

Annual Report

2018

Year Ended March 31, 2018



Catalyzing the Unimagined



Ideas & Chemistry

Our corporate philosophy, handed down from the time of our founding, is shared and put into practice throughout the Toyobo Group as a way to enrich people's lives.

Jun-Ri-Soku-Yu (順理則裕),

which we have adopted as our fundamental philosophy, is the basis of Toyobo Group's business activities.

Jun-Ri-Soku-Yu, meaning "adhering to reason leads to prosperity," was first spoken by the Chinese Song Dynasty philosopher Cheng Yi. This motto was a personal maxim of our founder Eiichi Shibusawa, an industrialist during the Meiji, Taisho, and early Showa eras, and has been handed down as our company's corporate philosophy unchanged to the present day. Under this corporate philosophy, we have succeeded in operating and constantly growing our business over the lengthy period of more than 130 years, always responding flexibly to changing times. *Jun-Ri-Soku-Yu* forms the cornerstone of our business activities, and we implement operations based on this philosophy, with the aim of being a category leader continuing to create new value that contributes to society in the environment, healthcare and high-functional product fields.



Eiichi Shibusawa



The Toyobo Group's Charter of Corporate Behavior

We here at the Toyobo Group contribute to the realization of a sustainable society through the provision of products and services that will create an affluent future.

Also, in order to continue being a corporation that people trust, we will act with high ethical standards and social common sense based on the Toyobo Group's Charter of Corporate Behavior.



What is TOYOBO?

TOYOBO's Value Creation

Here we introduce the business domains and strengths of Toyobo, which has continued to grow while constantly changing and adapting to the times.

- P 2:** History of Our Growth and Business Domains
- P 4:** Toyobo's Value Creation
- P 6:** Financial Highlights
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Strategies

In this section, we cover the Toyobo Group's operating environment and our strategies to drive sustainable growth.

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- P 9:** Message from the Corporate Senior Executive Officer
- P 10:** Overview of 2014 Medium-Term Management Plan
- P 11:** 2018 Medium-Term Management Plan



Performance

Here we explain the fields we are focusing on, results by region, R&D, and intellectual property.

- P 12:** Business Segments and Fields
- P 17:** Business Overview by Region / Topics
- P 20:** Research and Development Strategy
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Sustainability

In this section, we introduce ESG as the basis of the Toyobo Group's value creation.

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Disclaimer

This report contains statements related to the future performance of the Toyobo Group. The reader should bear in mind that these statements are not guarantees of future performance, as they assume various risks and uncertainties. Furthermore, the purpose of this report is to provide information, and while such information could be referred to when making investment decisions, the report is not intended to encourage investment in the Company.

Cross Reference

On our investor relations site we publish a wide range of resources, including news releases, information for shareholders, our statements of accounts, and explanations of our business results, as well as videos and other materials related to business information meetings. The site also supports interactive communication, allowing investors to ask questions and offer opinions that will help us to improve the quality of our IR activities.

Website

<http://www.toyobo-global.com/>



Investor Relations

<http://ir.toyobo.co.jp/en/ir.html>



Sustainability

<http://www.toyobo-global.com/sustainability/>



History of Our Growth and Business Domains

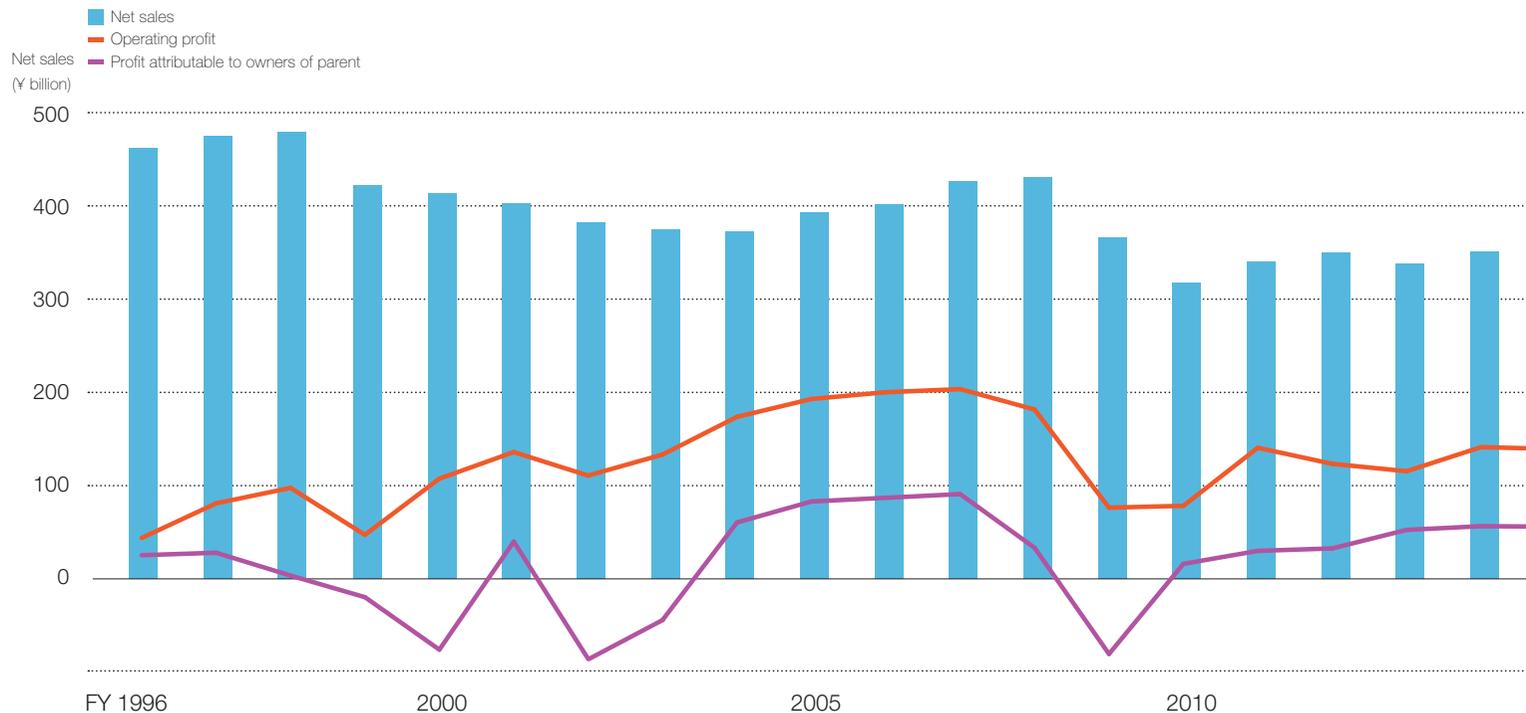
Strong Business Foundations Leading to Growth

Reform of Business Portfolio

We have made significant modifications to our business portfolio throughout our history of more than 130 years in response to changes in the times and society's demands. We spent around 10 years from the late 1990s expanding our specialty businesses, which include films and high-functional products, while making structural reforms of our textile business, which was starting to lose relevance. In fiscal 1996, our textile business accounted for 60% of our sales. Today, our specialty businesses, including those just mentioned, account for 75%.

Specialty Businesses

The core technologies supporting the Toyobo Group's growth can be categorized into four areas: polymerization, modification, processing, and biotechnology. Over the years, we have generated a range of new products by combining and integrating these technologies. To accelerate the creation of new specialty businesses going forward, we will look to thoroughly strengthen each of our unique core technologies. At the same time, we will strive to generate "newness" from new products and businesses by also teaming up with outside entities. In addition, we aim to become a category leader in the environment, healthcare, and high-functional product fields by developing the items required by each market.



Changes in Business Portfolio

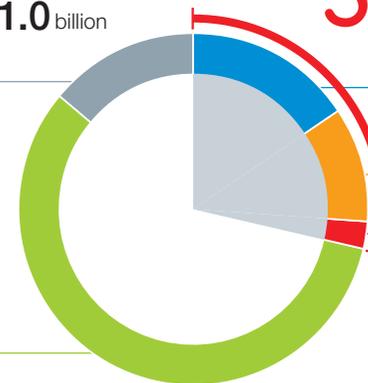


FY 1996

Net sales
¥461.0 billion

13.7%

57.5%



Specialty Businesses

30%



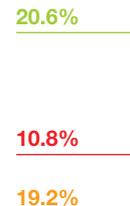
FY 2018

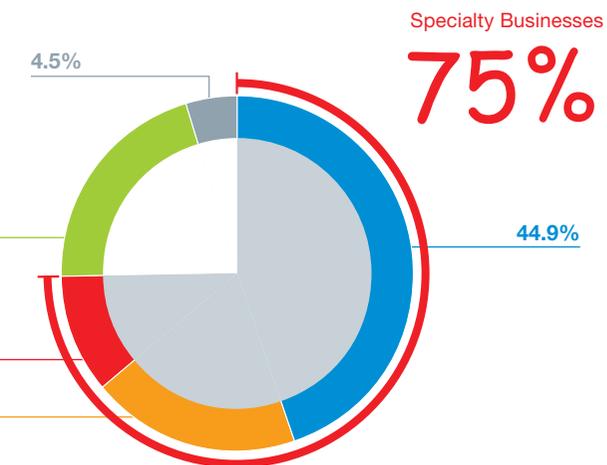
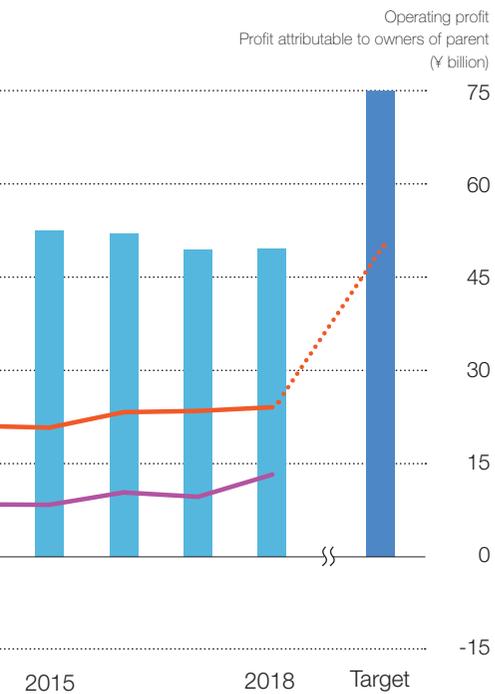
Net sales
¥331.1 billion

20.6%

10.8%

19.2%





Operational Results for Fiscal 2018

Consolidated net sales for the fiscal year under review increased by ¥1.7 billion (0.5%) over the previous fiscal year to ¥331.1 billion. Operating profit increased by ¥0.6 billion (2.5%) to ¥23.9 billion, ordinary profit decreased by ¥0.2 billion (1.1%) to ¥20.4 billion, and profit attributable to owners of parent increased by ¥3.6 billion (38.1%) to ¥13.0 billion.

Four Major Segments



Films and Functional Polymers



Industrial Materials



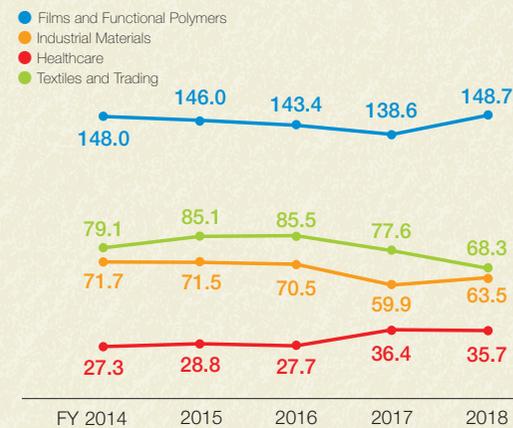
Healthcare



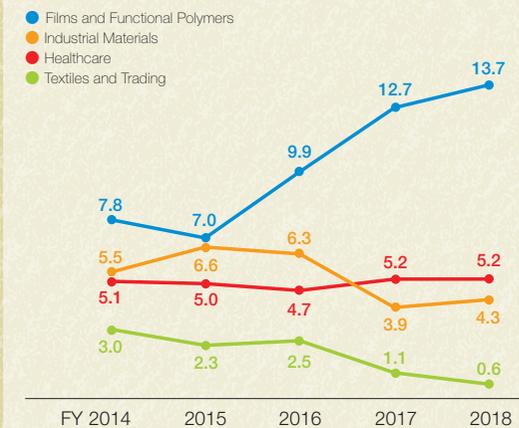
Textiles and Trading

Net Sales and Operating Profit of the Four Major Segments

Net Sales (¥ billion)

