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# Annual Securities Report

165th term

From April 1, 2022  
to March 31, 2023

Toyobo Co., Ltd.

E00525

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[Document title]	Annual Securities Report
[Stipulating clause]	Article 24, Paragraph 1 of the Financial Instruments and Exchange Act of Japan
[Place of filing]	Director-General of the Kanto Local Finance Bureau
[Filing date]	June 28, 2023
[Fiscal year]	165th term (from April 1, 2022 to March 31, 2023)
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## Part I Company Information

### I. Overview of the Company

#### 1. Key Financial Data

(1) Key financial data of the Toyobo Group

	161st term	162nd term	163rd term	164th term	165th term
Fiscal year-end	March 2019	March 2020	March 2021	March 2022	March 2023
Net sales (Millions of yen)	336,698	339,607	337,406	375,720	399,921
Ordinary profit (Millions of yen)	17,788	18,035	20,706	23,092	6,590
Profit (loss) attributable to owners of the parent (Millions of yen)	(603)	13,774	4,202	12,865	(655)
Comprehensive income (Millions of yen)	(467)	4,437	9,471	12,112	(1,232)
Net assets (Millions of yen)	181,226	182,636	188,635	197,149	221,422
Total assets (Millions of yen)	461,047	488,874	491,188	517,774	588,906
Net assets per share (Yen)	1,989.29	2,003.01	2,090.47	2,192.17	2,146.46
Net profit (loss) per share (Yen)	(6.80)	155.12	47.30	144.75	(7.37)
Diluted net profit per share (Yen)	—	—	—	—	—
Equity ratio (%)	38.3	36.4	37.8	37.6	32.2
Return on equity (%)	(0.3)	7.8	2.3	6.8	(0.3)
Price-earnings ratio (Times)	—	7.37	30.11	7.55	—
Net cash provided by (used in) operating activities (Millions of yen)	7,838	44,255	35,028	17,097	7,798
Net cash provided by (used in) investing activities (Millions of yen)	(24,286)	(39,216)	(31,678)	(24,608)	(36,011)
Net cash provided by (used in) financing activities (Millions of yen)	12,608	(1,805)	5,340	(1,729)	61,295
Cash and cash equivalents at end of period (Millions of yen)	22,167	25,084	34,526	26,433	60,204
Number of employees	9,572	10,073	10,149	10,503	10,885
[Average number of temporary employees not included in the above numbers] (People)	[1,337]	[1,399]	[1,107]	[1,326]	[1,575]

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

2. The price-earnings ratios for the 161st and 165th terms are not presented because the Group recorded a loss attributable to the owners of the parent.

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

## (2) Key financial data of the reporting company

	161st term	162nd term	163rd term	164th term	165th term
Fiscal year-end	March 2019	March 2020	March 2021	March 2022	March 2023
Net sales (Millions of yen)	199,322	199,086	197,251	241,749	253,604
Ordinary profit (Millions of yen)	11,888	12,728	14,249	16,021	1,940
Profit (loss) (Millions of yen)	(1,625)	10,489	(4,750)	6,174	(2,019)
Share capital (Millions of yen)	51,730	51,730	51,730	51,730	51,730
Total number of issued shares (Thousand shares)	89,048	89,048	89,048	89,048	89,048
Net assets (Millions of yen)	156,256	162,034	155,112	156,273	150,073
Total assets (Millions of yen)	400,684	421,625	421,593	447,112	489,838
Net assets per share (Yen)	1,760.29	1,824.48	1,745.86	1,757.92	1,699.08
Dividend per share (Yen)	40.00	40.00	40.00	40.00	40.00
[including interim dividend per share]	(—)	(—)	(—)	(—)	(—)
Net profit (loss) per share (Yen)	(18.31)	118.12	(53.47)	69.47	(22.72)
Diluted net profit per share (Yen)	—	—	—	—	—
Equity ratio (%)	39.0	38.4	36.8	35.0	30.6
Return on equity (%)	(1.0)	6.6	(3.0)	4.0	(1.3)
Price-earnings ratio (Times)	—	9.68	—	15.73	—
Payout ratio (%)	—	33.9	—	57.6	—
Number of employees (People)	3,108	3,181	3,365	3,831	4,015
[Average number of temporary employees not included in the above numbers]	[328]	[353]	[369]	[387]	[392]
Total shareholder return (%)	69.3	58.3	73.6	59.7	59.0
(Reference indicator: TOPIX Total Return Index) (%)	(95.0)	(85.9)	(122.1)	(124.6)	(131.8)
Highest share price (Yen)	2,164	1,666	1,687	1,505	1,134
Lowest share price (Yen)	1,386	954	1,033	1,046	979

