adjusted emission factor for each electric power service provider listed in "Emission Factors by Electric Utility (for Use in Calculating Greenhouse Gas Emissions of Specific Emitters), FY2022 Results," Ministry of the Environment. (In cases where the emission factor of a given utility was unknown, the "national average factor" was used.) (Overseas) Factors for 2019 listed by country "Emission Factors 2021" (2021), IEA ■ CO ₂ emission factors other than for purchased electricity: "Greenhouse Gas Emissions Calculation and Reporting Manual (v4.8)" (2022), Ministry of the Environment and Ministry of Economy, Trade and Industry (used for both domestic and overseas subjects).
Scope 2	☑ 182 thousand t-CO ₂	
Energy consumption	☑ 2,937 GWh	In accordance with the GHG Protocol, the quantity of energy required to produce electricity or steam sold to other companies is not deducted. The values from Energy Conservation Act are used in showing the unit calorific value of fuel as a higher calorific value.

Boundary of aggregated data: Toyobo group (TOYOBO CO., LTD. [non-consolidated] with domestic and overseas group companies)

Scope 3 Categories	FY2023 emissions	Calculation methods
1. Purchased goods and services	2,055 thousand t-CO ₂	The total value obtained by multiplying the quantity of activity (the amount of purchases of raw materials, services, etc., during one year) by the emissions intensity (Ministry of the Environment DB) ^{*1}
2. Capital goods	55 thousand t-CO ₂	The total value obtained from multiplying the amount of activity (the book value of capital goods purchased during one year) by emissions intensity (Ministry of the Environment DB) ^{*1}
3. Fuel- and energy-related activities (not included in scope 1 or scope 2)	☑ 113 thousand t-CO ₂	The total value obtained from multiplying the amount of activity (the amount of fuel and electricity purchased during one year) by the respective emissions intensities of fuel and electricity (Ministry of the Environment DB, IDE A)
4. Upstream transportation and distribution	50 thousand t-CO ₂	The total value obtained from multiplying the amount of activity (the distance and weight of upstream transportation during one year) by emissions intensity (Ministry of the Environment DB) ^{*1}
5. Waste generated in operations	53 thousand t-CO ₂	The total value obtained from multiplying the amount of activity (waste generated in business activities during one year) by the respective emissions intensities of each waste category (Ministry of the Environment DB, IDE A) ^{*1}
6. Business travel	7 thousand t-CO ₂	The total value obtained from multiplying the amount of activity (annual employee business travel expenses by transportation organization used) by the respective emissions intensities of each transportation organization (Ministry of the Environment DB) ^{*1}
7. Employee commutings	6 thousand t-CO ₂	The total value obtained from multiplying the amount of activity (the scale of the city in which the business site or plant is located, the number of employees, and the days of business operation per year) by the respective emissions intensities of each form of work and city size class (Ministry of the Environment DB) ^{*1}
8. Upstream leased assets	—	Toyobo group does not perform calculations for upstream leased assets because they are not pertinent.
9. Downstream transportation and distribution	—	The basic practice of Toyobo group is for our company to serve as the cargo owner for transportation to the shipment destination, so that emissions associated with these shipments are calculated in Category 4.
10. Processing of sold products	—	At Toyobo group, we have wide-ranging and diverse array of procedures for processing beyond shipment destinations, which makes it impossible to determine all GHG profiles or perform reasonable calculations. The information therefore is not disclosed.
11. Use of sold products	☑ 2,745 thousand t-CO ₂	The total value obtained from multiplying the amount of activity (the amount of electric, steam, cold water and other utilities consumed during the use of final products sold annually) by emissions intensity, years of service life, and operating rate. Our company uses a unique emissions intensity unit, which is calculated from the Ministry of the Environment DB, IDE A, IEA, and the product specifications of equipment used in generating each utility. We perform calculations for VOC recovery equipment, urine sediment testing equipment, and fully automated gene analysis systems.
12. End-of-life treatment of sold products	207 thousand t-CO ₂	The total value obtained by multiplying the amount of activity (assuming the disposal of the total one-year sales volume) by the respective emissions intensities of each material used in the items sold (Ministry of the Environment DB)
13. Downstream leased assets	—	Toyobo group does not perform calculations for downstream leased assets because they are not pertinent.
14. Franchises	—	Toyobo group does not engage in franchise activities, and therefore does not perform calculations for them because they are not pertinent.
15. Investments	—	Toyobo group's emissions from investments are extremely small, and we therefore do not disclose them.
Total	5,290 thousand t-CO ₂	

Boundary of aggregated data: Toyobo group (TOYOBO CO., LTD. [non-consolidated] with domestic and overseas group companies.)

*1 Calculations are made using weighted averages for some subsidiary and affiliated companies, according to ratios of sales, sales volume, and number of employees.

Referenced Guidelines

- (1) In making the calculations, we referred to "Corporate Value Chain (Scope 3) Accounting and Reporting Standard" and its evaluation guidelines from the GHG Protocol; "Guidance for Accounting & Reporting Corporate GHG Emissions in the Chemical Sector Value Chain" from the WBCSD; and various sources of information on the Green Value Chain Platform.
- (2) With regard to emission intensity, we referred to the following database as of March 2023.
 - "Emission Intensity Database for Calculating Greenhouse Gas Emissions by Organizations Throughout Supply Chains ver. 3.3" (March 2023), Ministry of the environment. Cited as "Ministry of the Environment DB."
 - "IDEA (Inventory Database for Environmental Analysis) ver2.3" (December 2019), National Institute of Advanced Industrial Science and Technology/Sustainable Management Promotion Organization. Cited as "IDEA."
 - "Emission Factors 2022" (September 2022), International Energy Agency (IEA). Cited as "IEA."

E Policies and activities—environmental aspects

Realization of a circular society



Basic approach

At Toyobo group, we handle numerous plastic products, including the films that comprise our core products, and we acknowledge that the transition to a resource-circular society not only poses a business risk, but also may present major opportunities. In 2022, we clarified in Sustainable Vision 2030 the contributions that our group can make to realization of a circular society, and set targets for fiscal 2031. We will initiate the effort with progress in greening (by promoting the use of biomass and recycled materials, reducing thickness, introducing mono-materials, etc.), beginning with our film products (excluding some products where safety and life are at stake).

Targets and results

• Targets

In Sustainable Vision 2030, which outlines the ideal that we envision for our group in 2030, we set ourselves the goal of increasing the greening ratio of films* to 60% by fiscal 2031. In fiscal 2023, we deliberated methods of calculating the greening ratio, and tabulated results for the present.

Themes	FY2031 target	FY2023 results
Greening ratio of films	60%	11%

*Volume ratio

Initiatives

Our group has undertaken recycling and biomass materials use since the 1990s. We have since developed many products and materials to date, such as ECHORCLUB®, a PET bottle recycled fiber product that we have been developing since 1996. Moving forward, we aim to realize a circular economy from a 3R+Renewable* perspective.

*Rationalize (reduce and reuse) plastic uses that can be avoided, switch to recycled materials and renewable resources for uses that are unavoidable (renewable), and implement through recycling (recycle).

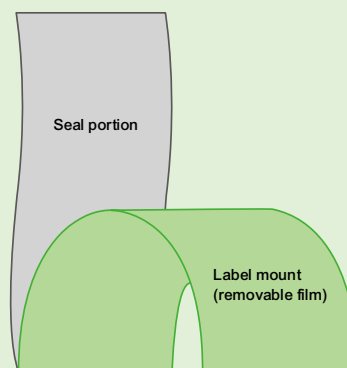
Material recycling of label backing paper and resource recycling project

In 2022, we developed a new recycling technology for our KAMISHINE® mold releasing film, one of our polyester-based synthetic papers made with recycled PET bottle raw material, that was developed for label mount paper (removable film) applications. This is a technology for using label backings after use and collection as a raw material to manufacture KAMISHINE® series products that maintain performance on a par with the conventional product.

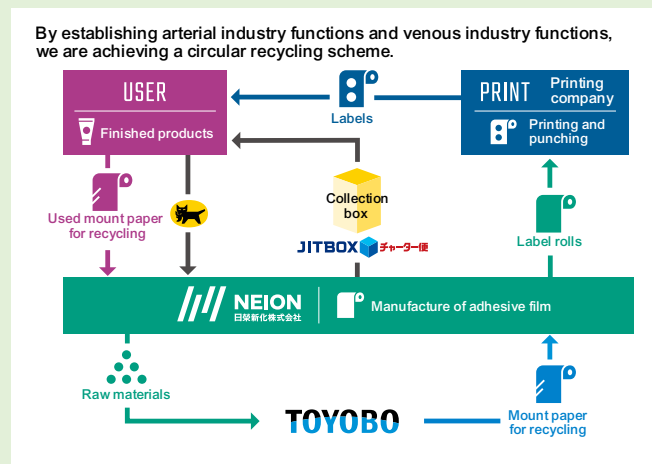
In order to socially implement resource recycling initiatives using this product and technology, the Resource Recycling Project was launched at the invitation of NEION Film Coatings Corporation, an all-round manufacturer of PSA-films and Coating Technology. We are replacing label mount paper with KAMISHINE® mold releasing film, and collecting used label backing paper from users. This is a resource recycling project in which we collect used label backing paper to recycle it as raw material for film.

Since resource recycling initiatives are limited when carried out by individual companies, such efforts are being advanced collaboratively across different industries by those with expertise in their fields.

Conceptual image of label structure



Overall scheme of the Resource Recycling Project



E Policies and activities-environmental aspects Realization of a circular society

Plastic resource circulation

An overall picture of Toyobo group's efforts to address the plastics lifecycle and resource recycling

Product development using biomass raw materials

By reducing CO₂ emissions and reliance on petroleum-derived resources, using biomass is expected to serve as a climate change mitigation measure.

Our group is working for the conversion and expanded use of biomass raw materials, and for the practical application of biomass plastics that remain highly functional.

- Related technologies and products**
 - BIOPRANA®
 - VYLOAMIDE®
 - HOLLOSEP®
 - Polyethylene furanoate (PEF) resin (under development)
- Collaborations and initiatives**
 - Partnership with Avantium N.V. to develop PEF resin
 - Partnership with Suntory Group and Anellotech, Inc. to develop PET resin that uses 100% plant-based raw material
 - Japan BioPlastics Association
 - THE JAPAN PLASTICS INDUSTRY FEDERATION

Chemical recycling*1 technology development

In developing and practically applying chemical recycling technologies, we seek out technologies from around the world and collaborate proactively with external organizations and companies. For example, we participate in the R PLUS JAPAN project, actively pursuing development of chemical recycling technologies for converting recycled plastic into raw material for the production of high-quality recycled plastic.