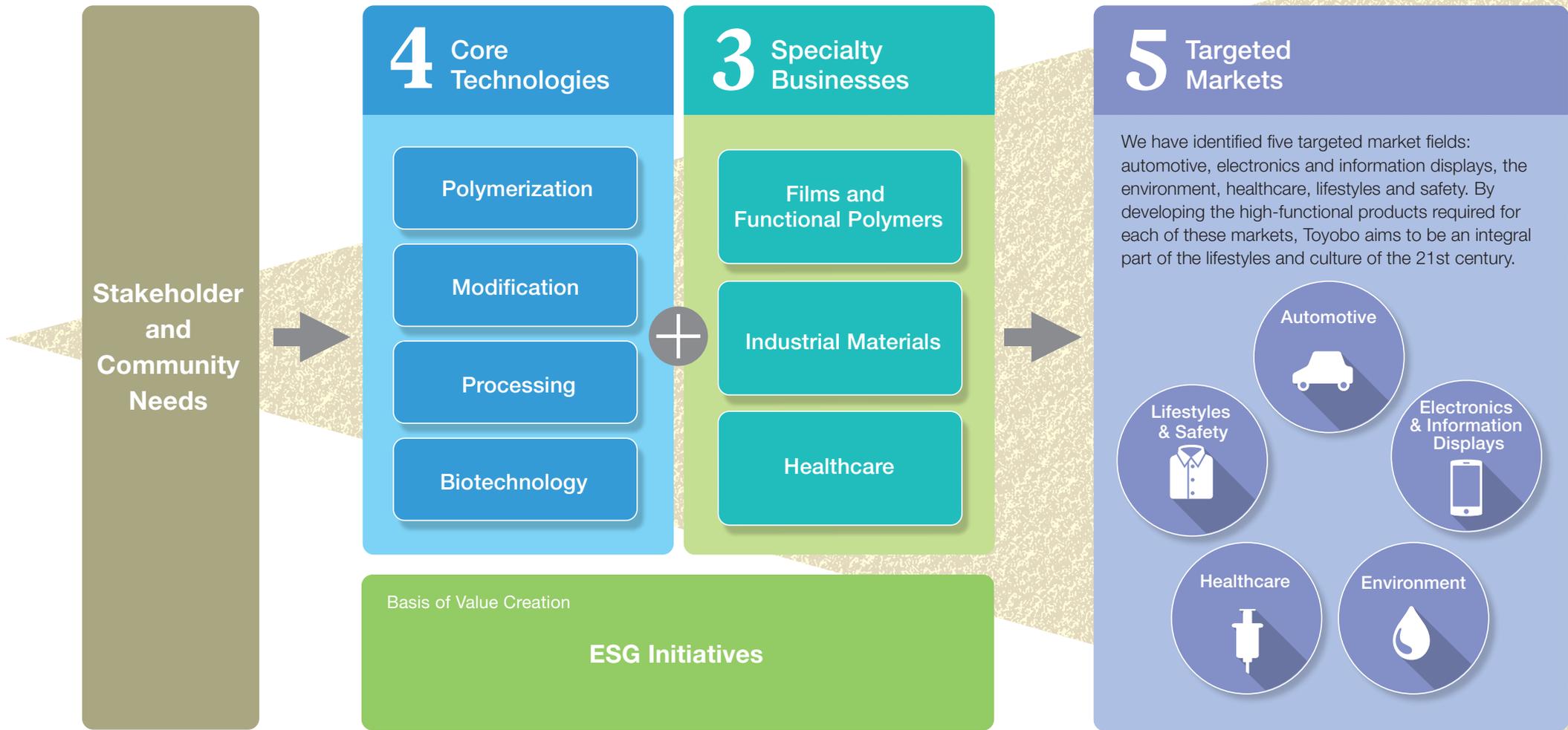


Operating Profit (¥ billion)



Note: In order to reinforce business synergies, the Company has made the following segment changes in fiscal 2018 from fiscal 2017. The Company has implemented organizational changes to consolidate the business relating to membranes and release materials, and has moved the AC business, which was previously included in the Industrial Materials business segment, into the Healthcare business segment. In accordance with these organizational changes, some business segments of consolidated subsidiaries were each moved from the Industrial Materials business segment to the Healthcare business segment.

To continue contributing to society through support for people's everyday lives and manufacturing, the Toyobo Group must continue creating new value by seeking to resolve social issues and other issues that affect the global environment. Going forward, we will keep striving as a Group to increase and deepen the value we provide by meeting the expectations of stakeholders as sincerely as possible.



5 Targeted Markets

We have identified five targeted market fields: automotive, electronics and information displays, the environment, healthcare, lifestyles and safety. By developing the high-functional products required for each of these markets, Toyobo aims to be an integral part of the lifestyles and culture of the 21st century.

- Automotive
- Lifestyles & Safety
- Electronics & Information Displays
- Healthcare
- Environment

Value We Provide



Supporting stakeholders

- Customers (users)
- Suppliers
- Shareholders and investors
- Employees
- Local communities, etc.

Realizing sustainable growth through the creation of social and economic value

Resolving issues that affect the global environment

- Managing chemical substances
- Measuring to help curb global warming
- Recycling resources
- Reducing the local environmental burden, etc.

Toyobo Today

136 years
since being founded



9,494 employees Group-wide



Operate
31 companies in
15 countries



Developed the
world's first
cosmetic ingredient
extracted from
a soybean germ
containing polyamine



Developed a label film that increases
the use of resins in PET bottle
recycling materials
to the world's highest level:

80%



Developed Nerbridge™,
Japan's first
conduit, promoting
the regeneration of
peripheral nerves
ruptured or damaged by trauma



Installed over **1,300** voc
(volatile organic compound)
filter treatment
systems to purify
smoke and gasses
from factories
around the world



Toyobo's employee
turnover rate is
1.4%
(fiscal 2017)
compared with
Japan's average of 14–16%



Financial Highlights

Net Sales

(¥ billion)



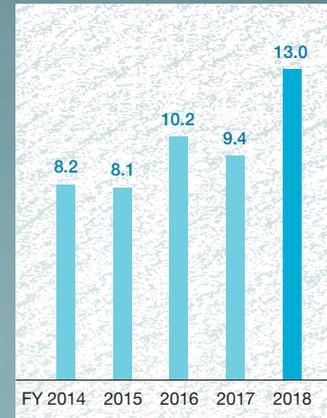
Operating Profit and Operating Profit Margin

(¥ billion, %)



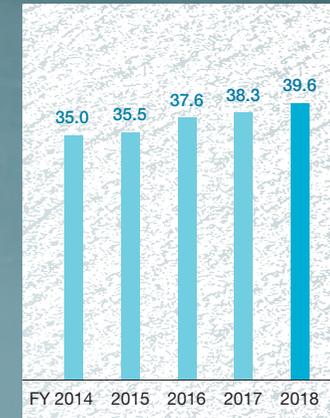
Profit Attributable to Owners of Parent

(¥ billion)



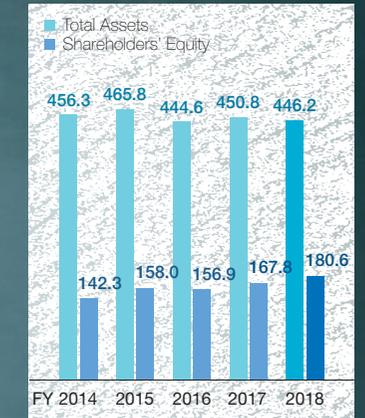
EBITDA

(¥ billion)



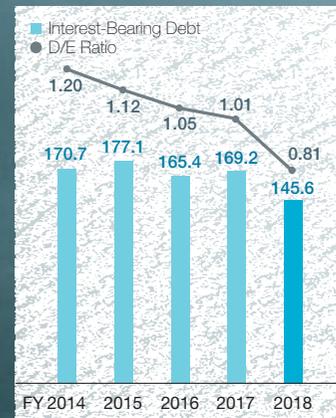
Total Assets and Shareholders' Equity

(¥ billion)



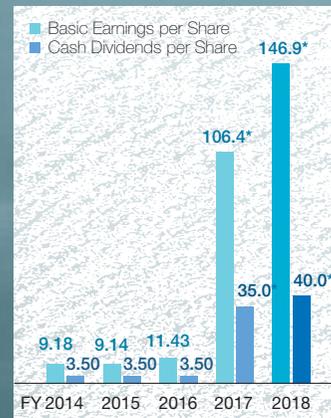
Interest-Bearing Debt and D/E Ratio

(¥ billion, times)



Basic Earnings per Share and Cash Dividends per Share

(¥)



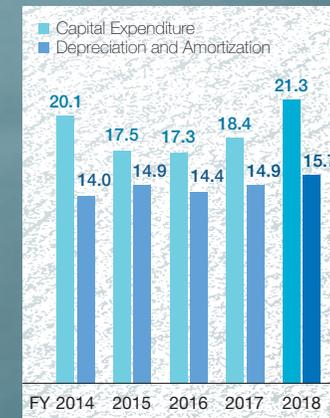
ROA and ROE

(%)



Capital Expenditure and Depreciation and Amortization

(¥ billion)



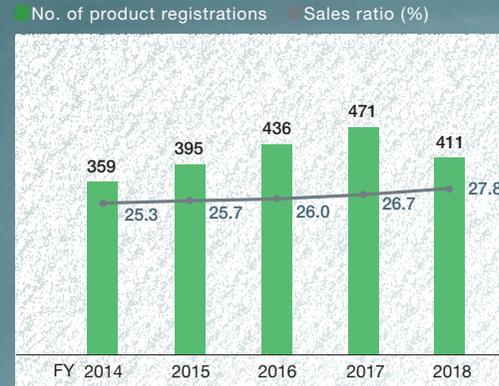
*The Company consolidated shares on the basis of one common share for every 10 common shares with an effective date of October 1, 2017. Net profit per share and dividends per share for fiscal 2017 and 2018 are calculated taking into account the impact of this share consolidation.

PRTR Substance Emissions



This graph shows the amount of emissions into the air, water, and soil of Class 1 designated chemical substances specified by the PRTR Law. Details on emission amounts for each substance are released on the website below for every business location. Toyobo is steadily reducing emissions.
<http://www2.env.go.jp/chemi/prtr/prtrinfor/e-index.html>

Eco-Partner System No. of product registrations/sales ratio



Our unified brand for environmentally friendly products is based on this certification system, which follows our Basic Environmental Policy (see page 23).

About Eco-Partner System

Eco-Partner System is Toyobo's unified brand launched in 1998 for environmentally friendly products.

The Eco-Review system is used to evaluate the degree of prevention of global warming, reduction of harmful chemical substances, resource saving, reduction of waste and other environmental contributions and only those products meeting the standard are recognized with the brand.

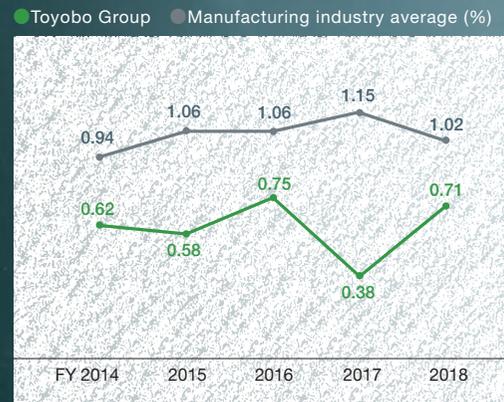
The Eco-Review system promotes the creation of products and technologies that are gentle on people and the earth. Under this system, consideration is given and assessments are made of the total lifecycle impact of a product in six stages prior to production technology development design reviews. The calculation method was revised in fiscal 2018, for example by excluding discontinued items.

CO₂ Emissions



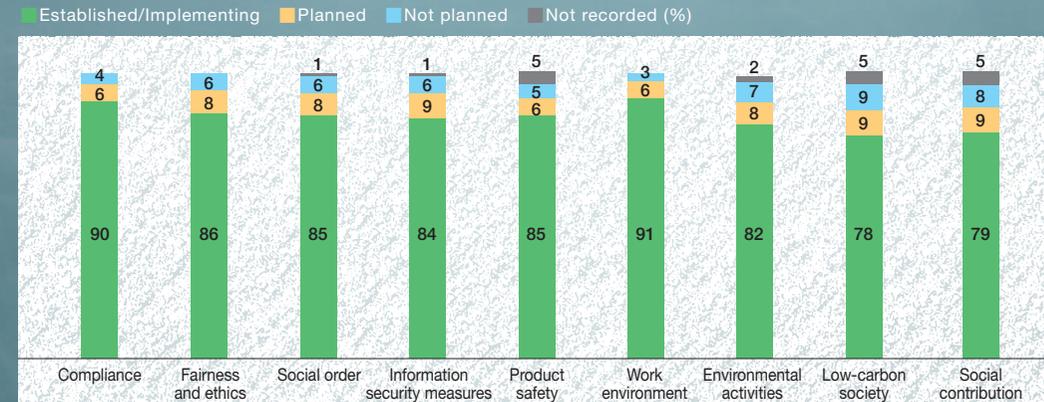
We began to manage emissions in fiscal 2017 using Scope 1 and Scope 2 classifications as a way to reduce emissions. Scope 1 refers to direct emissions from the use of fuel, etc. and Scope 2 refers to indirect emissions associated with the use of energy, including electricity.

Rate of Lost Time Accidents



This refers to the rate of accidents resulting in lost work time per one million hours worked. Based on our philosophy that ensuring health and safety is a prerequisite of corporate activities, we are promoting a variety of safety-related activities, together with affiliated businesses at the same business site, to reduce the number of accidents to zero.

Status of Suppliers' CSR Activities (FY 2017)



We formulated the CSR Procurement Guidelines to promote CSR in the supply chain. We ask our suppliers to familiarize themselves with the guidelines and to conduct regular surveys on the status of various items. Approximately 80% of suppliers responded that they were "established/implementing" the guidelines for every item.

Start of 2018 Medium-Term Management Plan

Sustainable Growth through Stability and Growth Potential



Seiji Narahara

President and Chief Operating Officer

The Toyobo Group strives to contribute to building a sound and sustainable society based on the fundamental recognition that a company is a member of society. We have positioned the fulfillment of corporate social responsibility (CSR) as the foundation of our business. We are striving to enhance both corporate value and social value (CSV*) by providing socially beneficial products and services as “the category leader, continuing to create new value that contributes to society in the environment, healthcare, and high-function product fields.”

The Toyobo Group includes a large number of businesses in a wide array of fields. Although some of these businesses are losing their market competitiveness due to changes in the business environment, we always seek to provide new products that benefit customers. The Group has set “continuous reform of business portfolio” as management policy and will help to realize growth through a cycle where we create positive outcomes through growth businesses to more than offset any negatives brought about by downsizing and withdrawal from low-profit businesses.

First, we will promote clear business management by focusing the investment of management resources into growth businesses. In particular, we will develop products seen as growth drivers in line with the goals set out in our 2014 Medium-Term Management Plan, beginning with COSMOSHINE SRF™ polarizer protective film for LCDs and airbag fabrics, as well as mold releasing film for ceramic capacitors and engineering plastics.

*CSV (Creating Shared Value): Refers to a management framework aimed at achieving both social value and corporate value by resolving social issues through business.

It is important to distribute and invest management resources in a timely way to keep pace with the speed of change in the business environment that we have witnessed in recent years. We intend to push “full steam ahead” with business operations by increasing the speed of management decision-making in order to expand growth businesses while we can.

