

Roundtable discussion with Outside Directors

Demanding the pursuit of new challenges and commitment to growth

Features and challenges of the Board of Directors

Harima At Toyobo's Board of Directors' meetings, while there are active discussions on various proposals, occasionally there isn't enough time for important individual proposals.

Takase One of the features of the board is the ability to freely and openly express opinions based on individual expertise.

Fukushi The chairperson is adept at effectively summarizing the numerous opinions presented during meetings, contributing to a generally positive atmosphere for discussions. However, a challenge faced by traditional Japanese companies is that internal directors often speak from the perspective of their own departments. It would be beneficial if Toyobo's internal directors could consider all stakeholders and provide input from a company-wide perspective. Given their earnest nature, they are likely to develop this capability through continued discussions.

Harima Adding a question about whether directors speak from a company-wide perspective to the board's effectiveness evaluation survey could provide a valuable opportunity for individuals to reflect on their own approach.

Takase To achieve sustainable growth and continue pursuing challenges, we need to better understand Toyobo's position

globally, within Japan, and within the industry, and to increase discussions about Toyobo's desired future direction.

Evaluation of Toyobo and challenges for sustainable growth

Fukushi Toyobo possesses a strong corporate DNA. The corporate philosophy "Jun-Ri-Soku-Yu" is deeply ingrained in the company, and the approach to solving social issues feels like a foundational element of Toyobo's DNA.

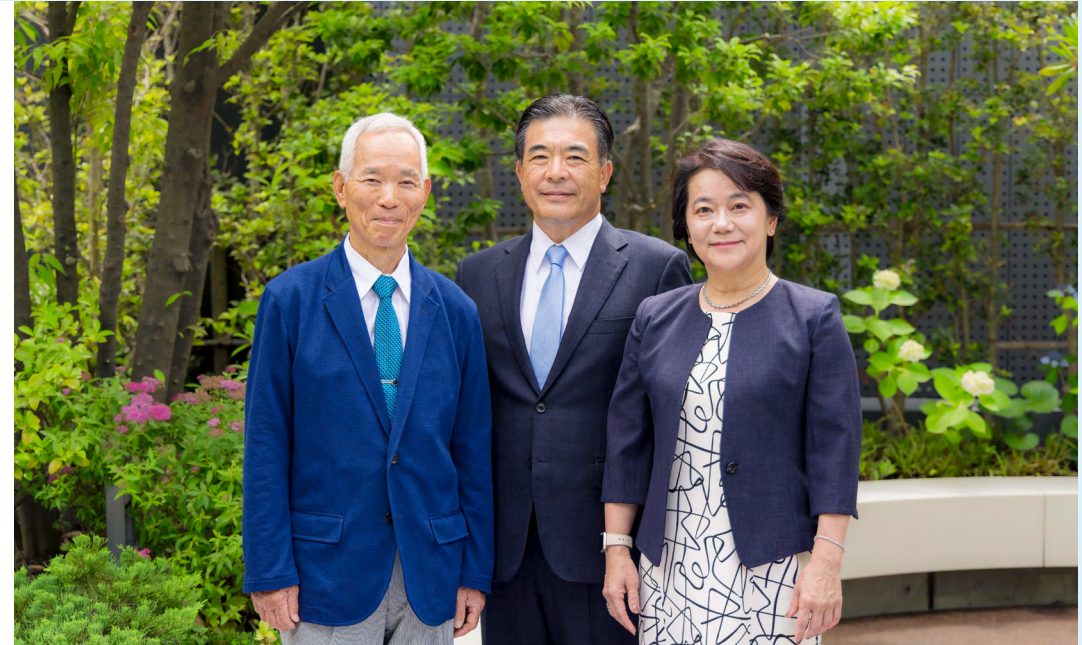
Takase There is reassurance in the serious and sincere discussions about what Toyobo can do based on the idea of enriching society and customers. Essential topics for building trust, such as compliance, human rights, and diversity, are frequently addressed, and the results are gradually taking

shape. In addition, while Toyobo's commitment to safety, disaster prevention, and mobilizing all resources in case of issues is very strong, there is a sense of inadequacy regarding the pursuit of new challenges and a strong commitment to growth.