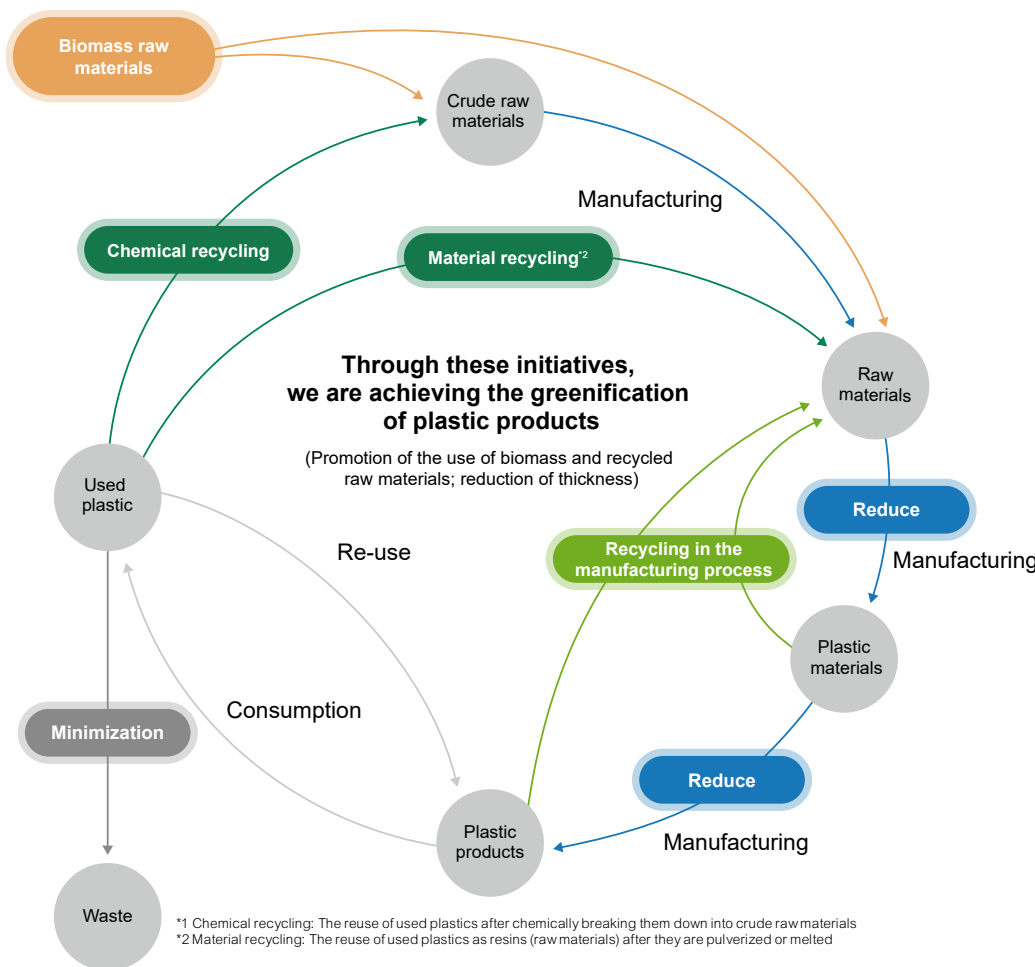
- Collaborations and initiatives**
 - R PLUS JAPAN
 - Anellotech, Inc.
 - Japan Chemical Industry Association

Development of technology and products for material recycling**2

We proactively develop and market products made of used plastics as raw materials. We have also developed and are marketing TOYOBO GS Catalyst[®], a polymerization catalyst for PET resin designed to make resin recyclable after polymerization reactions.

Through efforts centering on the PET material to which this technology is applied, we are advancing the expansion of material recycling technologies and materials in the global market.

- Related technologies and products**
 - ECHORCLUB®
 - Crisper®
 - TOYOBO GS Catalyst®
- Collaborations and initiatives**
 - Licensing of technology to Indorama Ventures Public Company Limited



*1 Chemical recycling: The reuse of used plastics after chemically breaking them down into crude raw materials
 *2 Material recycling: The reuse of used plastics as resins (raw materials) after they are pulverized or melted

Reduce: Development of thin, lightweight materials

We reduce the amount of raw material used by reducing thickness while retaining strength and functionality. When these kinds of materials are used by customers, packaging can be simplified and the amount of packaging materials used in the final product can be reduced.

- Related technologies and products**
 - HARDREN® DN036
 - SPACECLEAN®

Reduce: Development of mono-materialization technologies and products

We are reducing the amount of raw materials used while increasing recyclability by replacing previous products consisting of several different materials with those using a single material while maintaining strength and functionality.

- Related technologies and products**
 - ECOSYAR® VP Series
 - PYLEN EXTOP®

Recycling in the manufacturing process

We collect offcuts generated in the manufacturing process (originating from airbags and film products) and reuse them as materials for products in the same and other categories. In doing so, we reduce waste generated in the production process.

In addition to the manufacturing processes of our group, we also implement initiatives to advance recycling in the manufacturing processes of our customers.

- Related technologies and products**
 - ECHORCLUB®
 - ECOVYLOPET®
 - COSMOSHINE SRF®
- Collaborations and initiatives**
 - Resource Recycling Project (KAMISHINE® mold releasing film)

Marine plastic and microplastic response

To help reduce marine plastic waste, we participate in the Clean Ocean Material Alliance (CLOMA) established in Japan, as well as other initiatives in our efforts to develop and advance alternative materials.

- Collaborations and initiatives**
 - CLOMA

Waste reduction

- Waste reduction**

E Policies and activities-environmental aspects

Conservation of water resources, conservation of biodiversity, chemical substances management



Conservation of water resources

Basic approach

Water is an invaluable resource that supports us in our lives and our livelihoods, so conserving it is one of the world's most important issues.

The Toyobo Group Charter of Corporate Behavior affirms that Toyobo group will work to reduce and reuse water and other resources we use, and take protective measures against environmental risk. We work to conserve water resources in our business activities by minimizing their use through efforts such as promoting the use of recycled water.

As we also aim to become a group that continues to create the solutions needed by people and the earth with materials and science, we will contribute to water resource conservation in Japan and overseas through such activities as our seawater desalination membrane business.

Initiatives

As a group, we are aware that securing water resources is an important matter of business continuity, and we are promoting reduction of water consumption and use of recycled water. Specifically, we strive to recycle water by reusing once-used cooling water, etc., in the manufacturing process.

In addition, we used the World Resources Institute's AQUEDUCT Water Risk Atlas to evaluate water risk at each business site worldwide, and discovered that amounts of usable water in some areas in which we have business sites were at high risk. At those business sites, we are taking measures against risk, and the water usage is less than 0.1% of the total water withdrawals of the group, so we assume that the sites are not currently at serious water risk.

Conservation of biodiversity

Basic approach

We work hard to minimize any negative impacts that our business activities might have on the ecosystem, as reflected in the TOYOBO Group Fundamental Policy on the Global Environment, in which we state that, as a good corporate citizen we will actively support and participate in environmental protection and biodiversity conservation activities throughout society and in local regions.

With an understanding of how our business activities relate to biodiversity, we are working under the Action Guidelines for Biodiversity Conservation on making a contribution through our products and solutions, minimizing the environmental impact of our business activities, and cooperating with local communities on conservation activities.

Initiatives

In our business activities, we discharge emissions only after appropriately treating harmful substances in waste water and waste gas from our business sites and plants. In order to prevent these substances from being released accidentally, we install monitoring equipment within the manufacturing process, and strive to improve them in order to keep the amounts in which they are used and emitted to an absolute minimum. Through the equipment that our group sells, such as VOC recovery equipment, we also help our customers reduce their environmental impacts.

In 2022, we endorsed the Declaration of Biodiversity Initiative of the Japan Business Federation (Keidanren), and also joined the 30 by 30 Alliance for Biodiversity led by the Ministry of the Environment and other organizations to enhance biodiversity conservation efforts.

Chemical substances management

Basic approach

Under the TOYOBO Group Fundamental Policy on the Global Environment, our group works hard to manage chemical substances appropriately throughout the whole product lifecycle (research, development, design, manufacturing, sales, use, and disposal) for the sake of global environmental conservation, disaster prevention, occupational health and safety, product safety, as well as compliance with regulations around the world concerning chemical substances.

Initiatives

Recent years have seen requirements that chemical substances be managed through the supply chain. In Japan, management is required under the Act on the Regulation of Manufacture and Evaluation of Chemical Substances (Chemical Substances Control Law) and other chemical substance control regulations, while the United Nations has standardized the classification and labeling of chemical substances under the Globally Harmonized System of Classification and Labeling of Chemicals (GHS).

Considering these circumstances, we have adopted a system for chemical substance management that covers all processes, from procurement to manufacturing and sales of our products, as a means of ensuring accurate, rapid green procurement and customer service. We use it to check on the usage status of chemical substances subject to laws and regulations, and to examine the chemicals contained within products. It is also used to help suppliers with chemical substance safety data sheet (SDS) production. We have also established the TOYOBO Chemical Substance Management Classification, with which we categorize the chemical substances we handle among five levels, specifying details of management for each rank to facilitate efficient use and substitution.

S Policies and activities with social aspects

Safety and disaster prevention



Basic approach

At the Toyobo group, we believe that ensuring health and safety is a key prerequisite to corporate activity, and have established the TOYOBO Group Basic Policy on Health & Safety. Applicable to group employees and partner companies, the policy is part of our efforts to create a safe workplace environment. As of April 2022, we have adopted the safety declaration, "We thoroughly adhere to 'safety first' -work safety, environmental safety, product safety, and equipment safety," and the slogan, "Protect yourself. Protect your colleagues. If you notice something, speak out." September has been designated Disaster Prevention Month, while September 6 is TOYOBO Group Disaster Prevention Day. We will continue to spread awareness of preventing disasters, including fires.

Organizational structure

The Safety and Disaster Management Division has been established under the direct control of the President in order to steadily promote safety and disaster prevention initiatives, which are of prime importance among management issues. The Head of the Safety and Disaster Management Division hosts the Safety and Disaster Management Conference, which has experts in varied fields as its members, and evaluates the effectiveness of safety and disaster management

activities, drafts and formulates company-wide policies, and determines policy through the Sustainability Committee. The Conference reports on progress to the Board of Directors as appropriate.

Placed under the Safety and Disaster Management Division, the Safety and Disaster Management Department hosts the Safety and Disaster Management Promotion Conference, whose members comprise representatives of each department, to engage in policy-based deliberation and decision-making on specific matters and to manage progress. It also organizes teams of members and a chairperson to visit the company's business sites, factories, and group companies to conduct safety and environmental assessments and to inspect local activities. To address fire and explosion risks in particular, we perform periodic inspections of on-site management through third-party experts.

Targets and KPIs

We establish and appropriately manage the following goals and KPIs.

- **Targets**
- Toyobo group as a whole will make the fundamentals of safety clear, adhere to them thoroughly, and work to prevent incidents and serious accidents.

Initiatives

• Safety initiatives

We identify serious hazards and enact measures to prevent serious accidents. We use risk assessments and work research to assess on-site risks and improve facilities and work processes, and to conduct education on these matters.

In order to promote security and disaster prevention, all employees participate in disaster prevention drills at least once a year to reaffirm responses in the event of a fire. Regarding fire and explosion risks, worksite management status is inspected by third-party experts on a regular basis.