Further, we have a high number of products with growth potential that we have already commercialized. In particular, for business expansion overseas, we are confident that we can secure a new customer base by strengthening our marketing capabilities and by strategically disseminating information on the value of the Group’s products. The overseas sales ratio in fiscal 2018 was 29%, and we are aiming to increase this to at least 35% under our 2018 Medium-Term Management Plan.

In addition, it is imperative to continue generating new growth businesses to drive sustainable growth into the future. To this end, we will boost upfront investment in research and development, including open innovation and collaboration, and focus on the development of new products that will form the basis of future growth businesses.

Under our 2018 Medium-Term Management Plan, we will concentrate on intensifying the “positives” through growth businesses as well as by creating new growth businesses. We seek to build a “strong and good Toyobo Group” with more stable profitability and improved growth potential. To all shareholders and investors, I ask for your continued support and understanding.

Message from the Corporate Senior Executive Officer

Financial Foundations Supporting a “Strong and Good Toyobo Group”

In fiscal 2018, we succeeded in achieving our target of a debt-to-equity ratio of less than 1.0 — set out in our 2014 Medium-Term Management Plan — with a result of 0.81. We also raised the return on equity (ROE) to 7.5%, which is approaching our target of at least 8.0%, a level that our shareholders also see as appropriate. This demonstrates that we have increased the stability of the financial foundations that support our growth. Under the Medium-Term Management Plan, which took effect in fiscal 2019, we will strive to: (1) concentrate resources into growth fields and promote continuous reform of business portfolio; and (2) continue along a growth trajectory through future-oriented upfront investment. The minimum requirement for achieving these goals is to have the operating profit margin for each business exceed the Company's capital expenditure (4.5%), which means we need to raise the level of this ratio even further.

On the other hand, it will be necessary to procure the capital required for growth, including for upfront investment. When procuring capital, we examine how flexibly we can respond given the conditions, based on a debt-to-equity ratio of 1.0.

Aware of the fact that my role is to oversee the corporate value of a company, I will do my best to ensure that Toyobo has stable financial foundations that support the implementation of our core policies aimed at growth.

KAERU Project Helps drive the Growth Strategy

While achieving many of our financial objectives, we fell well short of our target of ¥30 billion for operating profit in fiscal 2018 with a result of ¥23.9 billion. We will try again to reach our goal of ¥30 billion in operating profit by fiscal 2022, the final year of our 2018 Medium-Term Management Plan. To ensure we make this a reality, we understand that it is necessary to change some of the work styles, company systems, and awareness. To this end, we launched the KAERU Project (*kaeru* means “to change”) in April 2018 and have been implementing it Company-wide ever since. Looking ahead to our vision for the future (around 2025), we need to become a company that is not just an extension of the status quo. Primarily, this means transferring the core of our business to overseas in line with global changes, establishing a compensation system that attracts and keeps global human resources, and ensuring a work system that encourages diverse work styles. We also intend to create an organizational culture that enables us to continue to reform our business model through “design thinking” (a combination of design, business, and technology brought together to solve problems) based on diverse human resources.

Regarding Returns to Shareholders

We consider providing returns to shareholders as one of our highest priorities. Our basic policy is to continue providing stable dividends with a target total return ratio of 30% after comprehensively considering profit levels, the retention of earnings for future investment, and the stability of our financial foundations. Toyobo issued a year-end dividend of ¥40 per share for fiscal 2018. We are aiming for the same amount in fiscal 2019.



Masaru Watanabe

Director and Corporate Senior Executive Officer

Overview of 2014 Medium-Term Management Plan

Overview of 2014 Medium-Term Management Plan (FY 2015–FY 2018)

Under the 2014 Medium-Term Management Plan, we targeted operating profit of ¥30 billion and a debt-to-equity ratio of less than 1.0, and to achieve these objectives, implemented five action plans aimed at driving growth. We improved our financial position in particular by lowering the debt-to-equity ratio to 0.81; we achieved our long-standing target of less than 1.0. Although we continued to increase operating profit, up from ¥20.6 billion to ¥23.9 billion, and created a platform enabling us to generate stable profits, we still fell short of our target of ¥30 billion due in part to a focus on building the foundations for growth.

For “accelerating overseas business development,” one of the five action plans, in the airbag fabrics business we acquired PHP Fibers GmbH in 2014. Also, the Group entered into full-scale production at overseas plants as a global manufacturer with integrated production from yarn to fabrics, expanding sales to overseas customers. We now have five dedicated production sites for airbag fabrics around the world (Thailand, the United States, China, Germany, and Japan). In addition, we established a joint venture in Indonesia to expand sales in the packaging film business for the transparent vapor-deposited film ECOSYAR™. In the engineering plastics business, we increased the number of overseas sales sites to 14 and expanded sales mainly for automotive applications, thereby boosting the ratio of overseas sales to around 50%.

For “developing new products and creating new businesses,” in fiscal 2018 we launched our second set of manufacturing sites for COSMOSHINE SRF™ polarizer protective films for LCDs and increased sales mainly through shipments to leading polarizing plate manufacturers. In addition, the Group decided to establish a third set of sites exclusively for SRF with an eye to further expansion in the future. We also established a joint venture with Nagase & Co., Ltd. in April 2018 for the commercialization of the heat-resistant polyimide film XENOMAX™ used in such products as electronic paper (e-paper) displays. For Nerbridge™, a conduit for peripheral nerve regeneration, the number of cases of successful application rose in Japan and we established a framework for entering the United States after deciding on a sales partner there.

For “increasing the competitiveness of domestic businesses,” the Group decided to boost mold releasing film manufacturing in response to growth in the ceramic capacitor market.

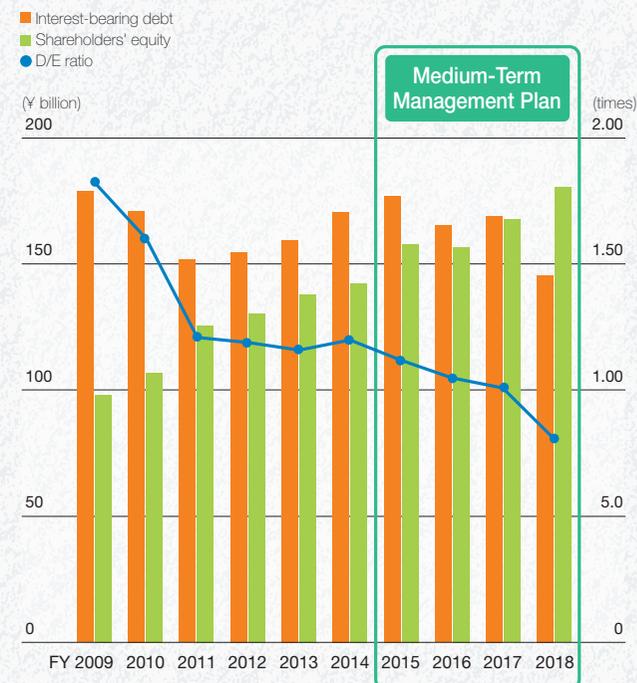
For “improving asset efficiency,” we transferred the trust beneficiary rights held by the Company in the Toyobo Building to improve the efficiency of assets by making more effective use of managerial resources and to promote the reform of work styles. Further, we terminated the textile business in Brazil and restructured the acrylic fiber business in an effort to reform our business portfolio.

Regarding the financial position, we refinanced ¥15 billion for a subordinated loan one year ahead of schedule. In addition, we were recognized by two rating companies for our improved financial standing and stable profitability, and received higher ratings.

In the litigation over bullet-resistant vests filed by the US government that has been ongoing since 2003, a settlement was reached and a settlement sum of ¥7.4 billion was recorded under extraordinary losses. This brought an end to the litigation pending.

In these ways, Toyobo focused on building the foundations to further improve financial standing and to drive growth under the 2014 Medium-Term Management Plan.

Trends in Financial Indicators



2018 Medium-Term Management Plan (FY 2019–FY 2022)

Under the 2018 Medium-Term Management Plan, we aim to be a “strong and good Toyobo Group” with more stable profitability and improved growth potential. Specifically, we are once again challenging an operating profit of ¥30 billion as well as targeting ROE of at least 8.0%, an operating profit margin of at least 8.0%, and an overseas sales ratio of at least 35%. We will strive to maintain a debt-to-equity ratio of less than 1.0. We have set Films & Coatings, Mobility, and Healthcare & Wellness as future growth fields and will focus on the three core policies: “Prioritizing businesses and harvesting crops,” “Enhancing development of new products and business in mid- and long-term,” and “Strengthening business base.”

① Prioritizing businesses and harvesting crops

The Toyobo Group possesses a vast number of businesses in different business environments. To enhance the development of growth businesses and the rate of sales, we have set key performance indicators (KPIs) in accordance with the conditions of each business, and we will actively invest management resources in growth businesses. This refers specifically to the growth fields of Films & Coatings and Mobility. (Please see the figure on this page)

② Enhancing development of new products and business in mid- and long-term

We will push ahead with strategic investments in plants, R&D, and marketing preparing for materials where growth is expected going forward. In the Healthcare & Wellness field, where growth is forecast, we have already commercialized Nerbridge™, a conduit for peripheral nerve regeneration, and are working on the commercial viability of bone regeneration-inducing materials. In addition building on the foundations of these product developments, we will vigorously promote open

innovation that includes external knowledge and technology.

③ Strengthening business base

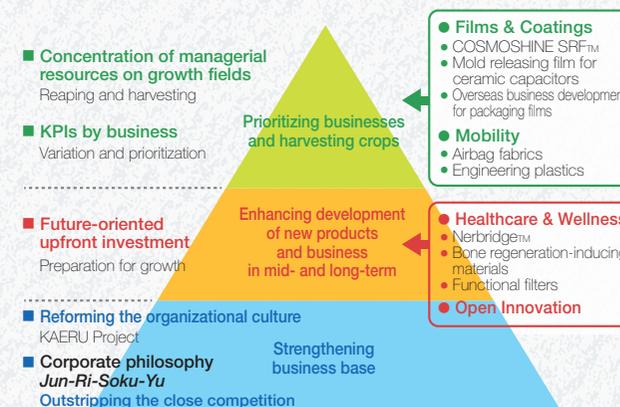
The Toyobo Group adheres to social rules as a responsible member of society and is striving to build business foundations as a company that meets the expectations of society. As such, we are making every effort to create an organizational culture that values safety first and emphasizes compliance. Further, in April 2018 we initiated the KAERU Project (*kaeru* means “to change”) to foster an organizational culture in which people do not fear failure, seek to outstrip close competitors, and reform their approach to growth.

We will work to resolve short-term issues, while also focusing on others over the medium- to -long-term. At the same time, we will implement the core policies outlined above to achieve the goals we have set on based on “One – Third – Each” philosophy, in which we look to build business foundations, including the reform of our corporate culture.

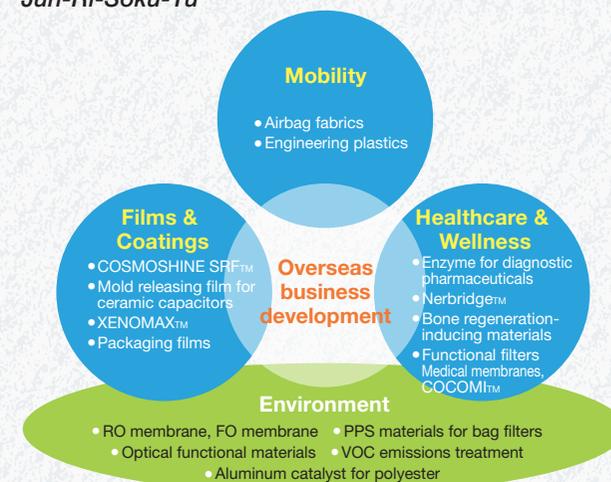
About “One – Third – Each” philosophy

The “One – Third – Each” philosophy refers to the idea of resolving the issues that confront us now, identifying goals for the near future, and acting with confidence and pride as a member of society and Toyobo Group. Under this philosophy, every Group employee is expected to keep these three elements foremost in their mind at all times in the course of their daily work to enable the Company to make steady progress going forward.

Core Policies “One – Third – Each” philosophy



Creating Value that Contributes to Society: Jun-Ri-Soku-Yu



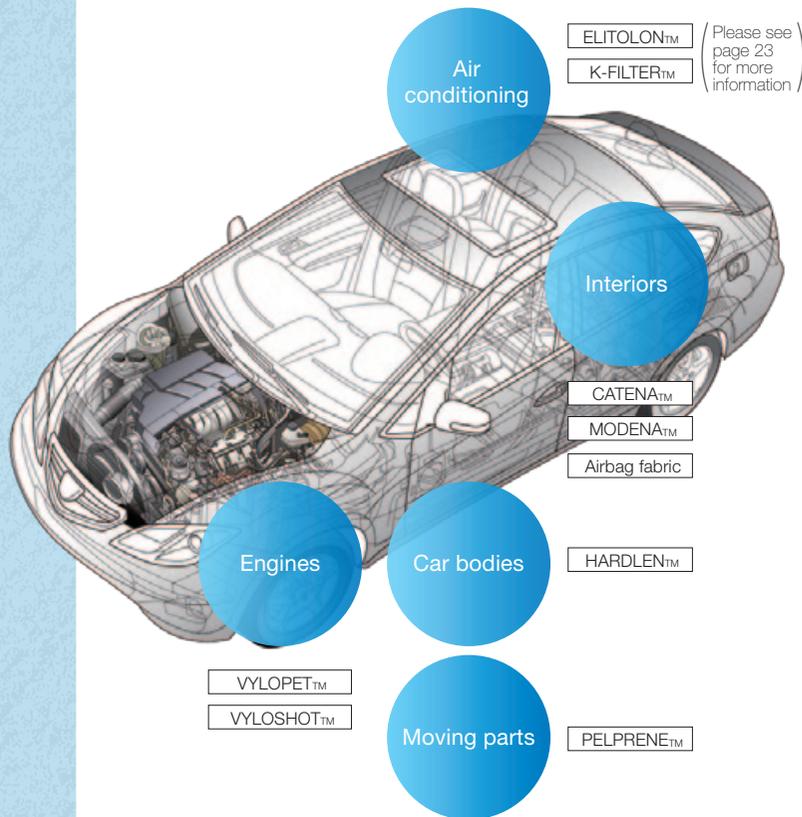
Creating Shared Value (CSV)



Automotive Applications

For all parts of the automobile

Aiming for harmony among people, automobiles, and the earth.
High-performance materials supporting safety and comfort.