Harima I also share the sentiment that the commitment to growth is somewhat lacking.

Takase I hope that Toyobo will utilize its strengths—technical expertise, seriousness, integrity, and the ability to collaborate effectively in challenging situations—not just to recover earning power, a goal stated in the management policy for this fiscal year, but also to develop new strategic initiatives.

Fukushi "Challenge" is one aspect of the TOYOBO Spirit, and the corporate philosophy framework, TOYOBO PVVs, reflects the president's belief that change should be embraced and even enjoyed. However, there appears to be a lack of initiative to break



Masaaki
Harima
Outside Director

Hiroshi
Fukushi
Outside Director

Shoko
Takase
Outside Director

out of traditional silos of business and functions. At this stage, it is crucial to focus on generating profits by embracing various challenges. The old methods are no longer sufficient. When these limitations are overcome, new strengths are likely to emerge.

Takase In daily communications, there are many discussions about what is good or what will definitely sell. While having numerous growth opportunities is essential for a commitment to growth, it seems that there is still some weakness in Toyobo's dedication to achieving goals and taking on challenges. Thinking about what can be done as "One Toyobo," beyond the boundaries of business divisions, could further strengthen the company. It seems a waste not to fully utilize the existing technical expertise and enthusiasm.

Fukushi At TOYOBO MC Corporation, there are bold initiatives that could lay the groundwork for future success. I hope that similar challenges will spread throughout the entire group.

Harima Indeed, a focus on numbers is essential for growth, but it seems to be lacking at Toyobo. Also, I believe that one of the measures in the 2025 Medium-Term Management Plan, "thorough safety, disaster prevention, and quality assurance," is also crucial for building a solid foundation and driving growth. Last year, there were numerous discussions about quality assurance. While the management team has been diligently investigating and fostering the right culture, efforts are ongoing and there are challenges to address.

Takase It is clear that a transformation in the internal atmosphere and culture is necessary.

Fukushi The key to rapidly transforming the corporate culture lies in human resources. The current human resource rotation system, which primarily focuses on transfers within business units, tends to reinforce a monocultural mindset and does not encourage breaking through the silos of each

division. Without breaking through these silos, the corporate culture will not change.

Harima You are absolutely right. Often, operations become more personalized and difficult to replace, but I believe that implementing a three- to five-year human resource rotation system could significantly improve the quality management system as well.

Expectations for the future of Toyobo

Takase My foremost wish is for each employee to focus on growth and results that are true to Toyobo's values. I hope that a culture of excitement and willingness to embrace various challenges will become established. I also aim to leverage my own experience not only to track progress toward goals but also to discuss how to navigate current situations and what actions can be taken to achieve results, thereby fostering as much growth as possible.

Harima In addition to recovering earning power from existing resources, I hope to see the creation of new ideas from different perspectives that contribute to Toyobo's development. I am committed to supporting such forward-looking management. Furthermore, I will provide robust support from a legal standpoint for efforts related to the "reestablishment of foundation" and "thorough safety, disaster prevention, and quality assurance."

Fukushi Under the strong leadership of the president and the management team, I hope to see Toyobo unite and break through its limitations to transform into a sustainable company. Drawing on my own experience with corporate reform, I am wholly committed to supporting Toyobo's challenge toward transformation.