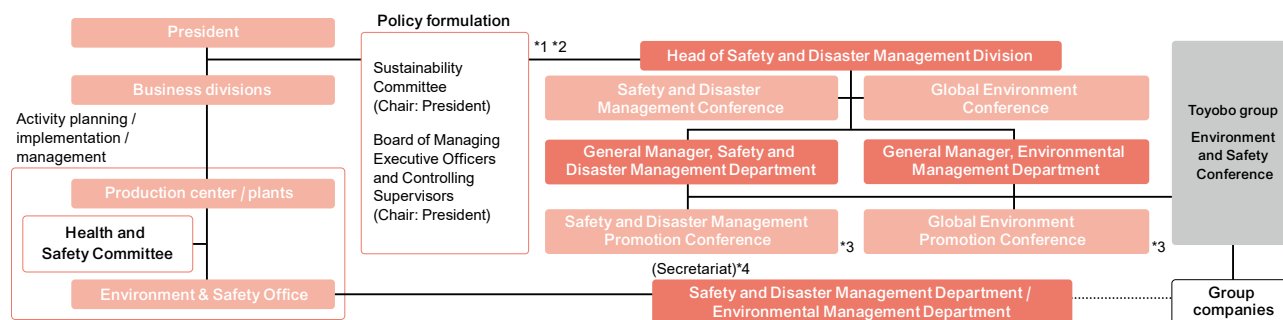
• Acquisition of occupational health and safety management system certification (ISO45001)

In order to reduce risks in the work environment, we are working toward acquiring occupational health and safety management system (ISO45001) certification. As of March 31, 2023, both the Iwakuni Production Center and Utsunomiya Plant have been certified.

• Initiative to prevent recurrence of fire accidents

Following the fire incidents that occurred at the Tsuruga Research and Production Center No. 2 in September 2018 and at the Inuyama Plant in September 2020, we have been working on preventing recurrences from the two perspectives of nurturing a culture of safety and improving safety infrastructure. We held safety workshops for newly appointed officers and group company presidents in fiscal 2023, and have administered safety awareness surveys of members of management, our employees, and employees of various partner companies (7,525 subjects, 93% response rate). We are also working on development of a disaster prevention management system under the Disaster Management Project. In fiscal 2024, the initiative will move forward on the key issues of deployment of safety and disaster prevention activities with participation by all employees, enhancement of hierarchy-specific training, and reduction of fire and explosion risks.

The Toyobo group system for safety, disaster prevention, and the environment



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

S Policies and activities with social aspects

Quality



Basic approach

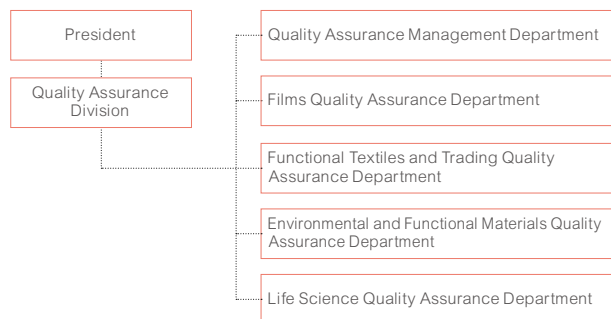
Out of consideration for the environment, the safety of our products and services, compliance with laws and regulations, and also to gain the satisfaction and trust of customers by providing high quality, Toyobo group has established the TOYOBO Group Basic Policy on Quality Assurance and the TOYOBO Group Basic Policy on Product Safety. We have established a management system appropriate to ensuring the quality and safety of the products and services that we provide, and we follow proper procedures in performing quality inspections, while also working to handle data, etc., appropriately.

Organizational structure

Our group has established the Quality Assurance Division Conference to oversee product liability (PL) and quality assurance (QA). This body meets on a monthly basis, and is formed by controlling supervisor (Executive Officer) overseeing quality, the Quality Assurance Department General Manager in charge of business divisions, and members of the Quality Assurance Management Department. The PL/QA Promotion Committee, composed of members at the business division General Manager level, is scheduled to meet six times a year, and did so in fiscal 2023.

In terms of organizational structure, we have established the Quality Assurance Division, under whose authority the Quality

Quality assurance system (as of April 2023)



Assurance Management Department and the Quality Assurance Departments, responsible for the business divisions, are situated. In working to establish an appropriate quality management system and to improve our system of governance, we have granted the Quality Assurance Management Department authority to direct or halt development, production, and sales operations at our company or group companies in connection with group product safety and quality assurance.

Targets and KPIs

We establish and appropriately manage the following goals and KPIs.

• Targets

By managing quality upstream and elsewhere throughout the supply chain, we ensure trust in our quality while increasing customer satisfaction.

Initiatives

• Quality assurance activities

Our Quality Assurance Manual, which lays out the basic concepts and action guidelines for employees as they perform the group's development, production, and sales activities, is provided in multiple languages. It represents our group's basic thinking on manufacturing activities. We have also set Quality Assurance Guidelines as we take action to build systems that can guarantee quality. In fiscal 2023, we conducted Head of Quality Assurance Division's reviews to check on the quality assurance initiatives at each business division.

We designate November of every year as Quality Month. During this period of fiscal 2023, a message from the President, a response message from each head of division, and a Quality Month poster were displayed on digital signage at all locations. We also held PL/QA seminars and conducted reviews of quality-related irregularities at workplaces, as described in the Compliance Manual.

• Product safety promotion activities and education

The Quality Assurance Division, which is independent from the Sales and Marketing Division, and quality assurance personnel from other divisions, carry out PL/QA evaluations to confirm and improve the product safety (PS) activities of each division and group company. We have also established criteria for judging levels of PL and PS risk. In working to reduce risk, we perform inspections based on these standards at each step from product development to sales. We also implement product safety and quality assurance education as appropriate for each level of employee.

• Strengthening the quality-related risk management system

Our group established the Three-line System in response to the quality-related misconduct incidents that came to light in 2020. Made up of three components, the system detects and prevents irregularities by multiple means comprising three Lines: Line 1 (business division, production sites), Line 2 (Quality Assurance Division), and Line 3 (Internal Audit Department). Since then, we have been making progress in strengthening various systems, such as establishing a Risk Management Audit Team, conducting Line 1 audits by the Internal Audit Department in cooperation with the Quality Assurance Division, and making efforts to control human error.

S Policies and activities with social aspects

Respect for human rights



Basic approach

We believe that respect for human rights is an element essential to Toyobo group in fulfilling our responsibilities as a member of society, and also in remaining a company that people trust. Among the ten principles in the TOYOBO Group Charter of Corporate Behavior, we included “4. Respect for human rights,” and “6. Active employee participation,” in the TOYOBO Group Human Rights Policy formulated in October 2020.

Our group upholds and respects international norms regarding human rights, such as those described in the International Bill of Human Rights, the ILO Declaration on Fundamental Principles and Rights at Work, the Children’s Rights and Business Principles, and the Guiding Principles on Business and Human Rights.

Regarding respect for human rights in the supply chain, we clearly state in our CSR Procurement Guidelines that we take matters involving human rights (including the prohibition of child labor, forced labor, and discrimination against people of any attributes, including LGBTQ) into account in our selection of business partners.

Organizational structure

Aiming to positively and systematically address respect for human rights, our group has appointed managers in charge within the Diversity Promotion Group of the Human Resources Department, to address employees of the group, and within the Planning Group of the Procurement and Logistics Department, to address the supply chain. As we deepen our understanding of international human rights issues and other matters requiring attention, we are also moving forward on preparing initiatives on due diligence in human rights. The Head of the Corporate Sustainability Division and officer (Managing Executive Officer) overseeing the Procurement and Logistics Department supervise and take responsibility for human rights.

Targets and KPIs

We establish and appropriately manage the following goals and KPIs.

• Targets

- Our whole group works to respect basic human rights and diversity, a commitment that we spread among our employees through training, etc.
- Our aim in these initiatives is to make ourselves a company that is fair and trusted by society.

Initiatives

• Human rights considered from a global perspective

The countries and regions in which our group is located have various human rights-related issues associated with political, economic, and social conditions.

In order to grasp human rights-related issues that require our consideration as a group, we participate in the Human Rights Subcommittee of Global Compact Network Japan. Together with participating companies, we are collecting information on international human rights issues and other matters requiring attention by companies, and are deepening our understanding of human rights issues. In the future, we will move forward with efforts at our group business sites to identify human rights issues that require attention.

• Survey on labor and human rights administered

In fiscal 2023, we conducted a “Labor and Human Rights” survey regarding child labor, employment equality, health and safety, etc. for our domestic business sites (non-consolidated). Through the survey, we were able to confirm the absence of any violations of human rights laws and ordinances.

• Respect for workers’ rights

Our group respects the rights to freedom of association and collective bargaining. Our employees have formed a labor union, whose membership is acknowledged under a collective bargaining agreement to which labor and management have consented (as of the end of fiscal 2023, 85.1% of all employees were union members). Labor-management dialogues are held on an annual basis between the labor union and the company.

• Establishment of a system to handle complaints and internal whistleblowing reports

Human rights-related consultation and reports are accepted by the Grievance Committee and the Compliance Consultation Desks, an internal whistleblowing system. In addition, we work to identify and resolve human rights problems early on through compliance questionnaires.

• Internal dissemination

Our group has produced an English-language edition of the TOYOBO Group Charter of Corporate Behavior so that employees all over the world share the same vision. We use our TOYOBO Group Compliance Manual to familiarize employees with rules and case studies concerning respect for human rights, prohibition of discrimination, prohibition of child labor and forced labor, and protection of personal information.

Moreover, we implement training, etc., to spread awareness and understanding of our Human Rights Policy. We continued the effort at each business site in fiscal 2023, with 515 participants joining in training for new employees, education by job level, lecture sessions, and training conferences for Human Rights Promotion Committee members.

S Policies and activities with social aspects

Human capital



Basic approach

Our group aspires to be an organization that undergoes continuous transformation for new value creation aimed at realizing the TOYOBO PVVs corporate philosophy framework. Since revising our personnel system in July 2022, we have proclaimed and implemented four policies so that all employees can experience growth, pride and motivation: Promotion and support of competence upgrades, compensation and evaluation commensurate with job duties, strengthening of management, and active promotion of diverse specialized human resources.

Organizational structure

The person assigned to be in charge of executing human resources management is the controlling supervisor (Executive Officer) with overall supervisory responsibility for the HR department. The Human Resources Department takes a leading role, providing opportunities for regular exchange of information and discussion with those in charge at each business site and group company, and seeing to the proposal and execution of human resources management-related measures. Priority issues in the annual plan are reported to the officer in charge on a quarterly basis, and are also discussed in the Sustainability Committee, while the Board of Managing Executive Officers and Controlling Supervisors and the Board of Directors confer on important measures.

Targets and KPIs

We establish and appropriately manage the following goals and KPIs.

• Targets

As a whole group, we will build an organizational structure in which employees can work comfortably and feel genuine job satisfaction, in which impartiality and fairness are guaranteed, and which is considerate of diversity and human rights.

Initiatives

Human resources management

• Developing human resources

As a group, we regard human resources to be the most important resource of management. It is by supporting the growth of each and every employee in their diverse individuality and views, and by putting in place an environment in which they can be active and self-actualized both within and outside the company, that our group as a whole will be able to survive and thrive. We manage human resources development under an educational system that provides education for everyone from new employees to senior management, designed according to job level, category of position, and purpose.

As part of our development of next-generation management human resources, we select personnel, rotate personnel, and implement support for successor candidate training, based on discussions in the Human Resources Conference, in operation since fiscal 2022.

Although we had to halt global human resources development measures during the COVID-19 pandemic, we resumed short-term overseas business training for domestic employees during the fiscal 2023 second half, and in fiscal 2024, national staff training for executive candidates at overseas business sites will also resume.

Under our TOYOBO PVVs corporate philosophy framework, we conduct training for all management positions to ensure awareness of security and disaster preparedness, occupational safety, quality, and compliance, and to advance organizational initiatives.