Toyobo's high-performance materials are used in every part of the automobile, from interior and exterior materials to components, tires, and air conditioning, helping to improve the durability and safety required for increasingly tough environments.

We support the creation of automobiles that meet the needs of the times.

Adhesion promoter to polyolefins

HARDLEN™

This adhesion imparting agent for polyolefins improves bonding and adhesive strength of films and molded products that have polypropylene as their main material. In particular, HARDLEN™ contributes to improved performance for the primers used for polypropylene bumpers.



Airbag fabrics

Toyobo has an extensive line of airbag fabrics that use Nylon 66 yarn, including various coated fabrics and our patented non-coated fabrics.



Polyester elastomer

PELPRENE™

This engineering elastomer combines the best features of rubber and engineering plastics, and has a proven record in many applications, including CVJ (constant velocity joint) boots for vehicles used in grueling environments and under tough conditions.



Molding polyester resin

VYLOPET™

This is a polyester resin developed for injection molding that has exceptional rigidity as well as heat, chemical, and electric resistance, among other features.



Engineering plastics

Grown to **50% overseas sales ratio**

Airbags

Nylon 66 yarn market share: **40%**



Electronics and Information Displays

Groundbreakers in Films and Functional Resins

Increasing added value to meet the needs of the times with technology and the power of ideas gained from many years of overcoming challenges

Industrial Films

Mold releasing film for ceramic capacitors

Toyobo is the only manufacturer that can handle the integrated production of mold releasing film for ceramic capacitors, from original film to the releasing process. Mold releasing film is indispensable for making high-end ceramic capacitors. Toyobo has developed unique technology for the production of film with the exceptional smoothness required for high-end products as well as processing technology enabling the maintenance of an advanced clean environment. (Please see page 19 for more information.)

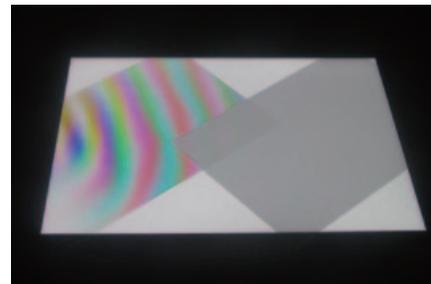
Heat-resistant polyimide film XENOMAX™

This is a heat-resistant polyimide film, a kind of polymer film with world-class dimensional stability. Originally used as the base material for thin-film transistors (TFTs) for electronic paper (e-paper) displays, Toyobo is now leveraging the characteristics of this film—thinness, lightness, durability, and flexibility—to develop more flexible organic EL displays, sensors, and next-generation display applications such as micro LEDs. (Please see page 18 for more information.)

Polarizer protective film COSMOSHINE SRF™

This super retarder film eliminates the tinting (rainbow pattern) seen on conventional polyester film. It features excellent adhesion to materials, while retaining the water resistance and durability of polyester. This product is used as a polarizer protective film for liquid crystal displays (LCDs). (Please see page 19 for more information.)

COSMOSHINE SRF™



Standard polyester film

Super retarder film

Copolyester Resins

Eco-friendly, super-diverse copolyester resin VYLON™

First produced in 1965, VYLON™ was Japan's first saturated copolyester resin with a high molecular mass. It has exceptional adhesiveness, durability, hygiene, and chemical resistance, and is used in such fields as electrical equipment and automobiles, meeting the need for fewer resources and eliminating the use of solvents as a replacement for adhesives and coating agents.

World-class copolyester technology is leveraged to create a copolyester resin with outstanding characteristics such as solubility in organic agents, thermal melting, and being dispersible in water.

VYLON™



Adhesive for flat cables

VYLOSHOT™



Sealant for electronic components



Environmental Field

With an eye on ecology since the 1970s

Toyobo's original fiber technology contributes significantly to all aspects of environmental protection, including air, water, and resources

Air

Providing clean air through advanced absorption, separation, and removal technologies

Our VOC (volatile organic compound) absorption treatment systems contribute to environmental preservation and a reduction in production costs for various industries. These systems use both our K-FILTER™ activated carbon fiber, a world first with commercial viability in the 1970s, and our ZEOLITE inorganic material air purification filters. (Please refer to page 23 for more information.)

VOC absorption treatment systems

Over 1,300 units installed worldwide

Honey-Rotor™ VOC Concentration Equipment



Water

Turning seawater into drinking water. Toyobo helps alleviate issues with water resources.

Our HOLLOSEP™ hollow fiber type reverse-osmosis (RO) membrane element is used in seawater desalination equipment; it can remove not only bacteria and viruses but also low molecular elements such as ions and organic material. This product uses cellulose triacetate membranes, and has a high tolerance for chlorine, inhibits the proliferation of microorganisms through sterilization, and does not clog easily. Toyobo commands more than a 50% share in the Persian Gulf nations, where the water's salt content is high, and an over 80% share in Saudi Arabia, where we supply domestic water to around 6.4 million people annually. We contribute to the supply of domestic water in places around the world that are experiencing water shortages.

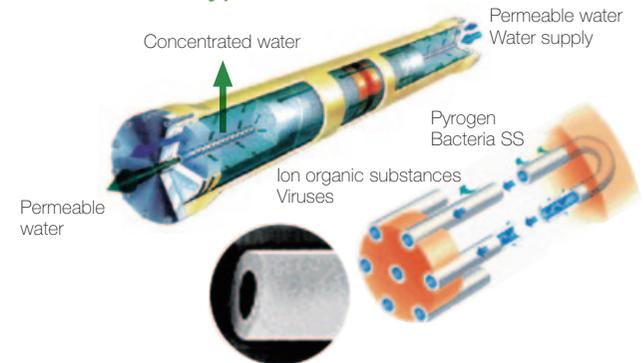
Hollow fiber type reverse-osmosis (RO) membrane element for seawater desalination

Over 50% market share in Gulf Cooperation Council (GCC) nations

Seawater Desalination Equipment



Hollow Fiber Type Reverse Osmosis Membrane





Healthcare Field

Started from yeast cultivation as an antipollution measure

Contributes to advanced medical care, supporting healthy living with wide-ranging life science technologies

Bio-related Products

Improving the quality of life through reliable products and commissioned services

Toyobo contributes to better medical care through enzymes for diagnostic pharmaceuticals. The enzymes enable speedy examinations and analyses from disease diagnosis and attributions as well as commissioned production of pharmaceuticals using expertise accumulated from medical research. One example is a plant-derived enzyme (protein) that is used in advanced medical care, including genetic diagnostics, reagent development, and immunoanalytics, with further applications expected.

Fully automatic gene analyzing system GENECUBE™

This fully automated gene analyzing system handles the entire analysis process from specimen pre-processing to gene amplification and detection. Our unique gene amplification technology outputs results in a short 40 minutes following the start of measurement. It also contributes to simpler and faster genetic testing.



Enzyme used in sensors for self-monitoring of blood glucose

Toyobo is selling an enzyme as a raw material for sensors that enable diabetic patients to measure blood sugar levels at home.

The FAD-GDH enzyme, developed by Toyobo, can give blood glucose readings more quickly and accurately than other methods. We have the top market share for this enzyme worldwide.

Blood glucose sensors using FAD-GDH are being used around the globe, including in community pharmacies in Europe and the United States.

Enzyme for diagnostic pharmaceuticals

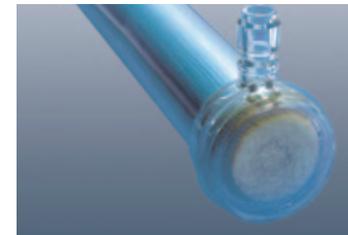
Top 4 globally

World No. 1 in sales of enzymes for sensors used in self-monitoring of blood glucose

Medical Equipment

Next-generation treatments driven by advancements and the application of fiber technology in medical equipment

Hollow fiber membranes for artificial kidneys



Harmful substances can be efficiently filtered out using an advanced separation technology that generates micropores in cellulose triacetate materials. We also remove waste more efficiently using both thinner membranes and more compact equipment.

Nerbridge™, a conduit for peripheral nerve regeneration



In 2013, Toyobo began sales of Nerbridge™, Japan's first medical treatment for the regeneration of damaged nerves using conduits. The conduits, filled with a special medical collagen, dissolve and are absorbed into the body after a few months. We



received clearance from the Food and Drug Administration (FDA) in the United States in 2016 and developed a sales network by settling on sales partners in the United States in April 2018.



Lifestyle and Safety

Toyobo's high-performance materials support people's lifestyles

New materials created by Toyobo contribute to a more enriched and comfortable life

Packaging Films

Eco-friendly material for a better life

Copolyester technology, enabling freedom in the design of polyester, has led to polyester films that has a variety of features. Polyester films add color to products depending on their application; examples include biaxially oriented down gauge shrink film and barrier film with exceptional barrier properties and flexibility.

Packing films

No. 1 position in Japan with enhanced ability for general proposals for diverse materials (polypropylene, polyethylene, PET, nylon)

Plant-derived PET film BIOPRANA™

By substituting a portion of the raw materials needed for this plastic with a plant-based substance, we reduce our consumption of oil. These plant-derived products have the same properties and qualities as petroleum-derived plastic and so can be processed into various products under the same conditions.



Recycled PET film CYCLE CLEAN™

We succeeded in boosting the percentage of recycled resin to the world's highest level: 80%

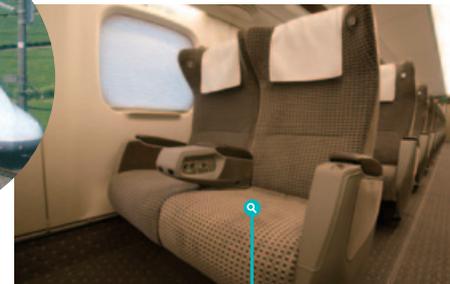


Cushion Material

BREATHAIR™ with an air-permeable 3D spring structure

This is a completely new cushion structure made from random coils of elastic monofilaments. It has excellent air permeability and durability and is environmentally friendly because it can be remelted and recycled. It is used in such areas as bedding in the nursing care field and for vehicle seats.

Application example: Seat material for the *Shinkansen* (bullet train)



Business Overview by Region / Topics

Sales by Region

(Unit: %)



Japan



Asia



Other Areas



ECOSYAR™

Establishing Joint Venture Companies in Indonesia to Produce Packaging Film

Toyobo has agreed to set up two joint venture companies with PT. Trias Sentosa, Tbk (“Trias”), an Indonesian film manufacturer, to produce Toyobo’s ECOSYAR™, a transparent vapor-deposited film, and polyester films for packaging. Plans are in place to begin operations in October 2019.

Demand for barrier films for food packaging is growing, against the backdrop of increased awareness of food safety in Japan, heightened demand for extending expiration dates, rising global eco-consciousness, and increasing food shortages. Toyobo intends to accelerate the production and sale of transparent vapor-deposited film overseas in cooperation with Trias, one of the largest film makers in Southeast Asia.

About ECOSYAR™

ECOSYAR™ is a high-performance barrier film made by depositing two kinds of vaped ceramics that are coated on a nylon or polyester film. This product is being used in packaging for candies and packaged foods with a long shelf life.



The signing ceremony



Engineering plastics

Established a Local Engineering Plastics Subsidiary in India

A local Indian subsidiary, Toyobo India Private Limited, was founded in April 2017 as part of Toyobo’s engineering plastics business in India, where demand for automotive applications is expected to grow. Toyobo’s engineering plastics business includes the sale of engineering plastic resins in Japan and overseas, mainly for automotive applications. In India, Toyobo started local production of engineering plastic resins in 2016 with sales being handled from Thailand. However, with advancements in Indian production and procurement for automotive parts, there has been a growing demand for Toyobo to start local operations, which led to the establishment of the latest company in India. We will strive to develop the engineering plastics business by accelerating growth in the high-potential Indian market.



XENOMAX™



Commercializing Heat-Resistant Film with World-Class Dimensional Stability*

Based on a decision to commercialize the heat-resistant polyimide film XENOMAX™, Toyobo established Xenomax–Japan Co., Ltd., a joint venture company with Nagase & Co., Ltd. A new production plant will be built on Toyobo’s Tsuruga Research and Production Center with plans to begin operations in October 2018. The film will be applied to electronic paper (e-paper) displays and organic EL displays as the base material in place of glass, silicon wafers, and ceramics, as well as applications for various types of sensors.

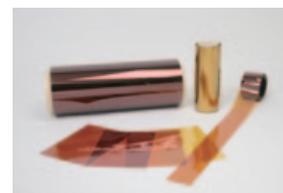
Based on our cooperation with Nagase, we intend to create a ¥10 billion business early on by meeting market needs for high-performance, high heat-resistant film.

About XENOMAX™

XENOMAX™ is a polyimide film with both heat resistance and dimensional stability* that is among the best in the world.

Using technologies that synthesize heat-resistant polymers and produce films, Toyobo succeeded in making a thin, light, flexible heat-resistant polymer film, while retaining the same durability as glass substrates.

*Dimensional stability: The degree to which a substance (material) maintains its original dimensions (size) when subjected to changing temperatures.