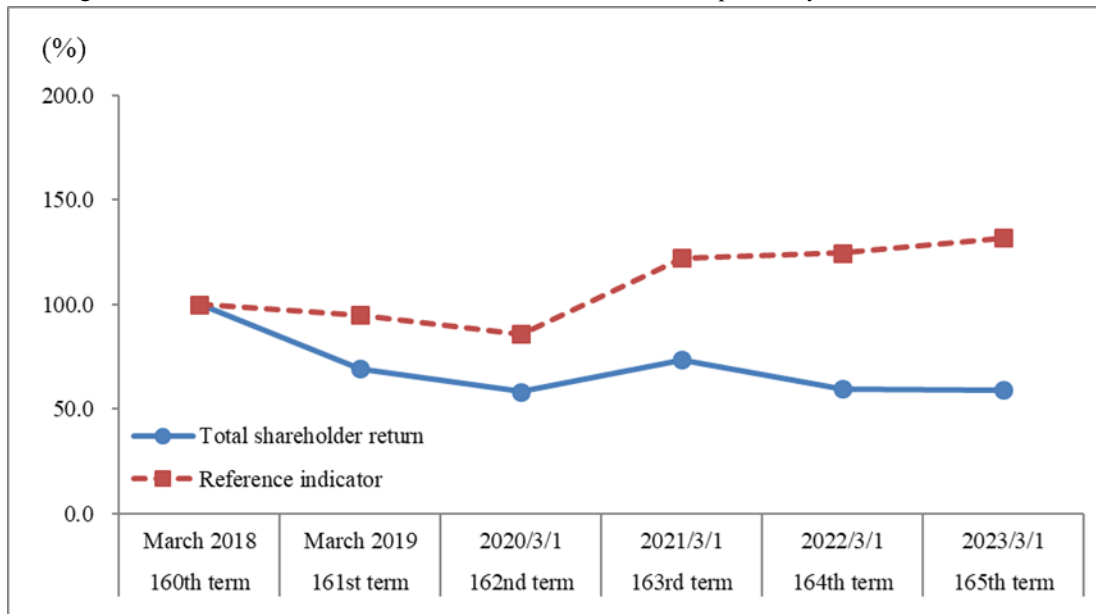
Notes: 1. Figures for diluted net profit per share are not presented, as there are no potentially dilutive shares.

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

3. The price-earnings ratios and payout ratios for the 161st, 163rd, and 165th terms are not presented because the Company recorded a loss for each one.

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

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



## 2. History

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

October 1977	Starts producing the <b>Printight</b> photosensitive water-wash nylon resin relief printing plate
November 1978	The Tsuruga Enzyme Plant (currently the Tsuruga Biochemicals Plant) is launched
May 1980	The Iwakuni Plant starts producing the <b>Hollosep</b> reverse-osmosis membranes for seawater desalination (currently the Iwakuni Membrane Plant)
November 1983	The Iwakuni Membrane Plant is launched
May 1984	The Iwakuni Membrane Plant starts full-fledged production of hollow fiber membranes for artificial kidneys
October 1985	Enters the pharmaceutical business
December 1955	Starts full-fledged production of engineering plastics
April 1989	Takes over the sales team for the <b>Exlan</b> acrylic fiber division from Diafibers Co., Ltd.
May 1990	The Otsu Pharmaceuticals Plant is launched
April 1991	Starts full-fledged production of <b>Dyneema</b> ultra-high-strength polyethylene fiber
April 1992	The Tsuruga Biochemicals Research Center is launched
November 1995	The Tsuruga Plant and the Tsuruga Nylon Plant are consolidated under the name of the Tsuruga Plant
October 1998	The Tsuruga Plant starts full-fledged production of <b>Zylon</b> high-performance fibers with excellent durability and heat resistance
April 2001	Merges with Nippon Magphane through an absorption-type merger to form the Tsuruga Films Plant
February 2002	Toyobo Wool Co., Ltd. (Toyobo Techno Wool Co., Ltd. from April 2003; merged by Miyukikeori Co., Ltd. through an absorption-type merger in April 2018) is established
April 2002	Introduces a production center system in the Tsuruga and Iwakuni areas, and reorganizes into the Tsuruga Research and Production Center (Tsuruga Fibers Plant, Tsuruga Film Plant, Tsuruga Functional Materials Plant, Tsuruga Polymer Plant, Tsuruga Biochemicals Plant and Tsuruga Biochemicals Research Center) and the Iwakuni Production Center (Iwakuni Fibers Plant, Iwakuni Polymers Plant and Iwakuni Functional Membranes Plant)
October 2003	Introduces the production center system in the Toyama area, and reorganizes three cotton processing plants (Nyuzen, Inami, Shogawa) into the Toyama Production Center
April 2006	Consolidates the Tsuruga Textile Plant into the Tsuruga Functional Materials Plant, and renames the Iwakuni Textile Plant as the Iwakuni Functional Materials Plant
April 2008	Spins off development/sales divisions of textiles and trading business of the Company as well as films and functional polymers business, industrial materials business, and textiles and trading business of Shinkoh Sangyo Ltd. to establish Toyobo Specialties Trading Co., Ltd. (renamed Toyobo STC Co., Ltd. in October 2013; currently a consolidated subsidiary) through a joint incorporation-type company split
March 2010	Merges with Toyo Kasei Kogyo Co., Ltd. to launch the Takasago Plant
October 2012	The Company name changes to Toyobo Co., Ltd.
April 2018	Xenomax - Japan Co., Ltd., which produces and sells <b>Xenomax</b> highly heat-resistant polyimide film, is established
October 2019	Acquires shares in Teijin Film Solutions Limited and PT. Indonesia Teijin Film Solutions and converts them into subsidiaries, with the companies renamed Toyobo Film Solutions Limited and PT. Indonesia Toyobo Film Solutions (currently a consolidated subsidiary), respectively
April 2021	The Company merges with Toyobo Film Solutions Limited through an absorption-type merger to launch the Utsunomiya Plant
April 2022	Toyobo STC Co., Ltd. spins off its textile business to launch Toyobo Textile Co., Ltd. The Company transitions from the First Section of the Tokyo Stock Exchange to the Prime Market of the Tokyo Stock Exchange due to market restructuring by the Exchange.
April 2023	The Company merges with Toyobo Information System Create Co., Ltd. through an absorption-type merger Toyobo MC Corporation succeeds to the Company's functional materials business through an absorption-type company split and starts operating as a joint venture with equity investment from Mitsubishi Corporation through a third-party allocation.