Training in fiscal 2023

• Prevention of harassment

As a group, we believe that striving to put in place a work environment free of harassment will boost work motivation and heighten job fulfillment, leading to securing and developing excellent human resources, so we focus effort on these measures. While implementing manager training to deepen understanding of our organization, we ensure that employees are aware of the Compliance Consultation Desks and Grievance Committee in which the labor union participates, so that we can discover problems and develop solutions as early as possible.

• Employee engagement

In 2021, our group launched a survey on organizational climate and job satisfaction, targeting all officers and employees, and we conducted the second survey in September 2022. In addition to communicating an overview of the survey results to employees, we offer feedback on the survey results at the workplace level, promote dialogue within workplaces, and prepare and carry out action plans.

Improvement in employees' affirmative responses about work based on the engagement survey	2021	2022
1. No difficulty performing daily work duties	33%	38%
2. Respect the diverse views and ideas of each person	42%	50%

• Work-life balance

As a group, we are working on work style reform to enable employees to undergo changes in mindset, work with greater efficiency, and have fulfilling work and personal lives, so we have set up systems for childcare, nursing care, flextime, telework, and more. We have built an environment enabling more flexible work styles tailored to employee lifecycles, and are providing opportunities to heighten their creativity.

S Policies and activities with social aspects

Human capital



Diversity and inclusion

Our group understands that when people of different work styles, careers, genders, nationalities, races, and creeds mutually acknowledge each other and cooperate as they make efforts toward a goal, individual and organizational growth will result. While promoting women's participation and advancement as a matter of course, we also advance a range of initiatives to foster a corporate culture that enables diverse human resources to experience professional fulfillment, and we put in place the necessary systems and measures.

• Promotion of women's participation and advancement

In order to carry out our group's activities for women's participation and advancement, we have established a Diversity Promotion Group within the Human Resources Department to advance various initiatives from the three perspectives of recruitment, training, and continued employment support.

For our Phase 2 Action Plan from fiscal 2022 to fiscal 2026, we have formulated and announced targets for the final fiscal year for increasing the ratio of women in management positions to at least 5%, the ratio of women in managerial career-track positions to at least 22%, and the percentage of men taking paternity leave to at least 80%, while also increasing the number of days taken by at least 20% from the level of fiscal 2021. These ratios were on track in fiscal 2023, with the ratio of women in management positions at 4.7%, and of women in managerial career-track positions at 18%.

Important measures

- Women's Leadership Training Seminar
- Seminar for supervisors on managing women subordinates
- Career Development Support Program
- Project for the Promotion of Women's Participation and Advancement conducted for six consecutive fiscal years (with membership changes)
- Notification for employees and supervisors to promote the paternity leave usage rate, and promotion of interviews before and after leave
- Inter-industry exchange meetings held with other companies to broaden the views of junior and women employees regarding work styles
- Mentoring system (for new-graduate hires and women hired mid-career, with eligibility up to the second year of employment)
- Babysitter support system (the company covers babysitting costs during business travel)
- In-house nursery school established (Research center, capacity for 10 children)

• External evaluation

We have received "Eruboshi (Level 2)" certification from the Minister of Health, Labor and Welfare as a company that engages proactively in women's participation and advancement, as well as "Platinum Kurumin" certification acknowledging our support for childrearing.



• Participation and advancement of diverse human resources

In hiring people with disabilities we maintain the work environment, seek understanding of the workplace, and recruit actively. In 2023, the percentage of our hires with disabilities was 2.29%, compared to the legally mandated hiring rate of 2.3%. We have introduced a senior employee system for rehiring employees who have left work at the retirement age of 60, who wish to return to work, and who have been recognized as capable of regular work duties. They are active in training junior employees and in passing on their technical expertise. We also have a variety of support systems in place to enable the smooth return to work by employees who have taken childcare leave, family care leave, or mental health leave.

Health and productivity management

In order to create a comfortable workplace with consideration for employee health, our group engages in helping our employees maintain and improve their mental and physical health. We believe that investing in employee health and having a lively workplace where employees can work energetically are what lead to long-term corporate growth. Our labor affairs department, occupational physicians, occupational health nurses/medical care nurses, and the health insurance association all cooperate under the Executive Officer supervising the HR Department, who serves as Chief Health Officer (CHO). We also undertake priority measures with input from the labor union. In March 2020, our President led the creation of the TOYOBO Health & Productivity Management Declaration.

In 2023, our company received its first "Top 500" certification (large enterprise category) in the 2023 Certified Health &

Productivity Management Outstanding Organizations Recognition Program.

• Response to health and productivity management issue

We organize and analyze issues from multiple angles, including health check-up results and the use of scoring reports and data indexed over time in cooperation with insurers, to put measures into practice. We use content from our annual Health and Productivity Management Survey to conduct annual reviews of our initiatives, and connect this to our activities in the following fiscal year.



• Improvement of employee lifestyle habits

We are carrying out measures for regular exercise habits and smoking cessation, and providing educational opportunities to improve literacy, which leads to improved lifestyle habits for employees.

In fiscal 2023, in conjunction with seminars on passive smoking and nicotine addiction, we provided information on online outpatient clinics for smoking cessation and implemented measures to partially subsidize the cost of outpatient smoking cessation treatment for those who successfully quit.

• Mental healthcare and restricting prolonged working hours

When working hours exceed specified standards for three consecutive months, we examine measures in management meetings (company-wide, including managerial staff) to prevent recurrence. Labor and management have specified lines for each business site, and reductions in excessive working hours are being promoted, with a KPI of a 20% reduction set for the number of employees subject to overtime work.

Regarding mental healthcare, training for managers is conducted once a year, and occupation health staff engage in individual consultations at each business site.

S Policies and activities (topics) on social aspects KAERU — Creating opportunities for dialogue that brings awareness —

KAERU, an overview

We launched the KAERU Project in April 2018 with participation of all executive officers and employees across the company. (KAERU means “to change.”) This project was initially proposed by an officer who felt a sense of crisis and urgent need for change because Toyobo group had failed to meet the targets in its previous four medium-term management plans, and compliance violation incidents had occurred. Many employees agreed to the officer’s idea, leading to the establishment of this project. In March 2019, we established TOYOBO PVVs as a framework of corporate philosophy that can also be a banner for reform, which we have been advancing by spreading the corporate philosophy from the dual perspectives of systems and structural KAERU and work and workplace environment KAERU. In April 2022, we renamed the KAERU Project Department the KAERU Department as we continue making KAERU activities take root in our culture.

Dialogue and exchange workshop example

Exploring learning through dialogue

Nonwoven Fabrics Materials Operating Department (at the time)

wanted to create opportunities to think again about what it means to learn. We hosted a talk by company former employee Hisao Nishinaka titled “Textile Vision (Road Map) and Reskilling,” which was followed by a “casual discussions on serious issues” gathering in which all participants could converse frankly and openly without regard to rank. A diverse range of views were exchanged, inspired by contact with the enthusiasm of Mr. Nishinaka, who has remained energetic and active in his work and study since his retirement as Corporate Auditor. In a follow-up survey, 95% of the participants responded that it had given them an opportunity to think about learning.



Participant feedback (excerpts)

- As I answered questions posed by other people, I sometimes found myself being made aware of ways of thinking and feelings that I myself hadn’t understood very well.
- I realized that increasing the motivation we bring out while talking with lots of people is also really important in continuing to learn.
- Every other person besides ourselves has something we can learn from, which makes it important to take an interest in people.

KAERU in numbers (results)

Themes	Results	FY2023	FY2019-2023
Increase the number of people with awareness	Basic training in organizational development	Number of attendees	66 157
	Basic training in organizational development for managers	Number of attendees	8 8
	Facilitation training	Number of attendees	315 1,155
Creating opportunities for awareness	Writing business department operations into unified company-wide workflow	Flow (number)	12 16
	Briefings and talk sessions	Number of times held (events)	3 25
	Dialogue and exchange workshops *See case examples above.	Number of times held (events) Number of attendees	133 275 1,043 2,749
Leading from awareness to KAERU	Isolating issues through taking inventory and writing	Incidents	90 640
	Support for improvement	Incidents	18 223
Connecting with people eager for change	Work style proposals by interdepartmental teams	Number of subcommittees (type)	8 28
		Number of attendees	68 170
KAERU members (planners and promoters)		9 full-time, 80 concurrently (as of May 2023)	
KAERU supporters (those who have experience as members, supporters, etc.)		163 (as of the end of March 2023)	
Participants in KAERU activities		2,471 (as of July 2022)	

*Totals.

Workplace-led KAERU



Ikuo Takeuchi

President & Representative Director
 CEO & Co-CEO

KAERU is now in the sixth year since its launch, and its activities have shifted focus to building up people and organizations capable of sustained transformation. Creating an organizational culture in which people feel at ease freely exchanging words with each other enables mutual recognition and ties between people across organizations. Different perspectives and ideas give rise to an awareness of improvement, reform, and transformation. Meanwhile, it can be expected to provide occasions to discover safety risks and signs of malfunctions that can lie hidden in daily routine work and in the workplace.

Through KAERU, we take ownership of workplace issues and discuss them in teams to solve issues by ourselves as we carry out the initiative known as T-UP (boosting team capabilities through TOYOBO TALK, our in-house term for organizational development). As this initiative gradually spreads, case examples are emerging of how it is transcending workplace barriers.

I am also continuing with monthly “casual discussions on serious issues” in which I speak directly with employees. It provides many new insights, not just for the people participating but for me as well. There are also new interactions that begin with these “casual discussions on serious issues”. I believe that these activities will ensure the solid trustworthiness of our safety, disaster prevention, and quality, and that they will result in our creation of an organizational culture that reflects the attitude expressed in our TOYOBO PVVs corporate philosophy framework: “We welcome change, we enjoy change, and create change.”

S Policies and activities with social aspects Partnerships (supply chain)



Basic approach

Toyobo group supports the development of a sustainable society throughout our supply chain, and we have established the proper transaction policies and execute responsible procurement and logistics so as to contribute to achieving the Sustainable Development Goals (SDGs).

In keeping with Principle 2, Fair Business Practices, of the TOYOBO Group Charter of Corporate Behavior, we will engage in proper competition and transactions, as well as responsible procurement and distribution, and we will maintain a healthy relationship with society. We also established our CSR Procurement Guidelines to address issues including legal compliance, fair transactions, environmental considerations, and respect for human rights, and our Green Procurement Guidelines to address environmental considerations. In September 2022, we revised our CSR Procurement Guidelines in light of several recent global issues.



Organizational structure

Having established a proper basic policy on transactions, we have also built systems for responsible procurement and logistics. Moreover, we have established our CSR Procurement Guidelines and Green Procurement Guidelines, and administer CSR procurement survey to all of our suppliers, while requesting their understanding of and cooperation with our proactive advancement of initiatives.

Targets and KPIs

We establish and appropriately manage the following goals and KPIs.

• Targets

- Throughout our supply chain, we will realize procurement and logistics with consideration for its social and environmental

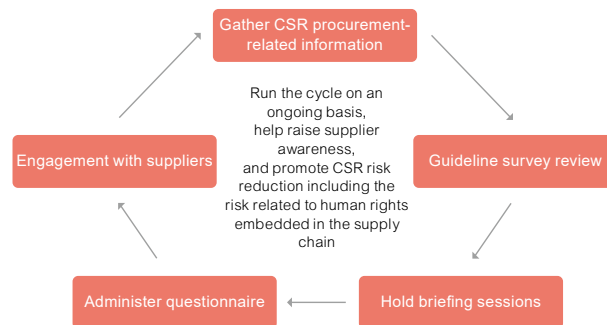
aspects, fair and honest transactions, and respect for human rights.