High heat-resistant polyimide film XENOMAX™



Rendering of the new production plant for XENOMAX™

TOYOBO GS Catalyst™



Global Deployment of Aluminum Catalyst Technology

Toyobo has granted a license for a specific polymerization technology and related patents to Thailand-based Indorama Ventures Public Company Limited, the world’s largest polyethylene terephthalate (PET) resin manufacturer. TOYOBO GS Catalyst™, an aluminum catalyst developed by Toyobo, is used in the technology. PET resin made with TOYOBO GS Catalyst™ is being used in PET bottles, etc. made for Suntory Beverage & Food Limited. Going forward, we will contribute to reducing the environmental load by strengthening our relationship with Indorama Ventures, and by promoting the global use of TOYOBO GS Catalyst™.

About TOYOBO GS Catalyst™

This aluminum catalyst was independently developed by Toyobo in 2002. It can be used in the production of PET resin due to its excellent transparency and thermal stability. It uses neither rare metals nor heavy metals, making it easy to recycle, thus reducing the environmental load.



Examples of product applications



Resin using TOYOBO GS Catalyst™ (front left)

Airbag fabrics



Fifth Production Site for Automotive Airbag Fabrics in Europe

Toyobo will build production facilities for airbag fabric at PHP Fibers GmbH's Oberburg plant in Germany and start production in 2019. This will enable a five-pronged global production structure that will include Europe, following existing sites in Japan, Thailand, China, and the United States.

Toyobo acquired PHP Fibers, a German yarn manufacturer, jointly with Indorama Ventures in 2014, and established a position accounting for 40% of the world's supply of nylon yarn for airbags. Toyobo will invest ¥10 billion in the airbag business from fiscal 2018 to fiscal 2021 and will set up a system to supply yarn and fabrics to manufacturers around the world.



Mold releasing film for ceramic capacitors



Expanding Facilities for Mold Releasing Film for Ceramic Capacitors

Toyobo will expand the production of mold releasing film for ceramic capacitors, in line with growing market demand. ¥3 billion has been earmarked for investment in the Tsuruga Research and Production Center, with production set to begin in July 2019. The ceramic capacitor market is expanding rapidly and is forecast to grow at an annual rate of 10%, on the back of a major increase in data communication systems following advancements in the Internet of Things (IoT) and the introduction of artificial intelligence (AI). In particular, ultra-small ceramic capacitors are positioned as high-end products and Toyobo will respond to the growing demand for mold releasing film required in the production process of these high-end products. Toyobo's mold releasing film for ceramic capacitors is made by processing polyester film and has exceptional smoothness relative to conventional film. Going forward, Toyobo aims to double sales of mold releasing film for ceramic capacitors by 2021 by leveraging unique technology to accelerate sales of this product for high-end use.



COSMOSHINE SRF™



Investing ¥10 Billion to Increase Production of Films for LCDs

Toyobo will invest ¥10 billion in the Inuyama Plant and build production facilities for COSMOSHINE SRF™, a polarizer protective film, with production slated to get underway in May 2020. This move is in response to steady growth in the liquid crystal display (LCD) market and strong requests for supply from polarizer manufacturers.

COSMOSHINE SRF™ employs PET material and is used to protect LCD polarizers. The LCD market is projected to grow at a rate of 3% annually, while demand for PET material — featuring excellent water resistance and durability—is growing due to an increase in the size of LCD panels and an increase in sales of open cells, or LCD cells as a semi-processed product. In 2021 when mass production begins, Toyobo aims to secure ¥20 billion in sales of COSMOSHINE SRF™, approximately double the current amount.



Rendering of the new film production site

Research and Development Strategy

Combining Core Technologies to Accelerate New Business Creation

To continue driving sustainable growth, the Toyobo Group is working to create new businesses while combining core technologies: polymerization, modification, processing, and biotechnology. As in the past, R&D plays a key role in new business creation, and it will continue to do so in the years to come. In recent years, we have been spending around ¥10 billion every year on R&D. As part of our 2018 Medium-Term Management Plan, we intend to increase this amount by 10 to 20% by making investments mainly in growth fields.

R&D Framework for New Business Creation

To increase the efficiency of R&D and speed up business creation, Toyobo pursues two categories of R&D: division research and corporate research. In addition, the Corporate R&D planning Department oversees R&D management throughout the Company and supervises these two categories from a technological point of view.

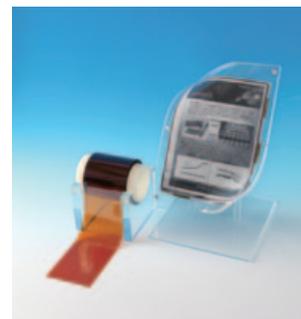
Division research aims to expand existing businesses under the direct supervision of individual business departments. Corporate research, on the other hand, includes core technology R&D, projects aimed at generating business, and Company-wide infrastructure, aiming to create new businesses that lead the next generation of Toyobo from medium- and long-term perspectives.

In our 2018 Medium-Term Management Plan, we positioned Films & Coatings, Mobility, and Healthcare & Wellness as growth fields. Corporate research will focus in particular on medical and new diagnostic systems in the Healthcare & Wellness field, which requires development over the medium and long terms. We also plan to promote R&D related to the environment, which includes sustainable and purification materials, from the perspective of the UN's Sustainable Development Goals (SDGs).

In addition, our corporate research lends support to division research as well as production sites as part of the Company's infrastructure. Specifically, we leverage analytical technologies, sensation measurement technologies, and simulation technologies to develop new products and solve technical problems. All of these, as powerful problem-solving tools, make definitive contributions to the Toyobo Group's business expansion.

New Business Creation through Open Innovation

To accelerate new business creation, open innovation based on joint work outside Toyobo will grow in importance. Recently, we succeeded in developing and commercializing XENOMAX™, a heat-resistant polyimide film with dimensional stability that is among the best in the world for a certain type of polymer film, and we established a production and sales company for this product in April 2018. To achieve our



XENOMAX™

goals for this product, we used technology developed by the Michigan Molecular Institute, a US research facility that holds the exclusive license. This project is a successful example of open innovation.

The MIRAI ("future") New Business Planning Group within the Corporate Planning Department has been promoting the development of new businesses. Since 2016, we have been part of a venture capital fund on technology aimed at accelerating new business development, targeting especially the areas of films, polymers, and healthcare. We will foster the creation of new businesses with a focus on the startup companies in this fund.

In the years ahead, we will continue to speed up the development of new products and services, while actively incorporating open innovation.

Yasuo Ota

Corporate Officer

Controlling Supervisor of the Intellectual Property Department

Controlling Supervisor of the Corporate R&D Planning Department

Controlling Supervisor of the Research Center



Intellectual Property Strategy

We are implementing an intellectual property strategy that aims to boost earnings through business development. In this strategy, the Intellectual Property Department works together with business and R&D-related divisions to achieve growth as part of a three-tiered structure. Specifically, an intellectual property strategy is drafted and put into effect through the Intellectual Property Strategy Conference and other bodies, while ensuring consistency with our business and R&D strategies. In addition, we have created a framework to smoothly promote our intellectual property strategy through liaisons appointed by each business division and R&D-related divisions.

Acquiring and Using Intellectual Property Rights

We promote the acquisition and use of the intellectual property (IP) rights of our technologies. Notably, we are striving to establish a dominant position for Toyobo Group products by creating a strong portfolio globally based on our core product technologies, including peripheral technologies.

As an example of our achievements, in the 2017 Ranking of Capability to Prevent Other Companies from Obtaining Patent Rights in the Textile, Paper and Pulp Industry (Source: Patent Result Co., Ltd.), Toyobo ranked second for the number of times it was cited as being the reason for a patent application of another company being refused. This shows that Toyobo is an innovative company that makes multiple patent applications related to advanced technologies, in this way preventing rival companies from acquiring patent rights.

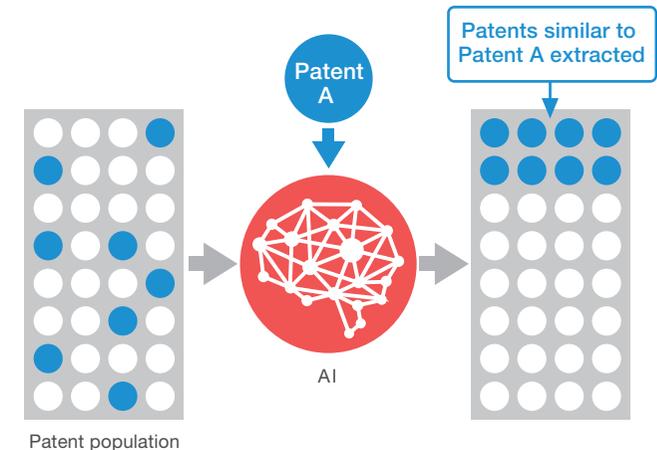
Strengthening Overseas Intellectual Property Rights

For “accelerating overseas business development,” we are strengthening patent applications and the acquisition of IP rights overseas. We increased the number of patent applications outside Japan by more than 20% in fiscal 2018 (relative to fiscal 2017), with an increase of over 10% in the number of overseas patent applications being granted. In addition, we gather information from lawyers and patent attorneys in other countries as well as through the activities of specialty intellectual property associations so that we can conduct efficient, effective intellectual property-related activities that are suited to the ever-changing intellectual property environment in each country.

Using Artificial Intelligence (AI) in Patent Searches

It is essential to conduct patent searches so that we respect the intellectual property rights of others and to avoid infringing on the patents owned by another party. However, it is critical that this is done efficiently, because of the huge number of patents in existence. Toyobo introduced a system using artificial intelligence (AI) in the Intellectual Property Department for this purpose in September 2017 and has started making more efficient patent searches.

Conceptual view of Patent Search using AI



Toyobo Group Vision

The category leader, continuing to create new value that contributes to society in the environment, healthcare, and high-function product fields

The Toyobo Group's Image of an Ideal Employee

1. People who can think from the customers' perspective and create new value
2. People who can conceptualize what they want to be and can reform themselves
3. People who have a strong self-awareness and a sense of responsibility and take thoroughgoing initiatives in all they undertake
4. People who actively work to create networks inside and outside the Company
5. People who participate in teamwork and share a sense that work is worthwhile

The Toyobo Group's Charter of Corporate Behavior

We here at the Toyobo Group contribute to the realization of a sustainable society through the provision of products and services that will create an affluent future. Also, in order to continue being a corporation that people trust, we will act with high ethical standards and social common sense based on ten principles. (Please see page 35)

Toyobo Corporate Philosophy

Jun-Ri-Soku-Yu

(Adhering to Reason Leads to Prosperity)

Toyobo continues to create value that contributes to society in the environment, healthcare, and high-function product fields with corporate social responsibility (CSR) as the foundation of our business activities, based on our corporate *Jun-Ri-Soku-Yu* philosophy.

Toyobo Group's Charter of Corporate Behavior states a commitment to actively fulfill our social responsibility and contribute to the creation of a sound, sustainable society based on awareness that our company is a member of society. Toyobo established the CSR Committee, chaired by the President, as the structure that handles the integrated understanding and oversight of CSR activities related to all stakeholders: customers, shareholders and investors, suppliers, local communities, employees, and the global environment.

SUSTAINABLE DEVELOPMENT GOALS

17 GOALS TO TRANSFORM OUR WORLD





Basic Philosophy

We contribute to society through the application of technologies that are gentle to people and on the natural environment. We work to preserve the earth's environment and leave behind to future generations a world that is more livable and an affluent society.

Materials for Printing Strengths of Printight™ and Cosmolight™

As the world's pioneer in water-washable photosensitive resin printing plates, Toyobo began the sale of Printight™ for letterpress printing in 1977. This product has exceptional image reproduction, sharp resolution (175 lines/inch), and a high level of printing durability and wear resistance due to extremely accurate plate thickness. In 1992, we launched Cosmolight™, the world's first water plate for photosensitive flexo-printing that is both water washable and has aqueous ink resistance. Toyobo has led the market for printing materials as a pioneer in water-washable photosensitive printing plates.

In addition, Toyobo has a total network that covers all processes: from R&D to production and logistics. This unique network handles the information collection and market research that are indispensable for advanced product development as well as for deploying an efficient product system globally—from R&D to production—that meets diverse needs.



Cosmolight™ CTP plate

AC Equipment Improves the Environment by Treating Harmful Substances and Creates Business Opportunities

The AC equipment Department development separation technology that includes filtration and absorption. This department produces and sells a variety of air cleaning filters that help improve the quality of air indoors.

Regulations covering volatile organic compound (VOC) gases have become tougher since the Air Pollution Control Law was revised in 2006, making it compulsory to treat VOC gases from the production of printing, coatings, and battery separators, etc. Needs and applications vary, from collecting, refining, and reusing high-concentration, high-priced solvents to concentrating and combusting low-concentration, low-priced solvents. Companies across the Toyobo Group work together to propose optimal solutions to customers. We have developed a Group-wide support system with the creation of a framework for the sale of materials, equipment installation, and assistance with treatment for companies outside Japan. The integrated support has been highly acclaimed by our

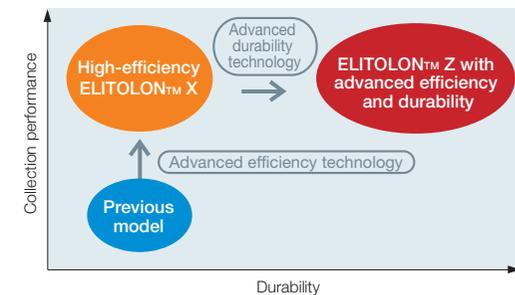
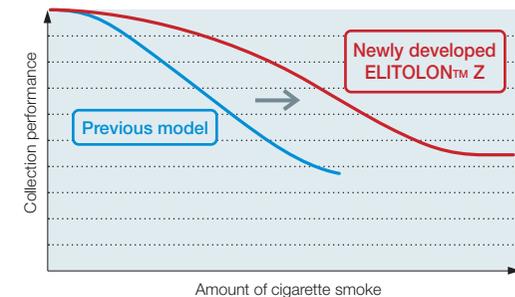


K-FILTER™ VOC recovery equipment

customers, who cite added value to materials as well as providing equipment, systems, and maintenance.