Roundtable discussion with Outside Directors

Management team

Directors and Corporate Auditors attendance at meetings and skills

Independence and diversity of the Board of Directors

Evaluation of the effectiveness of the Board of Directors

Election and dismissal of Officers

Officer compensation system

Cross-shareholdings

Management team

Directors



Seiji Narahara

Chair of the Board and Director

January 1988 Joined the company
 April 2010 Executive Officer
 June 2011 Director and Executive Officer
 April 2014 President & Representative Director, CEO & Co-COO
 April 2021 Chair of the Board and Director (to present)
 June 2023 Outside Director, SCREEN Holdings Co., Ltd. (to present)



Ikuo Takeuchi

President & Representative Director, CEO & Co-COO
 Controlling Supervisor of Internal Audit Department

April 1985 Joined the company
 October 2015 Deputy Director, General Manager, Corporate Planning Office
 April 2018 Executive Officer
 April 2020 Managing Executive Officer
 June 2020 Director and Managing Executive Officer
 April 2021 President & Representative Director (CEO & Co-COO) (to present)



Taichi Sakai

Representative Director
 Senior Managing Executive Officer, Head of Safety and Disaster Management Division, and Controlling Supervisor of the Production Technology Division and Procurement and Logistics Division

April 1986 Joined the company
 March 2012 General Manager, Production Technology Division, and Member, Corporate Planning Office (special project under President)
 April 2016 Deputy Director, Production Technology Supervisory Division Head, and Member, Global Promotion Department
 December 2020 Executive Officer
 April 2023 Managing Executive Officer
 June 2023 Director and Managing Executive Officer
 April 2024 Representative Director and Senior Managing Executive Officer (to present)



Takahito Sagara

Director, Managing Executive Officer, and Head of Life Science Division

April 1990 Joined the company
 October 2019 Deputy Director, General Manager of Medical Membrane Department, Membrane Operating Department, and Member, Corporate Planning Office (special project under President)
 April 2020 Deputy Director, Senior General Manager of Medical Materials Operating Department, General Manager of Medical Membrane Department, Technology Innovation Department Officer, and Corporate Planning Officer (special project under President)
 April 2021 Executive Officer
 April 2023 Managing Executive Officer
 June 2024 Director and Managing Executive Officer (to present)



Takehiko Inada

Director, Managing Executive Officer, and Controlling Supervisor of HR, Administration, and Legal Division

April 1988 Joined the company
 April 2019 Deputy Director, General Manager of Human Resources Department, and KAERU Project Officer
 April 2020 Deputy Director, General Manager of Finance Department, and KAERU Project Officer
 April 2022 Deputy Director and General Manager of Corporate Planning Department in charge of the Board of Directors
 April 2023 Executive Officer
 April 2024 Managing Executive Officer
 June 2024 Director and Managing Executive Officer (to present)



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 Mercantile Marine
 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 Outside Director, Isuzu Motors Limited (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 at law (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.
 June 2014 Member, Independent Committee of the company
 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, and General Manager, Bio-Fine Business Division
 June 2015 Director, Corporate Senior Vice President
 June 2019 Director, Vice President & Executive Officer, and 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), and 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, and 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)
 June 2023 Outside Director, GLOBERID, Inc. (to present)

Corporate Auditors



Takayuki Tabo



Yasuo Ohta



Akihiko Irie
(Outside)



Wakyu Shinmen
(Outside)

CEO & Co-COO

Ikuo Takeuchi

Co-COO

Chikao Morishige

Senior Managing Executive Officers

Taichi Sakai
 Ichiro Takai

Managing Executive Officers

Takahito Sagara
 Eiichi Shimizu
 Muneo Hirooka
 Takehiko Inada

Executive Officers

Taizo Ono
 Nobuyuki Hoshino
 Katsuya Ito

Tetsuro Yabuki
 Masanao Kudo
 Hisashi Arimoto

Seiji Yamazoe
 Atsushi Sogabe
 Kazuhito Ikeda

Yoshihiro Nomi
 Tadao Kuroki
 Katsuya Toita

Kazuyuki Kawata
 Masakazu Iwasaki

Kenji Fujihashi
 Sonoko Ishimaru

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 Corporate governance

 ESG performance data (Governance)