- By promoting green logistics, including modal shifts and better loading efficiency, we will reduce CO₂ emissions.

Initiatives

• CSR procurement survey

To all of our major suppliers worldwide, we provide notification of our CSR Procurement Guidelines and administer a survey based on the guidelines every other year. We administered it most recently in fiscal 2022, and in fiscal 2023, we took corrective measures and revised our CSR Procurement Guidelines based on the results.



• Education for sustainable procurement

Training for personnel in charge of procurement and logistics (buyers) is conducted once a year for all of those in charge, in which each group manager in the Procurement and Logistics Department is involved in presenting a thorough familiarization with the CSR Procurement Guidelines. We also incorporate goals related to contribution to sustainable procurement (stable procurement) into personnel evaluations of procurement and logistics staff, and conduct guidance and training on topics including management of progress toward the goals. We solicit proposals for improvement

including for sustainable procurement activities, and reward excellent proposals with commendations.

• Addressing conflict minerals

In our CSR Procurement Guidelines, our group calls for the promotion of responsible procurement with respect to regulations on conflict minerals. Using specific Chemical Substances Data Sheets, we investigate whether conflict minerals are used in the raw materials behind all of our company's products. In fiscal 2023, we investigated products that contain the four minerals tin, tantalum, tungsten and gold among their raw materials. We also prepared an internal survey and response system that lets us provide prompt and proper responses to survey requests from customers.

• Solving social issues of logistics

In efforts to solve social issues that emerge in logistics, we are working to reduce environmental impacts through such means as shortening transport distances, increasing loading efficiency, and adopting effective systems, while also reforming work styles in the logistics field.

S Policies and activities with social aspects

Partnerships (social contribution)



Basic approach

In the TOYOBO Group Charter of Corporate Behavior, we declare that “We will actively participate in society as a good corporate citizen and contribute to its development.” It is our belief that fulfilling our responsibilities as a good corporate citizen and making investments for the future is one way for us to put our corporate philosophy of “*Jun-Ri-Soku-Yu*” into practice. To build and support a better society as a member of that society, we will engage in the promotion of science and technology, environmental conservation, and communication with local communities, and will incorporate what we gain from these activities into our corporate activities.

Promotion of science and technology

• Supporting junior researchers to contribute to the biotechnology field

In order to promote interdisciplinary academic research in the field of biotechnology so that the results can contribute to society, Toyobo established the Toyobo Biotechnology Foundation in May 1982 to mark the centennial anniversary of the company. The foundation has since hosted research conferences and symposiums, and offered research grants. In recent years, it has focused its activities



Fiscal 2023 long-term research grant recipients and foundation officials (at the February 13 presentation ceremony)

on providing international students with research grants in support of the young researchers who represent the future.

In fiscal 2023, six young researchers were granted long-term research subsidies totaling ¥33 million, with a presentation ceremony held in February 2023. With the current fiscal year included, a total of 220 researchers have received long-term research subsidies. The recipients are actively engaged at the forefront of research and education in the field of biotechnology, and there are some who have served as directors and trustees of the foundation out of a desire to contribute to the development of the next generation.

Contribution to local communities

• Toyobo Aya-no-Mori forest conservation and contribution to the local community

We have been purchasing pine and other forests since the 1950s for the purpose of domestic self-sufficiency in chemical fiber raw materials (wood pulp). As the composition of the chemical fiber business has changed, however, we have now accomplished this mission of supplying raw materials, and are holding some of the forests we own in order to produce lumber.

Among our company-owned forests is Toyobo Aya-no-Mori, located in the town of Aya-cho, Miyazaki Prefecture. It has been discovered that the forest contributes to the recharging of local water sources, that a rich ecosystem is maintained by its mixture of natural forest and cedar and cypress plantations, and that rare plants and animals find their homes there, which have led to our reassessment of its value. Moreover, the whole woodland owned by the company (approximately 1,500 hectares), which contains Aya-no-Mori, is estimated to absorb approximately 6 thousand t-CO₂ annually, thus contributing to society from the standpoint of climate change mitigation.

By maintaining this valuable ecosystem, we will contribute to achieving the target of conserving 30% or more of land and sea as healthy ecosystems by the year 2030, set by the 30 by 30 Alliance for Biodiversity, an international initiative agreed upon at the 15th Conference of Parties to the UN Convention on Biological Diversity

(COP15) in 2022. One of the means by which we aim to achieve this goal is to obtain certification under the international database of other effective area-based conservation measures (OECM).

In addition, given Toyobo Aya-no-Mori’s location adjacent to a UNESCO Eco Park, and its convenient proximity to the city center, we are considering a collaboration with the local community in which we would offer it as a site for visitor education on the natural environment. Furthermore, the forest has a rich ecosystem that holds within it the potential to yield new materials and raw materials that we think could be developed into better products in the future, which would contribute to a prosperous society.



Toyobo Aya-no-Mori, Aya-cho, Miyazaki Prefecture



Comprehensive cooperation agreement concluded with Aya-cho, Miyazaki Prefecture

Outside Director message

We will overcome our immediate issues and difficulties to achieve transformation. Look forward to the future of TOYOBO!

Hiroshi Fukushi

Outside Director



Helping to overcome high hurdles to transform the business portfolio

Toyobo is currently undertaking the reorganization of our business portfolio, which is our biggest management challenge. It is a process that any long-established company must go through in order to grow sustainably when changes in the times diminish the competitiveness of the businesses it has built, resulting in pressure to transform the portfolio. Amid weakening growth potential at some of the businesses at Toyobo, excessive importance was placed on immediate profits, which resulted in the occurrence of serious fire accidents and quality problems, making it necessary to review the business structure. I commend the group's highly active initiatives under President Takeuchi, first of all for the strengthening of its safety and disaster readiness system that is a foundation of manufacturing as well as the rebuilding of its quality assurance system, while taking further steps to reorganize its business portfolio. Toyobo's Board of Directors has five outside directors with diverse backgrounds including business operation, research and development, and compliance, and engages in active discussions. Among these, I have been in charge of managing a manufacturing company, where I experienced a major business portfolio transformation. Transformation is not easy, but we must achieve it for the sake of the company's future survival and development. I will make the most of my own experience toward Toyobo's transformation, and I will back President Takeuchi and all of the executive officers in their efforts to overcome this high hurdle.

Most recently, our operating cash flow has dropped under the impact of the economic disturbances during the COVID-19 pandemic and soaring raw materials and fuel prices, so we must reclaim our earning power as we advance efforts to earn unwavering trust in our safety, disaster prevention, and quality. Although I think all chemical manufacturers are confronting the same issue, the difficulty of raising prices on product lines that have undergone commoditization is precisely what makes this a critical moment. Toyobo must change its business structure to one that generates cash flow by optimizing product prices and advancing the shift to high value-added products.

Management aiming for a high position in the long term only makes sense in a harsh business environment

In order for Toyobo to be a company that continues to envision a growth trajectory through contributing to society while responding to changing times, there is enormous significance to our establishment of the TOYOBO PVVs corporate philosophy system and Sustainable Vision 2030. In addition to the major changes currently taking place in the global and business environments, we are also being rushed by a wave of digital transformation (DX). In order to weather high seas like these, it is crucial that everyone aim for a high position from a long-term perspective, and move toward that goal step by step.

In Japan, DX tends to be understood as the introduction of digital technology, but the genuine meaning of DX is the application of digital technology to the transformation of society. In looking at Amazon or Apple, we get a true sense of the power of advanced DX companies. DX has the kind of speed and power in which one equation can answer everything, so industrial and occupational structures change, renewing everything having to do with companies, lifestyles, and work. This kind of transformation has already started everywhere throughout industry, so that both companies and individuals are all under pressure to make a decision and do something about whether to ride this rogue wave or get swamped by it.

In order to realize the TOYOBO PVVs, it will be necessary for Toyobo to review its existing businesses and operations from the ground up and to rebuild the company, and DX will be essential to that effort. Ten years from now, Toyobo's business portfolio will have undergone some enormous changes. Now is the time that management must exercise its leadership to transform Toyobo into a company that will keep growing. As an outside director, I intend to solidly advance that transformation.

G Policies and actions on governance aspects

Management team

Director



Seiji Narahara
Chair of the Board & Director

January 1988 Joined TOYOBO
 April 2010 Executive Officer
 June 2011 Director and Executive Officer
 April 2014 President & Representative Director, CEO & Co-CEO
 April 2021 Chair of the Board & Director (to present)



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

April 1985 Joined TOYOBO
 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 & Representative Director
 CEO & Co-CEO (to present)



Chikao Morishige
Representative Director & Co-CEO
Assistant to the president, Head of Environmental & Functional Materials Division

April 1983 Joined TOYOBO
 April 2014 Deputy Director, Head, Films Development Department
 April 2017 Executive Officer
 April 2019 Managing Executive Officer
 April 2020 Senior Managing Executive Officer
 June 2021 Representative Director & Senior Managing Executive Officer
 April 2022 Representative Director & Co-CEO (to present)
 April 2023 TOYOBO MC Corporation
 President & Representative Director
 CEO (to present)



Hiroshi Otsuki
Representative Director
Senior Managing Executive Officer
CFO, Controlling Supervisor of Management and Administration Division, Supervisor of KAERU Department

November 1987 Joined TOYOBO
 October 2014 Deputy Director, General Manager, Chemicals Management Planning Office & General Manager, Films Business Management Office
 April 2017 Executive Officer
 June 2020 Director and Executive Officer
 April 2021 Director and Managing Executive Officer
 April 2022 Representative Director, Senior Managing Executive Officer, CFO (to present)



Taichi Sakai
Director, Managing Executive Officer
CTO, Head of Safety and Disaster Management Division, Controlling Supervisor of Production Technology Division

April 1986 Joined TOYOBO
 March 2012 General Manager, Production Technology Division & Member, Corporate Planning Office (project under direct control of the President)
 April 2016 Deputy Director, Production Technology Supervisory Division Head & Member, Global Promotion Department
 Executive Officer
 December 2020 Director, Managing Executive Officer, CTO (to present)
 April 2023



Takafumi Isogai
Outside Director

January 1987 Associate Professor, Department of Education, Osaka University
 April 1996 Associate Professor, Graduate School of Engineering Science, Osaka University
 April 2002 Professor, Faculty of Merchant Marine, Kobe University of Maritime Sciences, Kobe University
 October 2003 Professor, Faculty of Maritime Sciences, Kobe University
 April 2013 Professor, Faculty of Commerce, University of Marketing and Distribution Sciences
 April 2018 Part-time lecturer, University of Marketing and Distribution Sciences
 June 2018 Outside Director of the company (to present)



Kimie Sakuragi
Outside Director

March 1981 Fukutake Publishing Co., Ltd. (currently Benesse Holdings Inc.)
 April 1995 General Manager, Book Business Department, Publishing Department, Benesse Holdings
 November 1998 Section Manager, Business Ethics Committee
 January 2003 General Manager, Corporate Ethics and Compliance Office
 June 2003 Full-time Corporate Auditor (retired in June 2019)
 April 2007 Specially Appointed Professor, University of Aizu Graduate School (to present)
 June 2019 Outside Director of the company (to present)
 June 2021 Isuzu Motors Limited
 Outside Director (Audit and Supervisory Committee member) (to present)
 June 2021 Outside Director, Kumagai Gumi Co., Ltd. (to present)