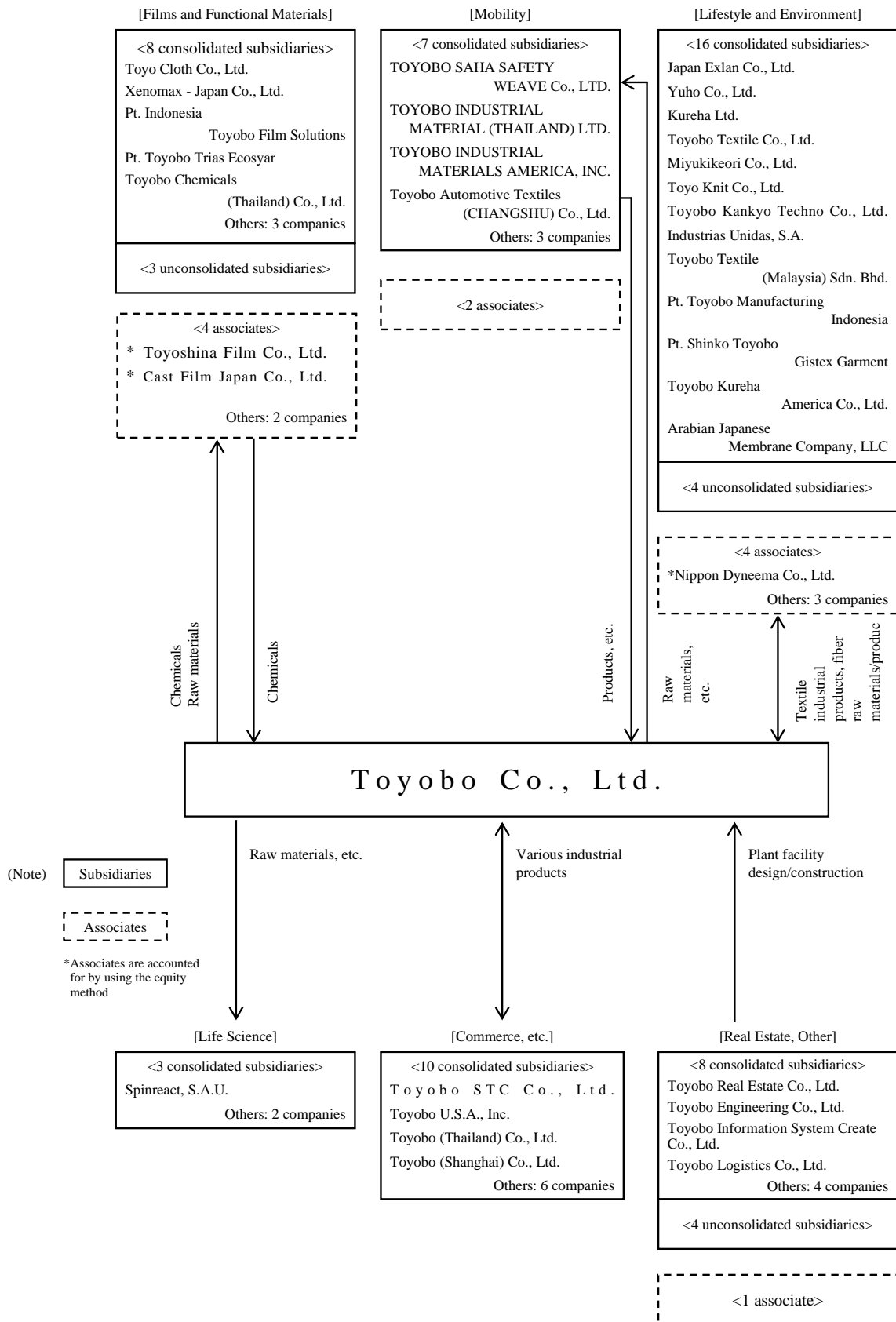


### 3. Description of Business

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

- Films and Functional Materials** : The Company manufactures, processes and sells packaging films, industrial films, industrial adhesives, photo functional materials, and other products.  
Eight consolidated subsidiaries, including Toyo Cloth Co., Ltd. and Xenomax - Japan Co., Ltd., and seven unconsolidated subsidiaries and associates, including Toyoshina Film Co., Ltd. (an associate accounted for using the equity method), manufacture, process, and sell chemical products as well as films, highly functional resins, and other chemicals. These companies purchase materials from the Company, and supply products to it.
- Mobility** : The Company manufactures, processes, and sells engineering plastics, airbag fabrics, etc.  
Seven consolidated subsidiaries, including Toyobo Industrial Material (Thailand) Ltd., and two associates manufacture and sell airbag fabrics, etc. These companies purchase materials, etc. from the Company, and supply products, etc. to it.
- Lifestyle and Environment** : The Company manufactures and sells water treatment membranes, functional filters, high-performance fibers, nonwoven fabrics, functional textiles, apparel products, apparel textiles, and apparel fibers.  
Nine consolidated subsidiaries in Japan, including Japan Exlan Co., Ltd. and Miyukikeori Co., Ltd., and five unconsolidated subsidiaries and associates in Japan, engage in textile processing such as spinning, weaving, plaiting, and dyeing, and manufacture and sell synthetic fibers, secondary fiber products, and other products. These companies also engage in contract manufacturing, processing, and sale of the Company's products.  
Six consolidated subsidiaries outside Japan, including Toyobo Textile (Malaysia) Sdn. Bhd., and three unconsolidated subsidiaries and associates outside Japan, manufacture and sell cotton yarns, textiles, and processed products. These companies supply them to the Company.  
Arabian Japanese Membrane Company, LLC (consolidated subsidiary) assembles and sells modules for seawater desalination, and purchases raw materials, etc. from the Company.  
Ten consolidated subsidiaries, including Toyobo STC Co., Ltd., distribute fibers and other various industrial products.
- Life Science** : The Company manufactures, processes, and sells enzymes for diagnostic reagents and other bio-products, pharmaceuticals, medical-use membranes, medical devices, and other products.  
Three consolidated subsidiaries, including Spinreact, S.A.U., manufacture and sell diagnostic reagents and equipment etc.
- Real Estate** : Two consolidated subsidiaries, including Toyobo Real Estate Co., Ltd., sell, lease, and manage real estate properties.
- Other Businesses** : Toyobo Engineering Co., Ltd. designs and constructs buildings and machinery as well as sells equipment. Toyobo Engineering also engages in contract design/construction of the Company's plant facilities.  