Materiality KPIs Items, targets, and fiscal 2024 results for governance > p.16

Attendance rate based on fiscal 2024 results as of June 25, 2024

	Outside	Independent	Age	Gender	Nomination and Compensation Advisory Committee	Committee chairpersons	Attendance status (rate)			Of the skills and experiences 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		67	Man	○	Board of Directors	17/17 sessions (100%)		5/5 sessions (100%)	○		○	○	○		13	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 Chairman of the Board and Director in April 2021, and in that position, plays an appropriate role in decision-making on key matters and in the oversight of business execution.	
	Ikuo Takeuchi		61	Man		Board of Management	17/17 sessions (100%)			○	○		○	○		4	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.	
	Taichi Sakai		61	Man			13/13 sessions (100%)				○		○	○		1	Mr. Sakai has held key positions in the company's Production Technology Division and core manufacturing sites and, drawing on his abundant experience and expertise in the field of production technology, has been contributing to initiatives aimed at technological innovation and, safety, and disaster prevention as Director since June 2023.	
	Takahito Sagara (New appointment)		57	Man							○	○		○	○	0	Mr. Sagara has held key positions in the medical materials business within the Life Science Division of the company. Leveraging his expertise in the field of research and development and extensive experience in the field of marketing and sales, he has contributed to business development.	
	Takehiko Inada (New appointment)		59	Man						○		○	○	○		0	Mr. Inada has held key positions in the staffing sector, including the Human Resources Department, Finance Department, and Corporate Planning Department of the company. He has contributed to developing human resources and transforming human resource systems as well as strengthening the corporate governance of the group.	
	Takafumi Isogai	○	○	75	Man			17/17 sessions (100%)				○		○		6	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	○	○	65	Woman	○		17/17 sessions (100%)		5/5 sessions (100%)		○		○	○	5	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	○	○	73	Man			17/17 sessions (100%)						○	○	4	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	○	○	66	Man	○ (Chairperson)		17/17 sessions (100%)		3/3 sessions (100%)	○	○	○		○	2	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, advising management in the bio and digital fields.	
Shoko Takase	○	○	59	Woman			13/13 sessions (100%)				○	○		○	1	Leveraging her abundant experience and wide-ranging insights gained as a business manager, Ms. Takase 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, advising management in the IT and digital fields.		
Corporate Auditor	Takayuki Tabo		63	Man			17/17 sessions (100%)	15/15 sessions (100%)		○	○	○		○	3	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		64	Man			13/13 sessions (100%)	10/10 sessions (100%)		○	○	○	○		1	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	○	○	67	Man		17/17 sessions (100%)	15/15 sessions (100%)		○	○		○	○	3	Mr. Irie possesses abundant experience in auditing and has served as a corporate auditor at listed companies.		
	Wakyu Shinmen	○	○	67	Man	Observer	13/13 sessions (100%)	10/10 sessions (100%)	3/3 sessions (100%)				○	○	1	Mr. Shinmen possesses abundant experience in auditing as a certified public accountant.		

Independence and diversity of the Board of Directors

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.

To respond to changing times and continually improve our corporate value, we will do our utmost to collaborate appropriately with all 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

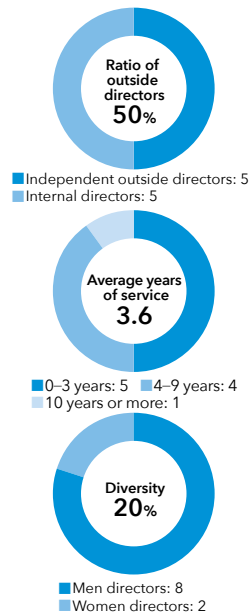
As a company that has a Board of Corporate Auditors, we have adopted an executive officer system. Our Articles of Incorporation stipulate this system, by which the Board of Directors supervises the execution of business operations by executive officers. We have thus built a structure of governance that 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.