Masaaki Harima
Outside Director

April 1977 Assistant Judge, Osaka District Court
 May 1981 Registered as attorney (Osaka Bar Association)
 September 1987 Established Harima Law Offices (now Fushimicho Law Offices)
 April 2010 Chairperson, Osaka Fairness Review Board
 June 2011 Outside Corporate Auditor, Ishihara Sangyo Kaisha, Ltd. (to present)
 June 2014 Member, Independent Committee
 June 2020 Outside Director of the company (to present)
 April 2021 Chairperson, Pollution Control Board, Osaka Prefecture (to present)



Hiroshi Fukushi
Outside Director

April 1984 Joined Ajinomoto Co., Inc.
 June 2011 Executive Officer
 June 2013 Director & Managing Executive Officer
 General Manager, Bio-Fine Business Division
 June 2019 Director, Vice President & Executive Officer
 Chief Digital Officer
 June 2021 Director, Representative Director & Vice President
 June 2022 Special Advisor (to present)
 June 2022 Outside Director of the company (to present)
 June 2022 Outside Director, MEGMILK SNOW BRAND Co., Ltd. (to present)



Shoko Takase
Outside Director

April 1987 Joined IBM Japan Ltd.
 January 2005 Seconded to IBM Corporation (IBM U.S. head office)
 July 2015 Manager, Growth Strategy, Mobile Strategy, IBM Japan Ltd.
 July 2016 General Manager, Global Technology Services Business
 General Manager, Resiliency Services Division
 July 2018 Director, General Manager, Cloud Solution Center
 April 2019 Senior Managing Executive Officer & Head, Enterprise Business, Cisco Systems G.K.
 July 2021 Consultant, TechnoPro Holdings, Inc.
 September 2021 Outside Director (to present)
 June 2023 Outside Director of the company (to present)

Corporate Auditor



Takayuki Tabo



Yasuo Ohta



Akihiko Irie
(Outside)



Wakyu Shinmen
(Outside)

CEO & Co-CEO

Ikuro Takeuchi

Co-CEO

Chikao Morishige

Senior Managing Executive Officers

Hiroshi Otsuki
 Shigeo Nishiyama
 Ichiro Takai

Managing Executive Officers

Nobuya Fujiwara
 Taichi Sakai
 Takahito Sagara
 Muneo Hirooka

Executive Officers

Seiji Yamazoe	Yoshihiro Nomi	Naoki Fujii
Eiichi Shimizu	Kazuyuki Kawata	Kenji Fujihashi
Nobuyuki Hoshino	Masanao Kudo	Atsushi Sogabe
Tadao Kuroki	Masakazu Iwasaki	Tetsuro Yabuki
Sonoko Ishimaru	Katsuya Ito	Takehiko Inada
Hisashi Arimoto	Kazuhiro Ikeda	

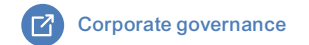
G Policies and actions on governance aspects

Management team

Directors and Corporate Auditors attendance status and skills matrix

	Outside	Independent	Age	Gender	Nomination and Compensation Advisory Committee	Chairpersons of each committee	Attendance status (attendance rate)			Of the skills and experience we seek, those that can be put to particularly effective use							Years in office	Reasons for election
							Board of Directors	Board of Corporate Auditors	Nomination and Compensation Advisory Committee	Corporate management	Production, technology, and development	Marketing and sales	Finance and accounting	Environment and society	Governance, risk management, and compliance	IT/DX		
Director	Seiji Narahara		66	Man	○	Board of Directors	18/18 sessions (100%)		5/5 sessions (100%)	○			○	○		12	Based on his deep knowledge of finance, accounting, and other areas, Mr. Narahara has supported the long-term reform of the company's business portfolio, and, acting as President and Representative Director since April 2014, has led the management of the group, including the reworking of our corporate philosophy structure and the expansion of the film business, committed to the improvement of corporate value. He assumed the post of Chair of the Board & Director in April 2021, and in that position, plays an appropriate role in decision-making on key matters and in the oversight of execution.	
	Ikuo Takeuchi		60	Man		Board of Managing Executive Officers and Controlling Supervisors	18/18 sessions (100%)			○		○		○	○	3	After serving in key positions in corporate planning and overseas business sites of the company, Mr. Takeuchi was appointed as Head of the Functional Membranes and Environment Division, a position from which he set a concrete path toward growth of the business. Since April 2021, he has undertaken formulation of the 2025 Medium-term Management Plan as President and Representative Director, demonstrating strong leadership and steering the sustainable growth of the group.	
	Chikao Morishige		63	Man			18/18 sessions (100%)			○	○	○				2	Mr. Morishige has held key positions in the fields of R&D and production technologies in the company's core Films Division, and has contributed to the expansion of the Division's performance. He assumed the post of Representative Director in June 2021 and has played a central role in management as an assistant to the President.	
	Hiroshi Otsuki		62	Man			18/18 sessions (100%)			○		○		○		3	Mr. Otsuki has held key positions in the company's corporate departments, including in finance and accounting, corporate planning, and corporate communications. Since June 2020, he has contributed to the strengthening of the group's financial base and to corporate governance in the role of Director.	
	Taichi Sakai (New appointment)		60	Man							○			○	○	0	Mr. Sakai has held key positions in the company's production technology department and core manufacturing sites and, drawing on his abundant experience and expertise in the field of production technology, contributes to initiatives aimed at technological innovation.	
	Takafumi Isogai	○	○	74	Man			18/18 sessions (100%)						○		5	Leveraging specialized knowledge and wide-ranging insights gained as an academic expert versed in the field of quality control, Mr. Isogai made proactive statements from an independent standpoint at meetings of the Board of Directors. He appropriately fulfills roles expected of him by the company, including those of supervising management through vital decision-making and providing counsel to management, advising management in areas including technology and R&D.	
	Kimie Sakuragi	○	○	64	Woman	○		18/18 sessions (100%)		5/5 sessions (100%)				○	○	4	Leveraging her abundant experience and wide-ranging insights in fields including corporate ethics, compliance, and sustainability, Ms. Sakuragi made proactive statements from an independent standpoint at meetings of the Board of Directors. She appropriately fulfills roles expected of her by the company, including those of supervising management through vital decision-making and providing counsel to management, serving as a member of the Nomination and Compensation Advisory Committee.	
	Masaaki Harima	○	○	72	Man			17/18 sessions (94%)						○	○	3	Leveraging specialized knowledge and wide-ranging insights gained as an attorney, Mr. Harima made proactive statements from an independent standpoint at meetings of the Board of Directors. He appropriately fulfills roles expected of him by the company, including those of supervising management through vital decision-making and providing counsel to management, advising management with the aim of strengthening risk management and governance.	
	Hiroshi Fukushi	○	○	65	Man	○		14/14 sessions (100%)			○	○	○		○	1	Leveraging his abundant experience and wide-ranging insights gained as a business manager, Mr. Fukushi made proactive statements from an independent standpoint at meetings of the Board of Directors. He appropriately fulfills roles expected of him by the company, including those of supervising management through vital decision-making and providing counsel to management, drawing on his high-level expertise in the bio and digital fields to advise management.	
Shoko Takase (New appointment)	○	○	58	Woman						○	○			○	0	In addition to extensive experience and wide-ranging insights as a business manager, Ms. Takase possesses high-level expertise in the IT and digital fields. The company expects that she will appropriately fulfill roles including those of supervising management through vital decision-making and providing counsel to management.		
Corporate Auditor	Takayuki Tabo		62	Man			18/18 sessions (100%)	15/15 sessions (100%)		○	○	○		○	2	Mr. Tabo has a long involvement in the accounting and control department of the company, possesses considerable knowledge of finance and accounting, and has a deep understanding of the management and business operations of the group.		
	Yasuo Ohta (New appointment)		63	Man							○	○		○	0	Mr. Ohta has a long involvement in the field of research and development, and, after serving as head of the Research Center, has held key positions in the biochemical business and in corporate planning, contributing to new business development and global expansion. He possesses abundant experience and a record of performance as a manager in charge of various departments, and has a deep understanding of the management and business operations of the group.		
	Akihiko Irie	○	○	66	Man		18/18 sessions (100%)	15/15 sessions (100%)		○		○		○	2	Mr. Irie possesses abundant experience in auditing and has served as a corporate auditor at listed companies.		
	Wakyu Shinmen (New appointment)	○	○	66	Man	Observer								○	0	Mr. Shinmen possesses abundant experience in auditing as a certified public accountant.		

G Policies and actions on governance aspects Corporate governance



Basic approach

Under our corporate philosophy of “Jun-Ri-Soku-Yu,” we at Toyobo believe that discerning social issues from a long-term perspective and helping solve them with our own unique technologies is our purpose for being.

In order to respond to changing times and continually improve our corporate value, we will do our utmost to collaborate appropriately with all of our stakeholders, beginning with our shareholders, based on how we think about ensuring prompt,

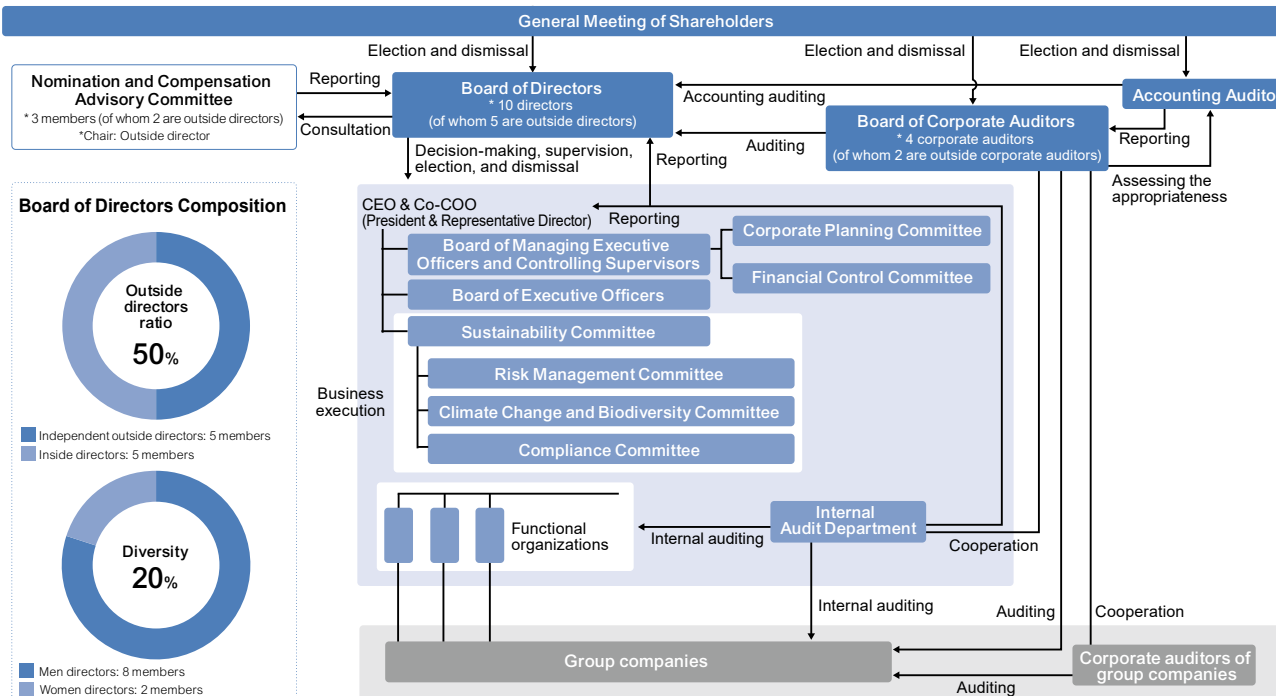
accurate decision-making, ensuring transparency of management, and placing importance on fairness. We will also fulfill our fiduciary and accountability duties to ensure the effectiveness of our corporate governance, and will strive to make continual improvements.