Toyobo Information System Create Co., Ltd. (information processing service), Toyobo Logistics Co., Ltd. (logistics service, etc.), and other four consolidated subsidiaries as well as five unconsolidated subsidiaries and associates, engage in businesses indicated in parentheses and other businesses. These companies also provide services to the Company.

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



#### 4. Subsidiaries and Other Affiliates

Name	Address	Share capital (Millions of yen)	Description of principal business	Ratio of voting rights held (%)		Relationship
				Direct ownership	Indirect ownership	
(Consolidated subsidiaries)						
Japan Exlan Co., Ltd.	Kita-ku, Osaka	3,000	Lifestyle and Environment, etc.	100.0	—	Supplies acrylic fiber products to the Company. Leases land from the Company. Concurrent directorship: Yes
Xenomax - Japan Co., Ltd.	Tsuruga, Fukui	1,700	Films and Functional Materials	66.6	—	Leases land from the Company. Concurrent directorship: Yes
Yuho Co., Ltd.	Kita-ku, Osaka	410	Lifestyle and Environment	100.0	—	Commissioned by the Company to process filters. Concurrent directorship: Yes
Kureha Ltd.	Ritto, Shiga	400	Lifestyle and Environment	100.0	—	Purchases raw materials for nonwoven fabrics from the Company. Leases land from the Company. Concurrent directorship: Yes
Toyobo STC Co., Ltd.	Kita-ku, Osaka	390	Films and Functional Materials, Mobility, Lifestyle and Environment	100.0	—	Purchases various products from the Company. Concurrent directorship: Yes
Toyobo Textile Co., Ltd.	Kita-ku, Osaka	300	Lifestyle and Environment	100.0	—	Purchases various products from the Company. Concurrent directorship: Yes
Toyobo Engineering Co., Ltd.	Kita-ku, Osaka	120	Other Businesses	100.0	—	Engages in contract design/construction of buildings and machinery for the Company, and supplies machinery parts to the Company. Concurrent directorship: Yes
Toyobo Real Estate Co., Ltd.	Chuo-ku, Osaka	100	Real Estate	100.0	—	Entrusted with property operation/management. Concurrent directorship: Yes
Miyukikeori Co., Ltd.	Nishi-ku, Nagoya	100	Lifestyle and Environment, etc.	100.0	—	Concurrent directorship: Yes
Toyo Cloth Co., Ltd.	Sennan, Osaka	100	Films and Functional Materials	100.0	—	Commissioned by the Company to process films. Leases buildings from the Company. Concurrent directorship: Yes
TOYOBO CHEMICALS(Thailand)Co., Ltd.	Chonburi Thailand	303,120 thousand THB	Films and Functional Materials	93.7	—	Concurrent directorship: Yes
TOYOBO (THAILAND) CO., LTD.	Bangkok Thailand	31,750 thousand THB	Films and Functional Materials, etc.	100.0	—	Concurrent directorship: Yes
TOYOBO DO BRASIL LTDA.	Sao Paulo Brazil	92,173 thousand R\$	Mobility, etc.	—	TOYOBO DO BRASIL PARTICIPACOES LTDA. 100.0	Concurrent directorship: Yes
TOYOBO DO BRASIL PARTICIPACOES LTDA.	Sao Paulo Brazil	24,661 thousand R\$	Real Estate	100.0	—	Concurrent directorship: Yes