The electret air filter ELITOLON™ retains static electricity in microfibers and collects atmospheric dust. A fundamental review of production processes led to the development of ELITOLON™ X, which improves dust collection while maintaining breathability. Based on this series, Toyobo has also developed the ELITOLON™ Z series, which provides greater control over the decline in collection efficiency when collecting oil mists, while retaining the charge amount and improving fiber surface quality. The new ELITOLON™ Z series has exceptional collection efficiency as well as resistance to oil mist and incorporates industry-first technology. We will widen the scope of applications where some filters such as air filters, masks, and others could not be used due to issues with durability up to now.

Features of ELITOLON™ X and ELITOLON™ Z

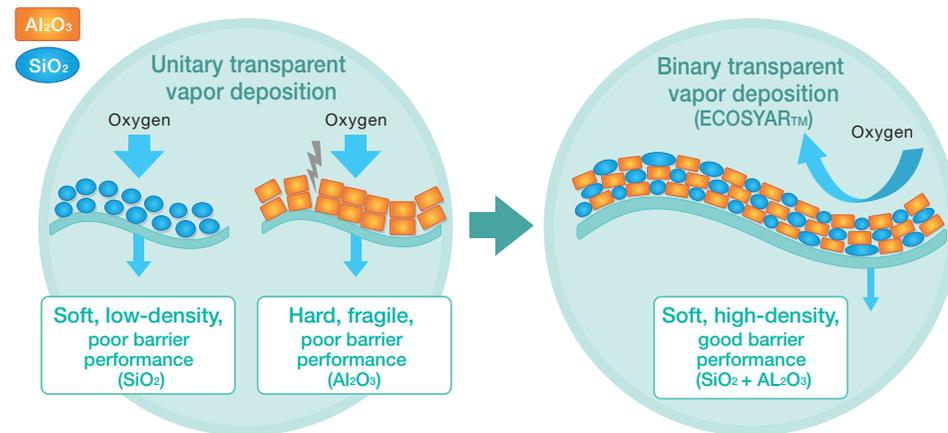


A Step Toward the Global Development of Barrier Film

Toyobo has developed ECOSYAR™ barrier film and accelerated overseas deployment based on a collaboration with PT. Trias Sentosa, Tbk., a leading film manufacturer in Southeast Asia.

ECOSYAR™ is an eco-friendly barrier film made from the binary vapor deposition of silica and alumina (ceramics) on nylon film and polyester film that does not contain chlorinated compounds. In binary vapor deposition, a proprietary technology of Toyobo, two types of material with differing boiling points are deposited extremely thinly (approximately 10 nm) and uniformly on film. The key features are advanced barrier performance and flexibility of the vapor-deposited layer. This degree of flexibility enables printing and laminating, and minimizes any drop-off in quality during final use as packaging materials.

Diagram of Film Deposition process



100% Bio-Based resin PEF Outstrips Performance of PET Barriers

Polyethylene furanoate (PEF) is a 100% bio-based resin made by polymerizing 2,5-furandicarboxylic acid (FDCA) – produced from plant-derived materials – and ethylene glycol, which is also plant-derived.

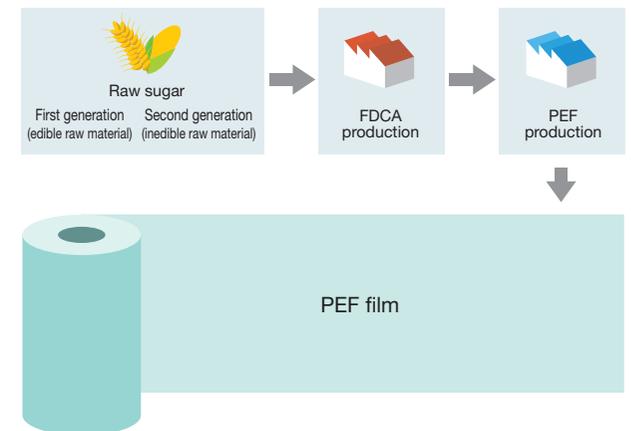
PEF has features close to polyethylene terephthalate (PET) due to its similar chemical structure. For that reason, it is possible to use PET production and processing equipment for PEF with only a little renovation. In addition, PEF has higher barrier performance than PET when molding it on films and the oxygen barrier efficiency of films and bottles made from PEF is 10 times greater than PET equivalents, while water vapor barrier efficiency is twice as high.

The biotech company Synvina, based in the Netherlands, (a joint venture between Germany-based BASF and Netherlands-based Avantium) plans to operate the world's first commercial

furandicarboxylic acid (FDCA) plant. Toyobo and Synvina have agreed to cooperate; Toyobo will manufacture PEF resin and PEF film. Sales of the resin and film will be handled in cooperation with Mitsui & Co Ltd. We intend to expand the use of PEF as a new material with qualities similar to PET, yet with higher barrier performance.

Production Flow from Raw Material to PEF Product

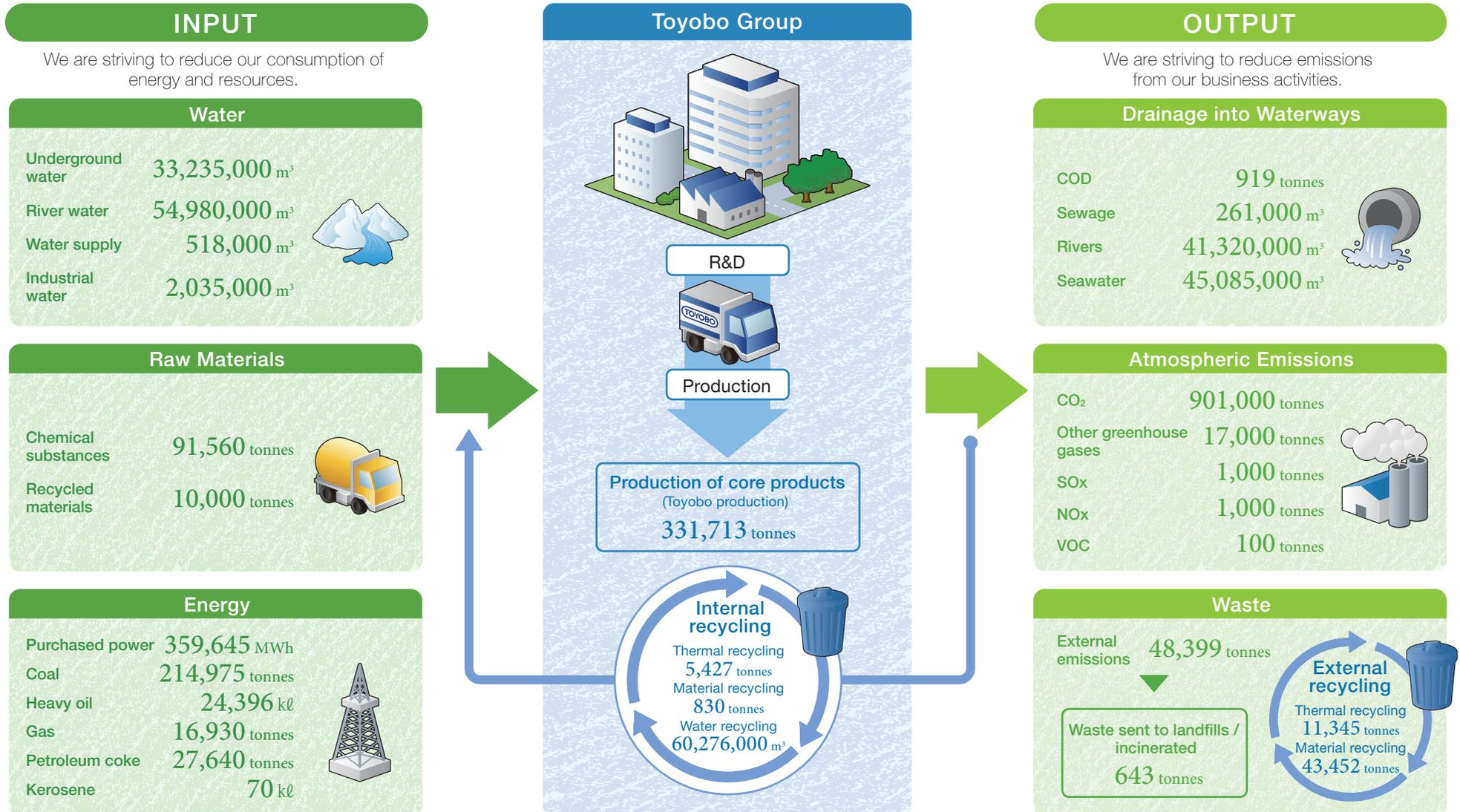
FDCA: 2,5-furandicarboxylic acid
PEF: polyethylene furanoate



Heavy metal free polyester polymerization catalyst
Toyobo is marketing TOYOBO GS Catalyst™ all around the world. (Please see page 18 for more information.)

Material Flow

The impact of the Toyobo Group's business activities on the environment is outlined below.



Support for Female Career Development

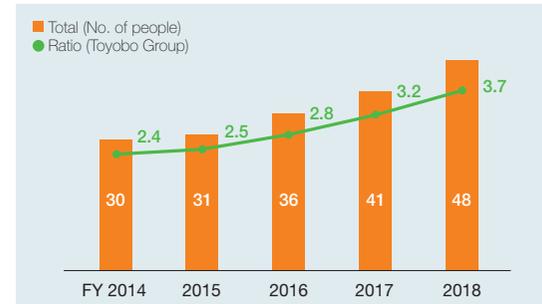
As the first step to better employ diverse human resources, Toyobo established the Female Empowerment Promotion Group within the Human Resources Department in 2015. The Group has been promoting the employment of women and their career development. In addition to holding vision creation seminars for women in career-track positions, in 2017 we started female leader development seminars as well as the *e-jokatsu* program (the “e” stands for “expert” in English and also means “good” in Japanese, while “jokatsu” means “active female participation”), aimed at boosting the motivation of women in general employment.

Toyobo has also introduced a childcare leave system that exceeds legal requirements, promotes a program for shorter work hours, and encourages men to take childcare leave. In fiscal 2016, we increased the eligible period for using these systems up to when the child finishes the third year of elementary school.

In recent years, there has been an increase in the number of children waiting for daycare and so there has been a trend toward prolonged childcare leave. Since this can hinder the career advancement of women, Toyobo has been looking into ways to resolve this problem. In April 2017, we introduced a new babysitter support system. Now, Toyobo covers the entire cost of a babysitter when an employee goes on a business trip, to help support career advancement.

Toyobo also established a nursery inside the Otsu Research Center (Otsu City, Shiga Pref.) for employees with children. Operations got underway in April 2018. The nursery, called the Toyobo Nursery School and the first of its kind, was introduced at the Otsu Research Center due to high demand.

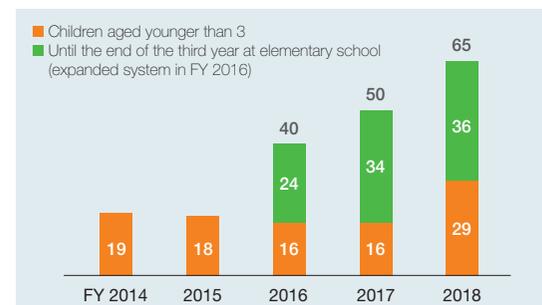
Proportion of Female Employees with Manager-Level Qualifications



Number of Females Taking Childcare Leave and Ratio of Use



Employees Taking Childcare Shortened Work Hour Program



The nursery not only enables employees to return to work early from childcare leave and to make their return to work a little easier, it also lays the platform for women to feel more comfortable planning a family. Going forward, Toyobo will examine the possibility of providing further support at every business location based on the results of the nursery at the Otsu Research Center.



MSCI | 2018 Constituent MSCI Japan Empowering Women Index (WIN)

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Management and related divisions engage in dialogues with stakeholders, which serves to deepen mutual understanding. In addition, we are working to improve management effectiveness and to boost transparency and reliability, while taking note of the opinions and requests gathered from these dialogues. We will continue with responsible dialogues going forward as a way to increase corporate value.

Dialogues with Investors and Shareholders

Financial Results Briefings

Toyobo held financial results briefings for the full year and the second quarter for institutional investors and analysts, where Narahara, the President explained the details of results and the Medium-Term Management Plan.

<http://ir.toyobo.co.jp/en/ir/library/presentation.html>



General Shareholders' Meeting

The Annual General Meeting of Shareholders is held at the end of June each year at the Head Office in Osaka. Some 233 shareholders took part in the 160th Annual General Meeting of Shareholders for fiscal 2018, asking questions on items in the business and financial reports as well as the resolutions.

Annual IR Calendar

	4	5	6	7	8	9	10	11	12	1	2	3
Financial results		● Annual results			● 1Q			● 2Q			● 3Q	
Shareholders' Meeting						● Annual report						
			● General Shareholders' Meeting									

Dialogues with Employees

The president Seiji Narahara, visited overseas sites and encouraged Japanese representatives and local staff.



Dialogues with the Local Community

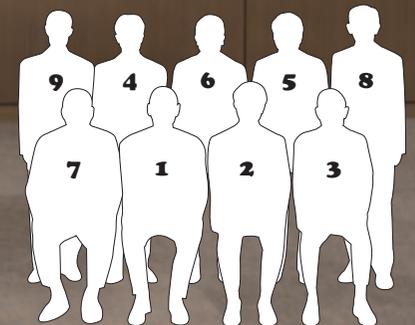
Maintaining a trusting relationship with the local community is positioned as a cornerstone of our corporate activities. All business sites actively participate in local cultural events as well as hold tours of facilities and conduct other programs every year that contribute to society.