Organizational structure

As a company furnished with a Board of Corporate Auditors, we have adopted an executive officer system. Our Articles of

Incorporation stipulate this system, by which the Board of Directors supervises the execution of business operations by executive officers. We have thus built a structure of governance that enables prompt decision-making and effective business execution by making a clear separation between the decision-making and oversight functions of the Board of Directors and the business execution functions of the executive officers.

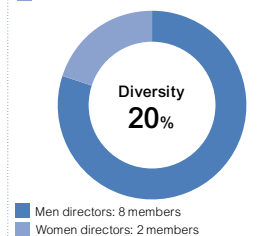
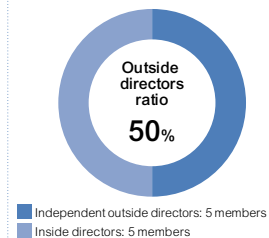
Corporate governance structure (as of June 2023)



Conference and committee overview (Numbers of persons as of June 2023)

	Number of meetings in fiscal 2023	Constituent members
Board of Directors	18	10 members. The Board of Directors is composed of the chairperson who presides over its deliberations, 5 independent outside directors, and directors who serve concurrently as executive officers. It is stipulated that the number of Board of Directors members may not exceed 14, that the term of office is one year, and that the ratio of outside directors must be one-third or greater.
Board of Corporate Auditors	15	4 members. Includes 2 independent outside corporate auditors.
Nomination and Compensation Advisory Committee	5	3 members. Consists of 2 independent outside directors and the chairperson. An outside director chairs the meeting. One outside corporate auditor also attends as an observer.
Board of Managing Executive Officers and Controlling Supervisors	32	12 members. Includes those serving concurrently as directors. The chairperson and 2 internal corporate auditors may also participate and express opinions.
Sustainability Committee	4	13 members. The members of the Board of Managing Executive Officers and Controlling Supervisors are members of the committee, with the president serving as chairperson. 2 internal corporate auditors may also participate and express opinions.
Corporate Planning Committee	8	19 members. Members of the committee are selected from each area of expertise and business department. The officer in charge of planning serves as chairperson.
Financial Control Committee	17	There is 1 chairperson and 4 permanent members.

Board of Directors Composition



G Policies and actions on governance aspects

Corporate governance



Targets and KPIs

• Targets

We have set KPIs and manage them appropriately in order to build a fair and transparent governance structure through compliance with the Corporate Governance Code and proactive information disclosure, etc. We set KPIs for initiative items involving the strengthening of corporate governance and information disclosure.

Senior management election and dismissal, and nomination of director and auditor candidates

• Policy

In selecting and dismissing senior management (executive officers who serve concurrently as directors), and in nominating director and corporate auditor candidates, consideration is given to whether the person excels in the character and insight appropriate to the respective duties as a basis for consideration with respect to our criteria for nominating officers and corporate auditors. The decisions are made by the Board of Directors after deliberation by the Nomination and Compensation Advisory Committee.

(1) Conceptual approach to the composition of the Board of Directors and the Board of Corporate Auditors

① Board of Directors

In order to achieve overall structural balance while ensuring diversity of career history, gender and age, while affording the expertise and skills necessary to exercise appropriate strategic direction and decision-making on execution of important business, and the independence needed to strengthen supervision of the management team, the Board of Directors is composed of the chairperson who presides over its deliberations, outside directors and directors who serve concurrently as executive officers. In keeping with our mindset regarding the assurance of prompt, accurate decision-making, management transparency, and placing importance on fairness, our Articles of Incorporation stipulate that the number of Board of Directors members may not exceed 14, and that the ratio of outside directors must be one-third or greater.

② Board of Corporate Auditors

From the standpoint of ensuring the effectiveness of its audits, the Board of Corporate Auditors is composed of personnel who possess finance and accounting expertise and skills as well as knowledge of the group's business operations.

(2) Outline of criteria for nomination, etc.

① Directorship candidates (excluding outside director candidates)

- Must have managerial knowledge, track record, experience and skills, and a company-wide perspective

② Outside directorship candidates

- Must help increase corporate value and strengthen oversight functions by providing business suggestions, management support, etc.
- Must satisfy the separately defined criteria for independence of outside officers

③ Corporate auditorship candidates

- Must be capable of appropriate decision-making from an independent and objective standpoint in executing audits and other duties
- Outside corporate auditorship candidates must satisfy the independence criteria

• Procedures for nomination, etc.

In order to ensure fairness and transparency, the Nomination and Compensation Advisory Committee has been established as an advisory body for the Board of Directors, with outside directors making up a majority of its members. An outside director serves as chairperson of the Nomination and Compensation Advisory Committee.

The Nomination and Compensation Advisory Committee reports to the Board of Directors upon deliberating basic policies and criteria such as officer nominations, succession planning, and other matters based on proposals from the president.

• Policy and procedures for dismissal

In the event of any conduct suspected of being unfair, unjust or constituting a breach of trust, or any other cause of unfitness for

service as an officer, the Board of Directors will make a decision regarding dismissal upon deliberation by the Nomination and Compensation Advisory Committee.

Officer training

In addition to conducting briefings for newly appointed directors and corporate auditors on their roles and duties, we also help them acquire the necessary knowledge by sending them to external training programs upon assuming their posts as executive officers and directors. Newly appointed outside directors and outside corporate auditors are also briefed on the company's business operations, finances, and organization. After they assume office, we provide further support for their participation in external training programs, while also presenting lectures by outside instructors so that each individual can continuously strengthen their management literacy.

Officer compensation system

• Basic policy

We have designed our system for officer compensation in accordance with the following policy items, within the scope of the compensation amounts approved by the General Meeting of Shareholders.

- ① It must incentivize the motivation to increase sustained growth of the group and medium- to long-term increase in corporate value.
- ② It must facilitate the securing of excellent management personnel.
- ③ It must have a highly objective, transparent decision-making procedure. We will review the composition and levels of compensation with reference to our management environment, employee salary levels, and levels current at other companies, according to surveys conducted by external expert organizations.

• Monetary compensation (including performance-linked component)

(1) Composition of monetary compensation

Monetary compensation for directors (excluding outside directors) consists of fixed monthly compensation comprising the following two components.

G Policies and actions on governance aspects

Corporate governance



1 Base compensation

2 Short-term incentives

(2) Short-term incentives

- 1 Short-term incentive compensation reflects evaluations of company-wide performance and the performance of the department under charge, in accordance with position.
 - Representative Director and Executive Director: Company-wide performance only
 - Director: Company-wide performance 2; performance of department under charge 1
 - Executive Officer (full-time): Company-wide performance 1; performance of department under charge 2
- 2 Individual compensation is calculated to reflect company-wide performance and the performance of the department under charge, and is decided by the Board of Directors.
- 3 The major management indicator EBITDA is used as a KPI for company-wide performance. It varies between 0% and 200%, according to the degree of achievement with respect to the target value.
- 4 With regard to specific target values, the Nomination and Compensation Advisory Committee is consulted. Based on its reports, the Board of Directors makes decisions.
- 5 Performance of the department under charge is evaluated on a 5-point scale that takes into account the degree of operating income achieved, the degree of improvement in ROA, EBITDA, and

other factors in the department under charge. It varies between 50% and 200%.

• Stock compensation

In order to strengthen incentives for a sustained increase in corporate value, and to promote even greater value-sharing with shareholders, we offer a certain percentage of compensation in the non-monetary form of restricted stock (non-performance-linked and pre-delivery type).

• Ratio of paid compensation

The ratio is designed to allow incentives for enhancement of corporate value to function appropriately. For base compensation, short-term incentive, and long-term incentive, a ratio of 6:3:1 is set as a guideline (when KPI achievement is 100%).

• Other

- (1) Compensation for outside directors consists only of a fixed amount of monetary compensation, given their role and independence.
- (2) Compensation for corporate auditors consists only of a fixed amount of monetary compensation according to the duty and responsibility of each auditor, and given their role and independence, is determined in consultation with the auditor.
- (3) In order to ensure transparency and objectivity in the

determination of compensation, the Nomination and Compensation Advisory Committee has been established as an advisory body for the Board of Directors, with outside directors making up a majority of its members. It is consulted by the Board of Directors, and deliberates on the structure, levels, and methods of calculation of officer compensation, as well as the target amounts for company-wide performance evaluations that are a component of the compensation for each position. The Board of Directors makes final decisions on individual compensation amounts with reference to reports from the Nomination and Compensation Advisory Committee.

• Revision of the officer compensation system

The Board of Directors partially revised the system of officer compensation in fiscal 2023 in light of considerations of social trends and appropriate incentives for improved business performance. Effective from July 2022, the key content of the revision is shown below.

(1) Compensation composition ratios

The guidelines for the ratio of base compensation, short-term incentives, and long-term incentives (restricted stock compensation) will be changed as follows.

Pre-change: 7:2:1 Post-change: 6:3:1

(2) Short-term incentive composition ratio

Pre-change: Calculated by multiplying evaluations of company-wide performance and departmental performance.
 Post-change: The ratios of company-wide performance and departmental performance reflected in short-term incentives are as follows:

- Representative Director and Executive Director: Company-wide performance only
- Director: Company-wide performance 2; performance of department under charge 1
- Executive Officer (full-time): Company-wide performance 1; performance of department under charge 2

Details of officer compensation (fiscal 2023)

Category	Total compensation, etc. [millions of yen]	Total compensation, etc., by type			Number of eligible officers*
		Base compensation [millions of yen]	Performance-linked compensation [millions of yen]	Non-monetary compensation (restricted stock compensation) [millions of yen]	
Directors (including outside directors)	407 (50)	275 (50)	101 (-)	31 (-)	12 (5)
Corporate auditors (including outside corporate auditors)	70 (18)	70 (18)	- (-)	- (-)	4 (2)
Total (including outside officers)	478 (68)	345 (68)	101 (-)	31 (-)	16 (7)

*Including officers newly appointed and retired during the term

G Policies and actions on governance aspects

Corporate governance

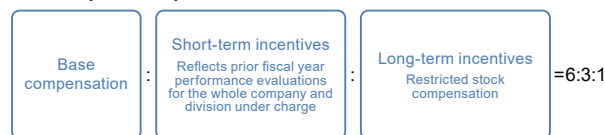


(3) Short-term incentive KPI

The KPI for company-wide performance will be changed from consolidated operating income to EBITDA,* linking it to the targets of the 2025 Medium-Term Management Plan.

*EBITDA: An acronym for "earnings before interest taxes depreciation and amortization," a corporate profit level indicator.

Ratio of paid compensation



During fiscal 2024, the Board of Directors decided that from July 2024, the short-term incentives within officer compensation would incorporate a sustainability index in the pursuit of sustained growth and environmental, social, and governance (ESG) perspectives.