Name	Address	Share capital (Millions of yen)	Description of principal business	Ratio of voting rights held (%)		Relationship
				Direct ownership	Indirect ownership	
INDUSTRIAS UNIDAS, S.A.	San Salvador El Salvador	6,653 thousand US\$	Lifestyle and Environment	92.6	—	Concurrent directorship: Yes
TOYOBO TEXTILE (MALAYSIA) SDN. BHD.	Perak Malaysia	41,000 thousand MYR	Lifestyle and Environment	100.0	—	Supplies fiber products to the Company. Concurrent directorship: Yes
PT.INDONESIA TOYOBO FILM SOLUTIONS *1	West Java Indonesia	77,400 thousand US\$	Films and Functional Materials	99.9	PT. Toyobo Indonesia 0.0	Concurrent directorship: Yes
PT.TOYOBO TRIAS ECOSYAR	East Java Indonesia	15,200 thousand US\$	Films and Functional Materials	60.0	—	Supplies film products to the Company. Concurrent directorship: Yes
PT.TOYOBO MANUFACTURING INDONESIA	West Java Indonesia	102,904 million IDR	Lifestyle and Environment	0.0	Toyobo Textile Co., Ltd. 99.9	Concurrent directorship: Yes
PT. SHINKO TOYOBO GARMENT	West Java Indonesia	5,000 thousand US\$	Lifestyle and Environment	—	Toyobo Textile Co., Ltd. 99.9 PT.TOYOBO MANUFACTURIN G INDONESIA 0.0	Concurrent directorship: Yes
TOYOBO INDUSTRIAL MATERIAL (THAILAND) LTD.	Bangkok Thailand	100,000 thousand THB	Mobility	100.0	—	Purchases raw yarns from the Company. Concurrent directorship: Yes
TOYOBO SAHA SAFETY WEAVE CO., LTD.	Samutprakarn Thailand	1,000,000 thousand THB	Mobility	75.0	—	Concurrent directorship: Yes
TOYOBO INDUSTRIAL MATERIALS AMERICA, INC.	Alabama U.S.A.	28,450 thousand US\$	Mobility	100.0	—	Purchases raw yarns from the Company. Concurrent directorship: Yes
Toyobo Automotive Textiles (CHANGSHU) Co., Ltd.	Jiangsu China	36,427 thousand RMB	Mobility	70.0	—	Purchases raw yarns from the Company. Concurrent directorship: Yes
Arabian Japanese Membrane Company, LLC	Rabigh Saudi Arabia	23,600 thousand SAR	Lifestyle and Environment	85.1	—	Purchases raw yarns and water treatment membranes from the Company. Concurrent directorship: Yes
Others: 27 companies						
(Associates accounted for using the equity method)						
Others: 5 companies						

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

2. \*1: Specified subsidiary

## 5. Employees

### (1) Information about the Group

As of March 31, 2023

Segment	Number of employees (People)	
Films and Functional Materials	2,580	[211]
Mobility	806	[31]
Lifestyle and Environment	4,843	[941]
Life Science	1,364	[82]
Real Estate	53	[10]
Other Businesses	663	[214]
Company-wide (shared)	576	[86]
Total	10,885	[1,575]

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

### (2) Information about the reporting company

As of March 31, 2023

Number of employees (People)	Average age	Average years of service	Average annual salary (Yen)
4,015 [392]	40.9	14.7	6,337,949

Segment	Number of employees (People)	
Films and Functional Materials	1,802	[71]
Mobility	287	[18]
Lifestyle and Environment	657	[146]
Life Science	691	[71]
Real Estate	2	[—]
Other Businesses	—	[—]
Company-wide (shared)	576	[86]
Total	4,015	[392]

Notes: 1. The number of employees means the number of full-time employees. The average number of temporary employees is separately presented in square brackets.