Tour for local high school students at Tsuruga Reserch and Production Center



Toyama Center took part in a local festival



Management

1 Chairman, Board of Directors

Ryuzo Sakamoto

Apr. 1972 Joined Toyobo
 Apr. 2002 Deputy Director and General Manager, Textile No. 2 Department, and Textiles Technology and Procurement Department
 Jun. 2002 Director
 Jun. 2005 Director, President and Chief Operating Officer
 Apr. 2014 Director and Chairman (to present)

4 Director and Corporate Executive Officer Head of Plastics Division; Head of Specialty Chemical Division; Controlling Supervisor of Tsuruga Research and Production Center

Shigeo Takenaka

Apr. 1981 Joined Toyobo
 Apr. 2012 Deputy Director, General Manager of Functional Polymers Operating Department, and General Manager of Functional Polymers Technology & Development Department
 Apr. 2013 Corporate Officer
 Apr. 2017 Corporate Executive Officer
 Jun. 2017 Director and Corporate Executive Officer (to present)

7 Outside Director

Taketoshi Oka

Apr. 1974 Registered as an attorney at law
 Apr. 1996 Vice Chairman of Osaka Bar Association
 July, 2003 Established Kinki Chuou Law Office; Representative Partner (to present)
 Jun. 2015 Director of the Company (to present)

2 President and Chief Operating Officer Controlling Supervisor of Internal Audit Department and KAERU Project

Seiji Narahara

Jan. 1988 Joined Toyobo
 Apr. 2009 Deputy Director and General Manager, Finance Department
 Apr. 2010 Corporate Officer
 Jun. 2011 Director and Corporate Officer
 Apr. 2014 Director, President and Chief Operating Officer (to present)

5 Director and Corporate Executive Officer Head of Healthcare Division, Head of Bio-Science & Medical Division

Hitoshi Ueno

Jun. 1989 Joined Toyobo
 Oct. 2009 Deputy Director, Head of Corporate Research Center, and Deputy General Manager of Business Development Planning Office
 Apr. 2013 Corporate Officer
 Apr. 2017 Corporate Executive Officer
 Jun. 2018 Director and Corporate Executive Officer (to present)

8 Outside Director

Masaru Nakamura

Apr. 1977 Joined Sumitomo Corporation
 Apr. 2006 Corporate Officer
 Apr. 2008 Executive Officer
 Apr. 2010 Managing Executive Officer
 Apr. 2012 Senior Managing Executive Officer
 Apr. 2016 Adviser (to present)
 Jun. 2017 Director of the Company (to present)

3 Director and Corporate Senior Executive Officer Controlling Supervisor of Finance Department, Accounting and Control Department, Procurement & Logistics Department, and Human Resources Department; Supervisor of KAERU Project

Masaru Watanabe

Apr. 1979 Joined Toyobo
 Oct. 2009 Deputy Director, General Manager of Plastics Operation Planning Office, and General Manager of Plastics Management Office
 Apr. 2014 Corporate Officer
 Jun. 2016 Director and Corporate Officer
 Apr. 2017 Director and Corporate Executive Officer
 Apr. 2018 Director and Corporate Senior Executive (to present)

6 Director and Corporate Officer

Head of Fibers, Textiles & Functional Products Division; Head of Fibers, Textiles & Trading Division; Controlling Supervisor of Iwakuni Production Center

Shigeo Nishiyama

Apr. 1983 Joined Toyobo
 Apr. 2007 General Manager of Textile Production Technology Department and Manager of Textile Procurement Group, Textile Production Planning Department
 Apr. 2014 Deputy Director, General Manager of Textile Production & Development Operating Department, General Manager of Textile Production Technology and Development Department, and seconded to TOYOBO STC CO., LTD.
 Apr. 2017 Corporate Officer
 Jun. 2018 Director and Corporate Officer (to present)

9 Outside Director

Takafumi Isogai

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

Corporate Auditors

Corporate Auditor
Taneaki Nagata

Corporate Auditor
Yasuhiro Iizuka

Outside Corporate Auditor
Shiro Takenaka

Outside Corporate Auditor
Hiroyuki Sugimoto

Corporate Officers

Yasuo Ota

Takayuki Tabo

Chikao Morishige

Hiroshi Otsuki

Takeo Kashima

Yoshio Araki

Ichiro Takai

Kenjiro Ogami

Ikuo Takeuchi

Masakatsu Shirai

Basic Policy

The Toyobo Group, to respond to the changing times and to enhance sustainable corporate value, has established the following three policies: (1) Ensure timeliness and accuracy in decision-making, (2) Ensure transparency in management, and (3) Emphasize fairness. Based on these principles, we are working to create and strengthen our corporate governance structure.

Board of Directors and Corporate Officers

Toyobo is a company with auditors and, under this governance system, has appointed three outside directors and adopted the corporate officer system. This system is clearly defined by our management regulations and involves the Board of Directors overseeing the business execution of Corporate Officers. The system is also clearly defined in the Corporate Officer regulations which state that Corporate Officers have an obligation to comply with all laws and the Articles of Incorporation. Under Toyobo's governance framework, a clear distinction is made between the role of the Board of Directors—who concentrate on decision-making and perform management oversight—and the Corporate Officers who are in charge of business execution. This system enables fast decision-making and efficient business execution.

The Board of Directors has nine directors, including three outside directors. The term of office of a director is set at one year to ensure a swift response to changes in the management environment and to clarify the responsibilities of the directors.

In view of the diverse and specialized nature of Toyobo's business, five directors, excluding the Chairman and outside directors, serve concurrently as Corporate Officers to support fast, accurate decision-making. The Chairman of the

Company serves as the chairperson of the Board and makes decisions and reports on management policy, business plans, and other areas while also monitoring the business execution of every director and Corporate Officer. Scheduled Board of Directors meetings are held once a month, with provisional meetings being held as necessary.

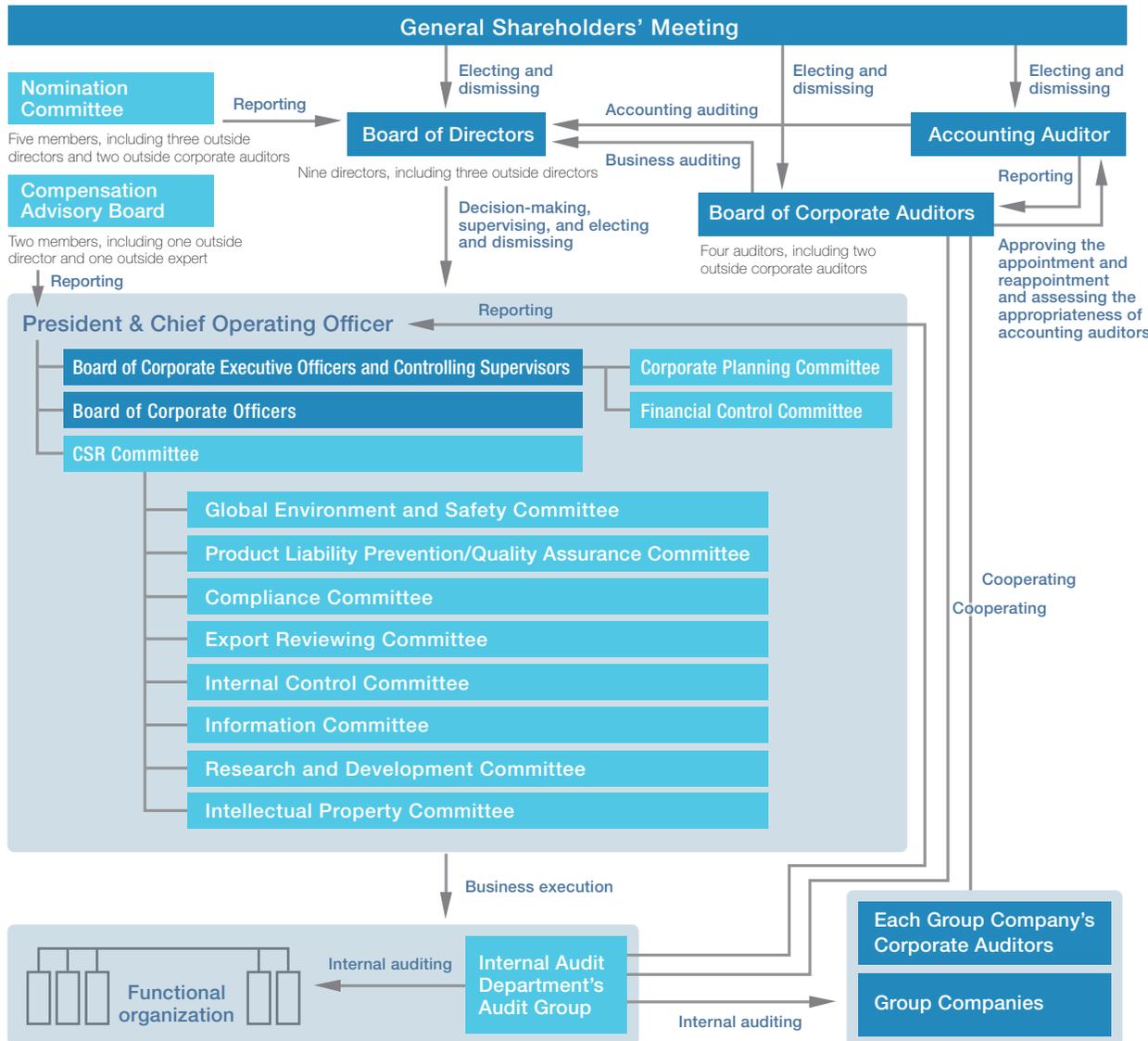
Decisions on nominations and compensation for directors and other positions are made following deliberations by the Nomination Committee and the Advisory Board on Compensation, which include participation by outside committee members, such as outside directors, from the perspective of ensuring transparency and fairness. The content of these decisions is then reported to the Board of Directors as well as to the President and Chief Operating Officer.

To improve the effectiveness of outside officers, Toyobo periodically holds outside officer liaison meetings that consist solely of outside officers, who share their viewpoints and exchange information.

Corporate Auditor System

The Board of Corporate Auditors has four members, two of whom are outside corporate auditors. Their responsibilities include attending meetings of the Board of Directors and other important meetings, stating their opinions when necessary, and auditing the performance of duties by directors based on audits of operations in the various divisions.

KPMG AZSA LLC has been appointed to conduct the independent audits required under Japan's Companies Act. The Board of Corporate Auditors receives plans for auditing and audit reports from the independent auditor and meets with the independent auditor periodically to exchange information. The Internal Audit Department monitors the effectiveness of internal governance. The staff of this department report the results of internal audits to the President and exchange information with corporate auditors.



Policy on Officer's Compensation

The amount of compensation for officers is determined within the limits decided at the General Shareholders' Meeting and is set at an appropriate level for the duties of each director and Corporate Officer after considering compensation levels at other companies in the same industry in Japan and similar to Toyobo's size. To ensure transparency and fairness, the Advisory Board on Compensation, which has six people—one outside expert, one outside director, and four internal committee members—debates the basic policy on compensation and discusses appropriate compensation for each position in light of the results from the previous fiscal year before making a decision on the amount based on their findings. The amount of compensation for each corporate auditor is decided after discussions by the corporate auditors.

Total amount of compensation, etc. per classification of officer, total amount of compensation, etc. by category, and number of officers

Classification	Total compensation, etc. (Millions of yen)	Number of officers
Directors (excluding outside directors)	357	9
Corporate auditors (excluding outside corporate auditors)	51	3
Outside officers	36	7

Note: Category of compensation, etc. is limited to base remuneration.
Source: Financial Report

Message from an Outside Director

Reactive and Proactive Governance

It is important to remain vigilant when it comes to the management environment surrounding the Toyobo Group. That's because various elements of the external environment are changing so quickly that it's difficult to make predictions and there are a number of fields in which the Toyobo Group is jostling for position with competitors. Changes in the external environment include a general slump in the economy following the Lehman shock, the risk of foreign exchange rate volatility, and the extreme speed of technological innovation. For example, prices for raw materials and fuel skyrocketed in fiscal 2018 and this affected the Toyobo Group's business.

In such a management environment, the Toyobo Group remains committed to persevering through business activities aimed at driving sustainable growth and boosting corporate value over the medium and longer terms. The Board of Directors has also been holding serious discussions to make this a reality.

As an outside director, I take part in meetings of the Board of Directors and the Outside Officers' Advisory Committee, giving my opinion from the standpoint of a stakeholder and in particular from the perspective of a shareholder. Since I am also a lawyer, I can offer advice from the perspective of an expert in the law.

Over the past few years, the Stewardship Code and the revised Corporate Governance Code have come into effect, which has stimulated the debate on corporate governance. This debate has brought to the fore two sides to governance: reactive governance and proactive governance, almost like two halves of the whole.

The Toyobo Group is indeed pursuing governance from both the reactive and proactive standpoints.

Being *reactive* means building a framework to prevent misconduct and the reoccurrence of any wrongdoing. The Toyobo Group seeks to ensure that laws and corporate ethics are being upheld and that there are no breaches of compliance, while maintaining safety first and eliminating industrial accidents, conducting strict quality control and preventing dishonesty, especially for falsifying data related to quality. Raising employee awareness forms the basis of preventing breaches and illegal practices. To strengthen reactive governance, Toyobo repeatedly explains its basic stance as a company and as a member of society as well as existing problem areas and concrete measures being implemented to overcome them. The Company also works to boost awareness of these measures in the workplace and to entrench this approach as part of the corporate culture.

Being *proactive* means having the ability to make money and drive growth. Nowadays, it's essential to stay one step ahead in everything you do, from production and sales to research and development. It's also important not to fear failure and to embrace challenges. The Toyobo Group continually gives out the message of "outstripping the close competition," which is understood to be one way of being proactive.

The ability to deliver good products to society and to make money leads to continual advancement as a company as well as job stability and creation, with the resulting profits being channeled into R&D. New products may be developed as a result and offered to society. If this cycle is effectively put into practice, a company can realize higher profits while contributing to society.

The Toyobo Group delivers a large number of products that benefit society. The Group is focusing on R&D, particularly research related to environmentally friendly products, led by seawater desalination membranes. As an outside director, I would like to see the Toyobo Group, by strengthening governance, continue to provide products to people the world over and to grow further as a company that contributes to society.