Targets and KPIs

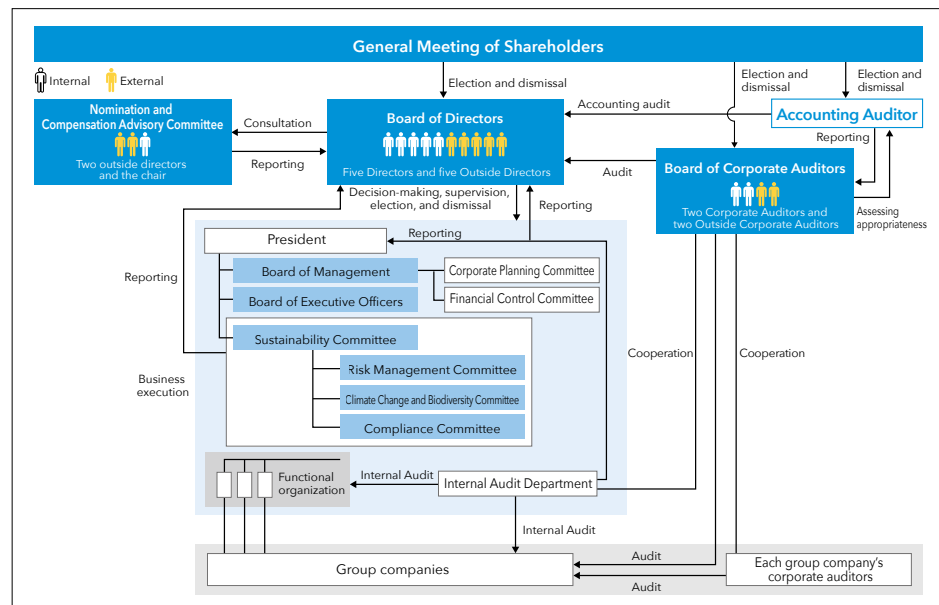
Targets

We have set KPIs and manage them appropriately to ensure a fair and transparent governance structure through compliance with the Corporate Governance Code and proactive information disclosure, among other measures. Key initiatives involve the strengthening of corporate governance and information disclosure.

Board of Directors' composition



Corporate governance structure



Conference and committee overview

(Numbers of persons as of June 2024)

	Number of meetings in fiscal 2024	Constituent members
Board of Directors	17	Ten members, composed of the chair who presides over its deliberations, five independent outside directors, and directors who serve concurrently as executive officers. It is stipulated that the number of Board of Directors members cannot exceed 14, the term of office is one year, and the ratio of outside directors must be one-third or greater.
Board of Corporate Auditors	15	Four members, including two independent outside corporate auditors.
Nomination and Compensation Advisory Committee	5	Three members, consisting of two independent outside directors and the chair, with an outside director chairing the meeting. One outside corporate auditor also attends as an observer.
Board of Managing Executive Officers and Controlling Supervisors*	32	Twelve members, including those serving concurrently as directors. The chair and two internal corporate auditors can also participate and express opinions.
Sustainability Committee	6	Thirteen members, primarily consisting of members of the Board of Managing Executive Officers and Controlling Supervisors*, with the president serving as chairperson. Two internal corporate auditors can also participate and express opinions.
Corporate Planning Committee	12 (including written deliberations, etc.)	Nineteen members, selected from their respective areas of expertise and business departments. The officer in charge of planning serves as chairperson.
Financial Control Committee	19	One chairperson and four permanent members.

* Renamed the Board of Management in fiscal 2025.

Evaluation of the effectiveness of the Board of Directors | Election and dismissal of Officers

Evaluation of the effectiveness of the Board of Directors

To further enhance the functions of the Board of Directors, Toyobo carried out an overall analysis and evaluation of the effectiveness of the Board of Directors in fiscal 2024 with the support of an external organization. An outline of this evaluation follows.