2. The average annual salary includes bonuses and extra wages.

### (3) Labor union

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

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

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

## (i) Reporting company

Current fiscal year				
Ratio of female workers in managerial positions (%) (Note) 1	Ratio of male workers taking childcare leave (%) (Note) 1	Difference in pay between male and female workers (%) (Note) 1, 2		
		All workers	Regular workers among all workers	Part-time and temporary workers among all workers
4.7	104.3 (Note) 3	62.1	64.1	45.2

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

- Regarding the differences in pay between male and female workers, there is no difference in pay between those male and female workers who engage in the same work. The differences are due to the difference in the composition of male and female workers by grade as well as to the fact that at manufacturing sites, fewer female workers engage in night-shift work or other types of work for which extra wages are paid.
- This ratio represents the average value for all workers. As for the breakdown of the ratio by employment category, the ratio for the workers on the managerial career track is 117.5% and that for the workers on the non-managerial career track is 83.3%. None of the employees in the other employment categories (center and plant employees, part-time employees, contract employees, and senior employees) were eligible for childcare leave in the current fiscal year. The reason that the values exceeded 100% is that the fiscal year when the worker took childcare leave is different from the fiscal year when the worker's spouse gave birth.
- The calculations for seconded workers were made in accordance with the Act of Women's Participation and Advancement, and the number of seconded workers includes the number of workers seconded to Toyobo STC Co., Ltd. and Toyobo Information System Create Co., Ltd.

## (ii) Consolidated subsidiaries

Current fiscal year					
Name	Ratio of female workers in managerial positions (%) (Note) 1	Ratio of male workers taking childcare leave (%) (Note) 1	Difference in pay between male and female workers (%) (Note) 1, 2		
			All workers	Regular workers among all workers	Part-time and temporary workers among all workers
Japan Exlan Co., Ltd.	7.6	66.7 (Note) 3	67.6	81.5	60.8
Yuho Co., Ltd.	4.5	—	—	—	—
Toyobo Engineering Co., Ltd.	1.5	—	—	—	—
Miyukikeori Co., Ltd.	5.0	—	—	—	—
Toyo Cloth Co., Ltd.	5.6	—	71.2	74.5	59.3
Cosmo Electronics Co., Ltd.	11.0	—	—	—	—

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

- Regarding the differences in pay between male and female workers, there is no difference in pay between those male and female workers who engage in the same work. The differences are due to the difference in the composition of male and female workers by grade as well as to the fact that at manufacturing sites, fewer female workers engage in night-shift work or other types of work for which extra wages are paid.
- This ratio represents the actual ratio of full-time employees. No one was eligible for childcare leave in the other employment categories (contract employees and part-time workers) in the current fiscal year.

## II. Overview of Business

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

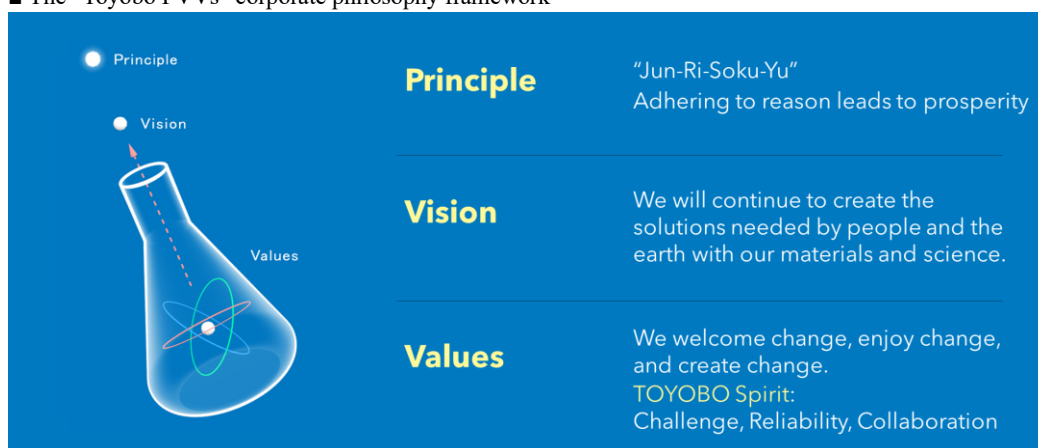
The forward-looking statements contained herein represent the Group’s judgment made as of the current fiscal year, and do not offer any guarantee of their achievement

#### (1) The Group’s corporate philosophy

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

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

#### ■ The “Toyobo PVVs” corporate philosophy framework



#### (2) Sustainable Vision 2030

Based on its “Toyobo PVVs” corporate philosophy framework, the Group formulated its long-term vision, “Sustainable Vision 2030,” in 2022. In the vision, we assumed certain changes in the business environment and social trends, and set five social issues focusing on People and the Planet. In addition, we set sustainability goals for each of the issues. Through sparking innovation drawn from our core technologies and achieving these goals, we will move toward realizing where we’d like to be: “Ushering in both a prosperous society where people can live with peace of mind and the enhancement of corporate value.”