Evaluation of the effectiveness of the Board of Directors

With the goal of further increasing the functionality of the Board of Directors, we obtained the advice of an external organization in conducting an analysis and evaluation of the overall effectiveness of the Board of Directors in fiscal 2023. A summary is as follows.

• Methods of analysis and evaluation of effectiveness

- (1) Subjects: All directors and corporate auditors
- (2) Method: We administered a questionnaire (with approximately 50 questions), with responses made directly to the outsourced external organization.
- (3) Analysis and evaluation: Performed by the Board of Directors upon consideration of the report of aggregate results from the external organization.

• Summary of evaluation results

- (1) The number of directors, the ratio of inside to outside directors, and the Board of Directors chairperson's management of the discussion agenda were generally assessed as appropriate.
- (2) It was confirmed that certain results and improvements were achieved as a result of addressing the five issues identified previously: 1) addressing risk management including of quality assurance and of safety and disaster prevention, 2) tackling medium- and long-term themes, 3) initiatives towards succession planning and appointment procedures, 4) further streamlining Board of Directors' management of meetings procedures, and 5) strengthening of group governance. However, some voices viewed the improvements as insufficient.
- (3) The items 2), 3), and 5) above in particular received relatively low evaluations, and were identified as issues to be addressed along with the newly identified issue of reviewing our business portfolio. In addition, the item 1) above remained an issue to be addressed in order to make further improvements through ongoing initiatives.

• Issues and future initiatives

Through the following initiatives, the Board of Directors will strive to improve its overall effectiveness.

- (1) **Risk management to address safety, disaster prevention, quality assurance, etc.**
We will further enhance the risk management systems of our group as a whole by means including supervision of the status of our initiatives for KPIs and materiality targets.
- (2) **Business portfolio review initiative**
 - We will set this as a priority theme in our annual plans, and will undertake it from the beginning as we work to enhance discussions.
 - We will engage in a review of our business portfolio, with group companies included.
- (3) **Strengthening of group governance**
 - We will receive reports on risk management at group companies and on other topics from the Corporate Business

Management Department, and will engage appropriately.

- We will ensure the effectiveness of internal audit functions through means including audit plans from the Internal Audit Department and reports on their outcomes, and will work to strengthen group governance.
- (4) **Initiatives for CEO succession planning and appointment procedures**
We will further ensure transparency and fairness by means including activity reports from the Nomination and Compensation Advisory Committee.
 - (5) **Initiatives aimed at other medium- to long-term themes (DX, human capital, environmental action, etc.)**
We will set this as a priority theme in our annual plans, and will undertake it from the beginning as we work to enhance discussions.

Cross-shareholdings

We inspect cross-shareholdings on a regular basis for validity in terms of a range of perspectives including effectiveness in medium- to long-term elevation of corporate value, and economic rationale. When such shares are no longer regarded as significant, our policy is to sell them. On the other hand, we may hold shares of business partners in cases where we determine that doing so will contribute to our sustainable growth and increase in corporate value over the medium to long term through the maintenance and strengthening of stable relationships with important partners. Each year, the Board of Directors individually considers the validity of cross-shareholdings, including consideration of future business strategies and relationships, and decides whether or not to continue holding the shares.

In exercising our voting rights on our cross-shareholdings, we make comprehensive decisions upon in-depth study of the circumstances of the business partners involved and of the details of their proposals. When necessary, we engage in dialogue to determine factors such as whether or not the proposal will contribute to the sustained growth and an increase in the medium- to long-term corporate value of the business partners involved and our company.

G Policies and actions on governance aspects Risk management



Basic approach

Having established a Basic Policy on Business Risk that presents our basic stance toward risk management activities, Toyobo group also anticipates a diverse range of crises that might threaten our business activities overall, and we implement risk management by means appropriate to the characteristics of each risk. In the event of an emergency, we establish a task force under the direction of the responsible executive officer to swiftly contain the crisis through a prompt response. By putting these systems in place and making these efforts, we strive to secure the trust of all of our stakeholders, which include our customers, members of local communities, and shareholders.

Organizational structure

We have established a Risk Management Committee chaired by the President, which performs uniform group-wide management of risks. Comprising the members of the Board of Managing Executive Officers and Controlling Supervisors, as well as members

appointed by the chairperson, it met four times in fiscal 2023. The committee supervises risk management activities (identification, analysis, assessment, and response), formulates group-wide risk management policies, and works to strengthen the risk management system under its objective of building up and operating an effective and sustainable organization and system.

BCP conceptual approach and structure

As we carry out continuous improvements, our group has formulated a Business Continuity Plan (BCP) structured around a dual core of performing our supply responsibilities as a manufacturer and coexisting with the local environment and society. It provides clear instructions in chronological order regarding the roles and functions of each department from the emergence of a crisis to its resolution, and lays out the specific details of preparedness during normal times.

Conceptual approach and system for information security

As stated in our TOYOBO Group Charter of Corporate Behavior, our

group must ensure that each and every employee acknowledges the importance of information security, and that we properly manage information and prevent problems involving information security from occurring if we are to contribute to society and remain a company that earns people's trust. Our basic Information Security Policy includes a declaration of its five essentials: A system of management, legal compliance and in-house regulations, education and training, information systems operation, and incident response.

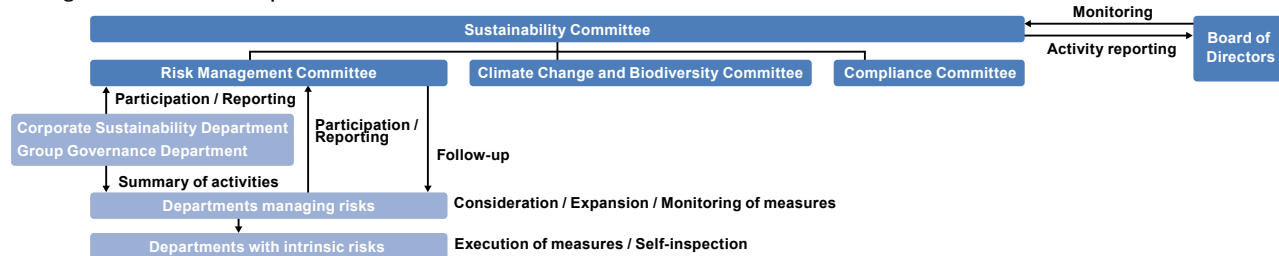
• Information security management system

We have established an Information Security Sub-committee (TOYOBO-CSIRT), led by a chief information security officer (CISO) appointed by top management, as an organization to promote information security measures and activities. TOYOBO-CSIRT assesses the status of information security across the company, formulates basic policies, maintains management systems, and implements and supervises specific measures.

• Information security measures

Cyber attacks are intensifying year by year, often targeting overseas sites and group companies. In response, we are working to raise the information security measures of our domestic and overseas affiliates to the same level as our headquarters, and to strengthen information security across the group. Specific measures include support for communication and improvement of policies and regulations, support for the introduction of education for employees and managers, implementation of targeted email attack drills, deployment and inspection of IT reinforcement measures, and continuous strengthening of our contact system for security and incident response.

Management structure and processes



Major risks we recognize as having the potential to seriously impact the business results and financial status of the Toyobo group.

Risks that have occurred or could occur	Medium- to long-term risks	Financial risks
(1) Disasters, accidents, and infectious diseases (2) Further worsening of political and economic conditions (3) Inappropriate conduct, etc., related to the content of third-party certification registration	(4) Raw materials purchasing (5) Product defects, etc. (6) Securing human resources (7) Climate change (8) Environmental impact	(9) Information security (10) Regulations and compliance (11) Overseas business activities (12) Litigation (13) Major exchange rate fluctuations (14) Major interest rate increases (15) Major stock price declines (16) Fixed asset impairment

(The risks included here are not an exhaustive list of all risks involving the group. Forward-looking statements are based on determinations made by the group as of the end of fiscal 2023.)

G Policies and actions on governance aspects

Compliance



Basic approach

Based upon our corporate philosophy of “Jun-Ri-Soku-Yu,” at the core of Toyobo group’s compliance activities is the idea of “do what should be done” and “don’t do what should not be done.” In addition, based on the principles declared in the TOYOBO Group Charter of Corporate Behavior, we created the TOYOBO Group Compliance Manual, in which we compile in concrete and easily understood terms the rules that employees should follow as we work to encourage understanding among group employees and thoroughly familiarize them with our rules.

Organizational structure

We have established a Compliance Committee made up of members of the Board of Managing Executive Officers and Controlling Supervisors to promote compliance throughout the group from a management perspective, and a subordinate Compliance Promotion Committee to consider specific initiatives, while the Legal and Compliance Department promotes legal and regulatory compliance throughout the group.

Targets and KPIs

We have set KPIs and manage them appropriately in order to foster an ethical corporate climate and culture in which each and every employee adheres to laws, regulations and rules, and responds appropriately and transparently. The initiative items for which we specify KPIs include improvement in compliance awareness, recognition and utilization of Compliance Consultation Desks, and the number of serious legal and regulatory violations.

Initiatives

During fiscal 2023, the Compliance Committee met two times and the Compliance Promotion Committee held four meetings in efforts to increase the effectiveness of education, training, and preventive measures.

• Compliance Consultation Desks

Our group has established a variety of points of contact available

to all group employees, including the internal reporting desk and Compliance Consultation Desks, where whistleblowing and consultation inquiries are received for the prevention, early discovery, and correction of problems. There were 78 consultation cases during fiscal 2023 (including 7 taken by external consultation services). A breakdown by type shows that the most common problems were with communication, human relations, and harassment, followed by labor relations (attendance, employee treatment, etc.). Depending on the nature of the consultation, we recommended corrective or disciplinary action in cases where problems were recognized, offered advice to those seeking consultation, and answered questions regarding the issues.

Number of Compliance Consultation Desk cases (including the internal reporting desk)

FY2019	FY2020	FY2021	FY2022	FY2023
32	35	37	62	78

Consultation details	Incidents
Communication, personal relationships, harassment	31
Labor relations (attendance, treatment, etc.)	12
Violations of work rules, etc.	9
Other	26
Total	78

• Activities for education and awareness

In order to promote understanding among all group employees and to thoroughly familiarize them with the rules, we have produced the TOYOBO Group Compliance Manual. Every year, we revise and distribute the Manual during Compliance Enforcement Month, while overseas sites create local versions with additional edits. We familiarize all employees with the TOYOBO Group Charter of Corporate Behavior through readings of the Manual during training at workplaces.

During fiscal 2023, we conducted 20 compliance study (training) sessions for management-level personnel at all of our business sites and affiliate companies, as well as 38 sessions of various training types categorized by rank and job type.

• Compliance risk assessment

Every year, we administer a compliance awareness survey and check on workplace compliance risk status. In fiscal 2023, 6,566 employees responded to the survey. We disclose the results to all employees, and share the information with the related departments in a form that prevents identification of those who filled out the questionnaires, which has been useful in improving circumstances and preventing problems.

• Corruption prevention initiatives

In addition to coercion or corruption including bribery, we rank the prevention of unfair bidding or competition, and of falsification of financial records, as priority compliance issues.

Every year, we make a report to the Board of Directors on the status of our corruption prevention initiatives and other compliance activities to enable effective supervision. To build fair and sound business relationships with partners, we decline the receipt of gifts or entertainment that exceed socially accepted norms, and have adopted a system for reporting the receipt of any gifts or entertainment.