Taketoshi Oka

June 2018



Compliance Philosophy and Related Activities

Basic Philosophy

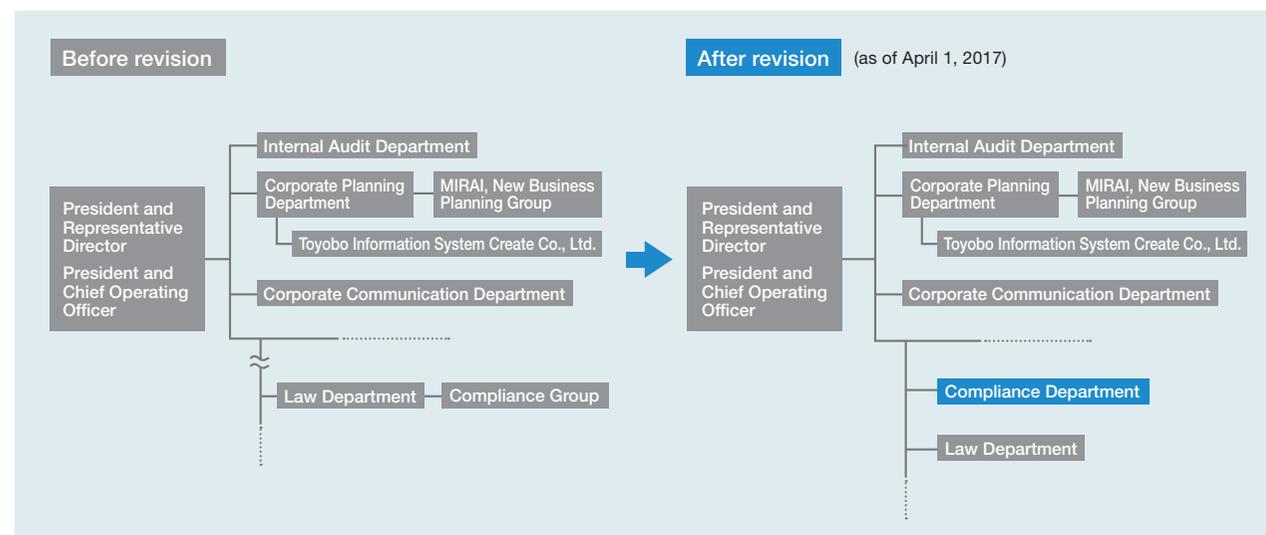
Our Group's corporate philosophy, *Jun-Ri-Soku-Yu* (adhering to reason leads to prosperity), forms the basis of our compliance activities, in particular the idea of "thinking and rationally and logically, as well as the need to retain respect for ethics and morals, the fundamental nature of being human."

Based on the principle of *Jun-Ri-Soku-Yu*, the Toyobo Group announced to the public our code of conduct in the form of the Toyobo Group's Charter of Corporate Behavior, which aims to help achieve the UN's Sustainable Development Goals (SDGs). In addition, we compiled items that executive officers and employees should adhere to in order to promote compliance into the Toyobo Group Employee Guidelines for Action, which has been shared with all Group employees.

Compliance Promotion Structure

Since establishing the Corporate Ethics Committee in 1998, Toyobo has formulated and revised regulations, created manuals, and provided education to employees as well as continually provided checks on behavior. Despite this, we had two unfortunate incidents in fiscal 2017: First, the Japan Fair Trade Commission conducted an inspection over suspicions that a major Toyobo Group company had violated the Antimonopoly Act when providing products to a customer; Second, it was determined that a former employee generated funds through the inappropriate processing of expenses and diverted those funds for private use.

In light of these two incidents, we have further strengthened the structure of our compliance awareness initiatives. Specifically, we reorganized our Compliance Committee, which was being overseen by a compliance officer, into a Compliance Committee directly supervised by management and a Compliance Promotion Committee for spreading awareness of compliance. We also split off the Compliance Group from the Law Department and made it into an independent entity called the Compliance Department.



Specific Initiatives

- **Clarify policies and standards**
Establish and boost awareness of corporate philosophy system, etc.
- **Establish information and reporting system**
Enhance responsiveness of consultation centers
- **Establish standards of conduct**
Revise manual
- **Provide education and training**
Enhance training content and improve reports
- **Create management and responsibility framework**
- **Respond to incidents**
Strengthen responsiveness and appropriately disclose information
- **Establish risk management system**
- ★ **Revitalize communication**
Revitalize and promote communication
- ★ **Ensure compliance with the Antitrust Law**
Re-examine and investigate violations, provide training, and boost awareness

Increased Awareness for Ensuring Legal Compliance

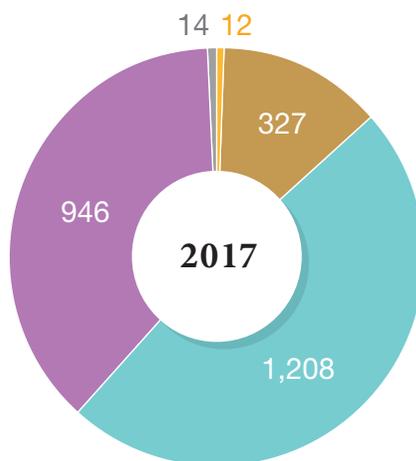
Every year, Toyobo designates November as the month to focus on compliance. During the month, to raise awareness of the rules employees read aloud the *Compliance Manual*, which combines the Toyobo Group's Charter of Corporate Behavior and the Toyobo Group Employee Guidelines for Action. November is also when we conduct a compliance questionnaire among all employees to identify any issues related to the status of compliance and activities to promote compliance. The manual, which includes international versions (English and Chinese), is put to use in different countries.

In addition, we send out alerts that remind employees of past breaches and issue a monthly compliance report introducing topics related to compliance. Through these and other means, we are working to boost awareness of the need for compliance.

Results of Compliance Questionnaire (extract) (Administered in November 2017, with 2,507 respondents)

Which answer most closely reflects your personal philosophy on compliance?

- ① As long as we obey the law, we can do anything we want.
- ② We must not violate the law or Company rules.
- ③ We must adhere to the law and Company rules, as well as not do anything unethical.
- ④ In addition to ③ above, we should strive to be model citizens for others.
- ⑤ None of the above.



Education

Toyobo provides level-specific education for new recruits and for recently promoted staff as well as training on individual topics such as the Antitrust Law and the Subcontract Law. In addition, members of the Compliance Department visit Toyobo and Group companies every year and hold explanatory meetings for management-level employees covering such themes as revisions to legal regulations and to provide opportunities for studying cases of violations of rules and regulations. These activities have the objective of building awareness of compliance throughout the organization and putting policies into place that simulate change in the thinking of individual employees.

Compliance Consultation Centers

Toyobo has established compliance consultation centers both inside and outside the Company as channels for internal reporting. This enables legal violations and other wrongdoing in the workplace to be addressed as Company issues, taking swift, appropriate action and preventing any reoccurrences.

Number of Consultation Cases

FY 2015	FY 2016	FY 2017	FY 2018
20	12	20	15

The Toyobo Group believes that ensuring compliance will not only protect the individual but also every other employee and stakeholders in general. Based on the new organizational structure, we aim to be a good corporate citizen that is trusted by society, and to this end, will work to enhance legal compliance among employees and to help them reevaluate their way of thinking.



Employees read aloud the *Compliance Manual* at an overseas Group company (TOYOBO Korea Co., Ltd.)

The Toyobo Group's Charter of Corporate Behavior

We here at the Toyobo Group contribute to the realization of a sustainable society through the provision of products and services that will create an affluent future. Also, in order to continue being a corporation that people trust, we will act with high ethical standards and social common sense based on the following ten principles.

1 Contribution to a sustainable society

We will contribute to sustainable economic growth and the resolution of social issues by developing and providing products and services that will create a safe and affluent future.

2 Fair business practices

We will maintain a sound relationship with society, including our customers and business partners, by engaging in fair and free competition and transactions, and responsible procurement.

3 Communication with stakeholders

We will carry out fair and appropriate information disclosure and enhance corporate value through communication with our stakeholders.

4 Respect for human rights

We will conduct business activities that respect the human rights of all persons.

5 Earn customers' trust and satisfaction

We will strive to ensure the quality and safety of our products and services and earn the trust and satisfaction of customers and consumers.

6 Active employee participation

We will respect employee diversity and support work practices that allow employees to demonstrate their individual skills. Also, we will provide workplaces that are conducive to productive work while taking health and safety into consideration.

7 Engagement in environmental issues

We will strive to improve energy conservation and reduce/recycle the resources used by our business, and move forward with the development of products and technologies that contribute to reducing the burden on the environment.

8 Social contribution

We will actively participate in society and contribute to its development.

9 Thorough crisis management

We will conduct thorough crisis management in the face of actions by antisocial forces, terrorism, cyber attacks, natural disasters and other crises that pose a threat to corporate activity.

10 Responsibilities of the management

The management, operating under the spirit of this Charter, shall strive to resolve issues while working together with the entire Group. The management should also encourage behavior based on the principles of this Charter within the Group's supply chain. In the event that the Group violates the spirit of this Charter and loses the trust of society, the management shall proactively take responsibility to respond to the situation, including resolving the problem, investigating the causes, and preventing the problem from recurring.

Investor Information

(As of March 31, 2018)

Value Creation

Strategies

Performance

Sustainability

36

Stock Listing

Tokyo

Stock Code

3101

Transfer Agent

Sumitomo Mitsui Trust Bank, Ltd.
1-4-1, Marunouchi, Chiyoda-ku,
Tokyo 100-8233, Japan

Independent Auditors

KPMG AZSA LLC
3-6-5, Kawara-machi, Chuo-ku,
Osaka 541-0048, Japan

Common Stock

Authorized: 200,000,000 shares
Issued: 89,048,792 shares

Paid-in Capital

¥51,730 million

Number of Shareholders

59,548

General Shareholders' Meeting:

Held in June every year

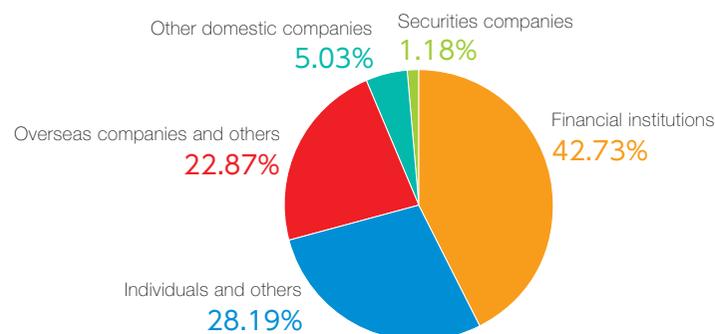
Number of Shares Constituting One Unit:

100

Major Shareholders

	Number of shares held (thousands)	Percentage of voting rights (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	6,991	7.88
Japan Trustee Services Bank, Ltd. (Trust Account)	5,698	6.42
National Mutual Insurance Federation of Agricultural Cooperatives	2,320	2.61
Nippon Life Insurance Company	1,750	1.97
Toyukai (Contractor Share Holding)	1,651	1.86
Japan Trustee Services Bank, Ltd. (Trust Account 9)	1,556	1.75
Japan Trustee Services Bank, Ltd. (Trust Account 5)	1,479	1.67
State Street London care of State Street Bank and Trust, Boston SSBTC A/C UK London Branch Clients – United Kingdom	1,465	1.65
Toyobo Employee Stockholders' Association	1,447	1.63
Meiji Yasuda Life Insurance Company	1,402	1.58

Composition of Shareholders



Stock Prices

Highest/lowest stock prices for the past five years

FY	2014	2015	2016	2017	2018
Highest (yen)	¥199	¥180	¥216	¥211	¥2,249 (218)
Lowest (yen)	¥142	¥145	¥140	¥155	¥1,900 (184)

1. Stock price quotations are from the Tokyo Stock Exchange (First Section).

2. The highest and lowest stock prices shown for fiscal 2018 are figures following the share consolidation. Figures in parentheses show pre-share consolidation amounts.

Corporate Data

(As of March 31, 2018)

Head Office

2-8, Dojima Hama 2-chome, Kita-ku,
Osaka 530-8230, Japan
Telephone: +81-6-6348-3111

Established

May 1882

Number of Employees

3,080 (Nonconsolidated)

9,494 (Consolidated)

Branches

Tokyo Branch

Sumitomo Corporation Kyobashi Building,
17-10, Kyobashi 1-chome, Chuo-ku,
Tokyo 104-8345, Japan
Telephone: +81-3-6887-8800

Nagoya Branch

Miyuki Building, 390 Ichibagi-cho, Nishi-ku,
Nagoya 452-0805, Japan
Telephone: +81-52-856-1631

Research Center

1-1, Katata 2-chome, Otsu, Shiga 520-0292, Japan
Telephone: 077-571-0001

Overseas

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Room 2301-A, Dawning Centre Tower B,
No. 500 Hongbaoshi Road, Shanghai, CHINA
Telephone: +86-21-6208-3030

TOYOBO U.S.A., INC.

666 Third Avenue, Suite 603, New York, NY 10017, U.S.A.
Telephone: +1-212-398-0550

TOYOBO (THAILAND) CO., LTD.

1Q House Lumpini Building, 28th Floor,
Room 2801/1, South Sathorn Road,
Thungmahamek, Sathorn, Bangkok 10120, THAILAND
Telephone: +66-2285-6318

TOYOBO Chemicals Europe GmbH

Berliner Allee 22, 40212 Dusseldorf, GERMANY
TEL:+49-211-976229-13

Toyobo's Business Locations around the Globe





Catalyzing the Unimagined

TOYOBO CO., LTD.

2-8, Dojima Hama 2-chome, Kita-ku,
Osaka 530-8230, Japan
Telephone: +81-6-6348-3111
URL: <http://www.toyobo-global.com/>

INVESTOR RELATIONS

URL: <http://www.toyobo-global.com/ir/>
Telephone: +81-6-6348-3044
E-mail: ir_g@toyobo.jp

Annual Report 2018
Full page PDF



Hikaru Cho



Ideas & Chemistry