#### ■ Sustainable Vision 2030

Jun-Ri-Soku-Yu, or adhering to reason leads to prosperity						
<b>Ideals we seek to realize</b>	<b>Innovation</b> To be a group that continually creates materials and science that become solutions for people and the planet					
<b>Social change and trends in 2030</b>	Standardization in handling safety, human rights and social justice issues	Increased and diversified needs concerning access to medical care/health promotion	Demographic change, humancentric innovation, accelerated urbanization	Decarbonization, resources circulation, limited natural resources		
<b>Social issues to be solved through commitment</b>	<b>People</b>			<b>Planet</b>		
	 Employee well-being and human rights in the supply chain	 A healthy lifestyle and health care	 Smart communities and comfortable spaces	 A decarbonized society and circular society	 Clean water areas, air and soil, and the preservation of biodiversity	
<b>Goals for the future</b>	People First: Employee safety, company pride and rewarding work Respect for human rights across the entire supply chain	Contributing to the field of epidemiology Contributing to improving quality of life	Contributing to the realization of a humancentric digital society Creating comfortable spaces	Contributing to carbon neutrality Establishing an ecosystem for circulating resources	Improving the environment through solutions Food loss reduction and sustainable food	
<b>Where we'd like to be by 2030</b>	<b>Prosperity</b> Ushering in both a prosperous society where people can live with peace of mind, and the enhancement of corporate value					

■ Sustainability goals for social issues

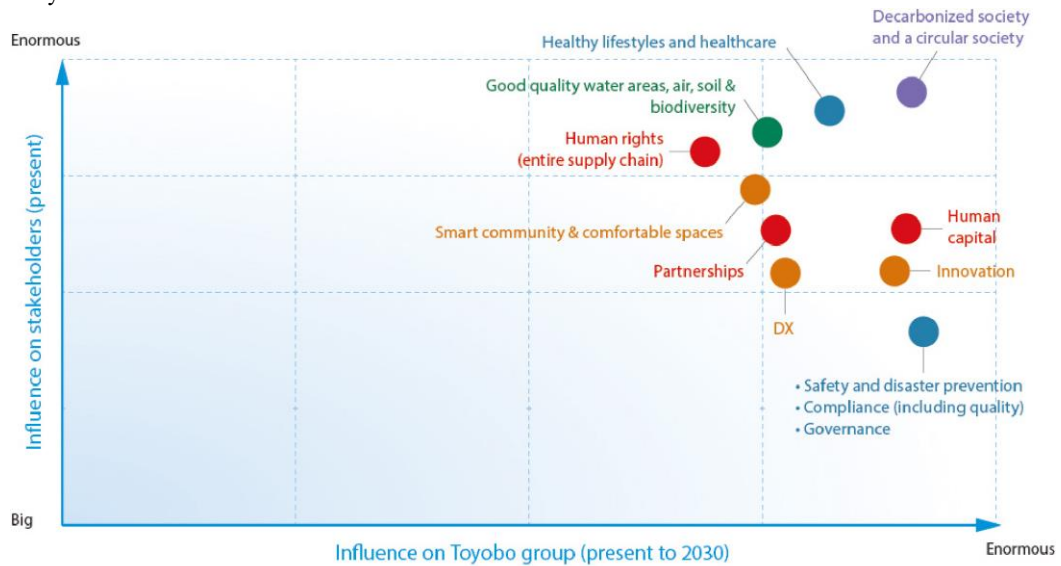
People: Helping to solve social issues in a humancentric way			
 <b>Employee well-being and human rights in the supply chain</b>	<b>ZERO</b> industrial accidents in workplaces	Employee engagement score: over <b>70%</b>	Respect for human rights across the entire supply chain
 <b>A healthy lifestyle and health care</b>	Number of tests conducted by the provision of infectious disease diagnostics: <b>10</b> million per year	Number of dialysis patients provided with dialysis membranes: <b>250,000</b>	Number of patients provided with regeneration inducers: <b>100,000</b> per year
 <b>Smart communities and comfortable spaces</b>	Sales of product groups supporting DX: <b>1.5</b> -fold increase over FY 3/22	Total sales of car cabin air filters: <b>1.2</b> million units	Creation of a comfortable space inside electric vehicles through sound and heat management
Planet: Helping to solve social issues in consideration of the entire Earth			
 <b>A decarbonized society and circular society</b>	Ratio of GHG emissions cut in Scope 1, 2: over <b>46%</b> compared with FY 3/14	Ratio of green films: <b>60%</b>	Osmotic power/wind power generation domains Entry into the market of electrode materials for large storage batteries
 <b>Clean water areas, air and soil, and the preservation of biodiversity</b>	Air volume treated by the volatile organic compound recovery unit: <b>7 billion</b> Nm <sup>3</sup> per year	Desalination of sea water by membrane: equivalent to the volume of tap water for <b>10 million people</b>	Sales volume of highly functional films that contribute to reducing food loss: <b>Fourfold</b> increase over FY 3/21

(3) Materiality

The Group has identified its material issues—the material issues that the Group must address to be a sustainable company—to meet the demands and expectations of our stakeholders and to realize our Vision of being a “group that will continue to create the solutions needed by people and the planet. From the two axes of the impact for stakeholders and for the group, the highest priority items are clearly identified.

The Group reviewed our materiality based on “Sustainable Vision 2030,” separating “quality” from “safety and disaster prevention, compliance (including quality) and governance” while adding “chemicals management,” recognizing anew that “quality” and “chemicals management” are fundamental material issues for the Group as a manufacturing company that handles chemicals.