Implementation method	Outline of analysis and evaluation results	Issues and future initiatives
<p>1 Eligible persons All directors and corporate auditors</p> <p>2 Method A survey (roughly 50 questions) was conducted, and responses were made directly to the external organization to which the operations were outsourced.</p> <p>3 Analysis and evaluation The analysis and evaluation were carried out by the Board of Directors based on the aggregate results reported by the external organization.</p>	<p>1 The results of the evaluation indicated that the number of members of the Board of Directors, the frequency of meetings, the ratio of inside and outside Directors, and management of the Board of Directors meetings by the Chairperson were largely appropriate. In addition, highly positive evaluation was given to the level of constructive deliberations and exchanges of opinion carried out.</p> <p>2 It was confirmed that certain results and improvements were achieved as a result of addressing the five issues identified in the previous report: (i) risk management measures for safety and disaster-management measures, quality assurance, etc.; (ii) efforts to review the business portfolio; (iii) enhancement of group governance; (iv) initiatives for the succession plan and election procedures for CEO; and (v) initiatives for other medium- to long-term themes, although there were certain comments that some improvements were insufficient.</p> <p>3 The above items (ii), (iii), and (iv) were rated relatively low and are issues to be addressed, together with “examination of policies, etc., for understanding and improving the cost of capital and capital profitability,” which was newly identified in this round. The above item (i) also remains an issue to be further improved through ongoing efforts.</p>	<p>Through the following initiatives, the Board of Directors will strive to improve its overall effectiveness.</p> <p>1 Risk management measures for safety and disaster management, and quality assurance, among others Further enhance the group-wide risk management system, including supervision of efforts toward important targets and KPIs.</p> <p>2 Examination of policies, etc., for understanding and improving the cost of capital and capital profitability Examine and oversee the initiatives aimed at understanding and improving the cost of capital and capital profitability of the company.</p> <p>3 Efforts to review the business portfolio Examine and oversee the initiatives for understanding and reviewing the current state of the business portfolio and the important issues.</p> <p>4 Initiatives for the succession plan and election procedures for CEO Further ensure transparency and fairness by enhancing activity reports from the Nomination and Compensation Advisory Committee.</p> <p>5 Enhancement of group governance</p> <ul style="list-style-type: none"> Receive reports on risk management and other matters concerning group companies from the Corporate Business Management Department, and get involved as appropriate. Ensure the effectiveness of the internal audit function and enhance group governance by receiving reports on audit plans and results from the Internal Audit Department.

Election and dismissal of officers

▶ 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.

▶ Procedures for nomination and compensation, etc.

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.

▶ Training programs for officers

For our newly appointed directors and corporate auditors, we provide an orientation concerning their roles and duties, and they undergo an external training program upon their appointment to acquire the necessary knowledge. After their appointment, they are also encouraged to continue participating in external training programs and lectures to continuously build on their managerial literacy.

In addition, newly appointed outside directors and outside corporate auditors attend orientations regarding the company's operations, finances, and organization, and more.

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 the sustained growth of the group and a 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 current compensation levels 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) and executive officers consists of fixed monthly compensation comprising the following two components.

- ① Base compensation
- ② Short-term incentive compensation

2 Short-term incentive compensation

- ① Short-term incentive compensation reflects evaluations of company-wide performance and the performance of the department one is responsible for, in accordance with position.
 - Representative Director and Executive Director: Company-wide performance only
 - Director: Company-wide performance 2; performance of department one is responsible for 1
 - Executive Officer (full-time): Company-wide performance 1; performance of department one is responsible for 2
- ② Individual compensation is calculated to reflect company-wide performance and the performance of the department one is responsible for, 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 management 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 one is responsible for. It varies between 50% and 200%.

Stock compensation

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) once a year.

Ratio of compensation

The ratio is designed to allow incentives for enhancement of corporate value to function appropriately. For base compensation,

short-term incentive compensation, and non-monetary compensation, 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 duties and responsibilities of each auditor, and given their role and independence, is determined in consultation with the auditors.
- ③ 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. The committee 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.

Details of officer compensation (FY2024)

* Including officers newly appointed and retired during the term

Category	Total compensation 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)	308 (53)	245 (53)	30 (—)	32 (—)	12 (6)
Corporate Auditors (including outside corporate auditors)	71 (18)	71 (18)	— (—)	— (—)	6 (3)
Total (including outside officers)	379(71)	316 (71)	30(—)	32 (—)	18 (9)

Officer compensation system | Cross-shareholdings

Revision of officer compensation system

The Board of Directors partially revised the system of officer compensation in April 2024 in light of considerations of social trends related to compensation and appropriate incentives for improved business performance. Effective from July 2024, the key content of the revision is shown below.

1 Composition of short-term incentive compensation

Pre-change

Representative Directors and Executive Directors	Company results only
Directors	Company performance : Performance of the department one is responsible for = 2 : 1
Executive Officers (full-time)	Company performance : Performance of the department one is responsible for = 1 : 2

Post-change

Chair of the Board	Company results only
Representative Directors (who also serve as executive officers)	Company performance : Individual performance = 2 : 1
Directors (who also serve as executive officers)	Company performance : Individual performance = 1 : 1
Executive Officers (full-time)	Company performance : Individual performance = 1 : 2

2 Evaluation criteria for short-term incentive compensation

- There will be a shift from “Performance of the department one is responsible for” to “Individual performance.” Individual performance will include setting new personal objectives in addition to the performance of the department one is responsible for and evaluating the degree of achievement.
- Sustainability indicators will be added to the evaluation criteria, set as common goals based on the annual management policy, and evaluated based on the degree of achievement.

In June 2023, the Board of Directors decided to incorporate sustainability indices such as Environment, Society, and Governance (ESG) into the executive compensation system, starting from July 2024. Key Performance Indicators (KPIs) related to safety and disaster prevention, human capital, and climate-change response will be established annually. These KPIs will be reflected in short-term incentive compensation, and their achievement levels evaluated. The indicators for safety and disaster prevention, as well as human capital, have been applied to compensation from July 2024, based on fiscal 2024 results. The indicator for climate-change response will be applied from July 2025, based on fiscal 2025 results.

Sustainability indicator achievement coefficient

Sustainability indicator	KPI	Reflection method
Safety and disaster prevention-related indicators	Number of major disasters: 0 per year	An additional 5% of the total short-term incentive compensation base amount* will be added if all items are achieved.
	Work-related injury absenteeism rate: 0.25 or below	
	Number of fires and explosions: 0 per year	
	Number of accidents (leaks): 0 per year	
Human capital-related indicator	Results of engagement surveys +5% compared to the previous survey	An additional 5% of the total short-term incentive compensation base amount*
Climate change response-related indicator	Reduction in GHG emissions (Scope 1 and 2) Down 2.9% year on year	An additional 5% of the total short-term incentive compensation base amount*

* The base amount is set at 100% of the short-term incentive compensation.

Cross-shareholdings

Policy and approach

Toyobo periodically reviews cross-shareholdings from various perspectives, such as their impact on improving medium- to long-term corporate value and economic rationality, and sells any stock that is no longer meaningful, as appropriate.

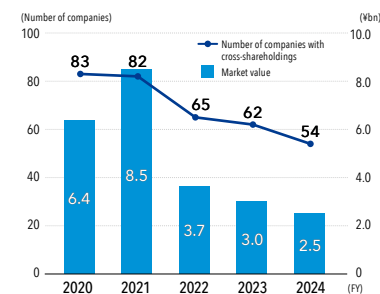
On the other hand, we enter into cross-shareholdings with key business partners when we judge that maintaining and strengthening stable relationships with them will contribute to sustainable growth and enhancement of medium- to long-term corporate value.

The Board of Directors reviews cross-shareholdings annually, considering future business strategies, operational relationships, and other factors, and determines whether to continue holding these shares.

When exercising our voting rights on cross-shareholdings, we carefully consider the status of the business partner and the content of the proposals, and, as needed, conduct discussions with the business partner. This process ensures that these holdings contribute to the sustainable growth and medium- to long-term enhancement of corporate value for both the company and its business partner, leading to a comprehensive decision.

In fiscal 2024, we executed the sale of nine stocks worth ¥700 million (market value). The proportion of cross-shareholdings to net assets is 1.1%.

Trends in cross-shareholdings



Note: Total of listed and unlisted shares on a non-consolidated basis

Percentage of consolidated net assets

March 31, 2020	3%
March 31, 2021	4%
March 31, 2022	2%
March 31, 2023	1%
March 31, 2024	1%