■ Materiality



(4) 2025 Medium-Term Management Plan (FY 3/23 - FY 3/26)

(i) Business environment

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

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



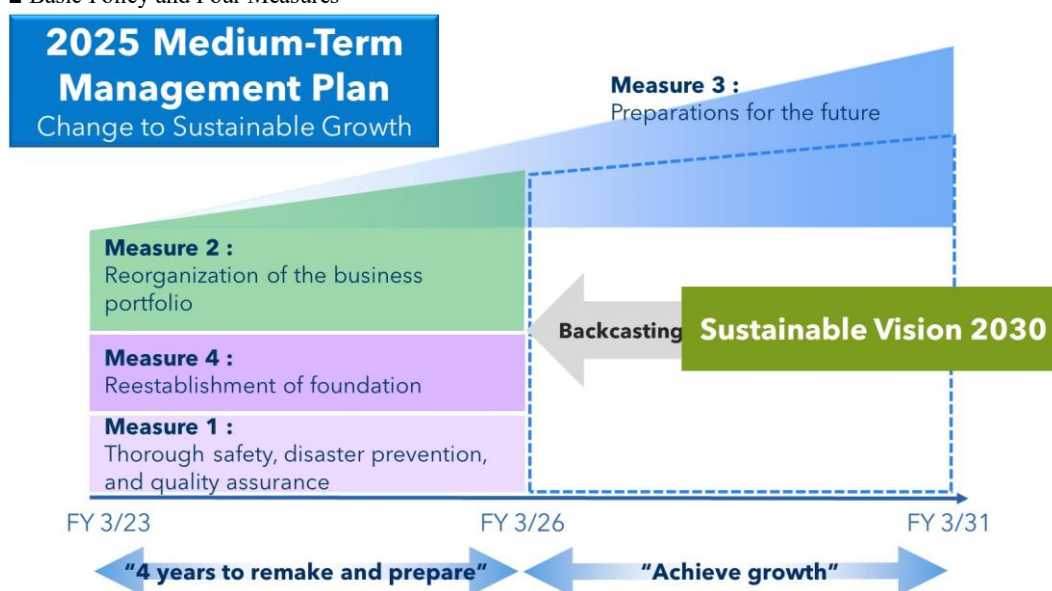
More recently, however, the world is faced with developments that pose more serious challenges to the sustainability of the Earth and society, such as geopolitical tensions triggered by Russia's invasion of Ukraine, the prolonged effect of the COVID-19 pandemic, and intensifying and more frequent natural disasters induced by climate change, and these developments are unfolding at a greater speed than initially anticipated.

Under this dramatically changing business environment, the Group will carry out the 2025 Medium-Term Management Plan, aiming to becoming a company that contributes to social sustainability and achieves sustainable growth.

(ii) Basic policy

The 2025 Medium-Term Management Plan (FY 3/23 - FY 3/26) serves as a milestone for achieving targets set in "Sustainable Vision 2030." Under the plan, we position the four years as "four years" to remake and prepare, set the "four measures" as a management policy, and strive to make changes for sustainable growth.

■ Basic Policy and Four Measures



(iii) Four measures

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

Regarding safety and disaster prevention, the Group will implement its "safety and disaster prevention master plan," which includes comprehensive on-site inspections and comprehensive disaster prevention checks, investment in safety and disaster prevention and renovation of aging equipment, and enhancement of safety and disaster prevention training, and aim to achieve "zero accidents," with the sustainability goal of achieving zero accidents at all sites. As for quality, the Group will step up its efforts to reform its organizational culture and create a culture that puts quality first, such as enhancing quality assurance training, implementing rigorous PL/QA assessment, and strengthening compliance education, with the aim of earning unwavering trust. In addition, in order to ensure that it can identify, avoid and reduce, and appropriately respond to safety and disaster prevention risks, quality risks, and other risks, the Group will strengthen its overall risk management structure by taking such measures as preparing a risk map, enhancing its monitoring systems, and improving the group companies' governance systems.

b) Measure 2: Reorganization of the business portfolio

Based on the two criteria of "profitability" and "growth potential," we classify our businesses into "businesses focusing on expansion," "businesses with stable earnings," "businesses requiring improvement," and "new businesses to be developed," and operate each business according to its classification. We use return on capital employed (ROCE), the ratio of operating profit to employed capital, as an indicator for "profitability," and compounded annual growth rate (CAGR) of net sales as an indicator for "growth potential." We have set a hurdle rate of 6.5% for profitability, based on cost of capital, and a hurdle rate of 4.5% for growth potential, referring to the CAGR of the industry's sales. We use return on invested capital (ROIC) as an indicator for the entire Group's capital efficiency, with the target for FY 3/26 set at 5.0%, while using ROCE for the management of each business.

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

As for the three businesses of airbag fabrics, contract manufacturing of pharmaceuticals, and textiles, which are classified as businesses requiring improvement, we are taking measures for normalization and striving to improve the entire Group's

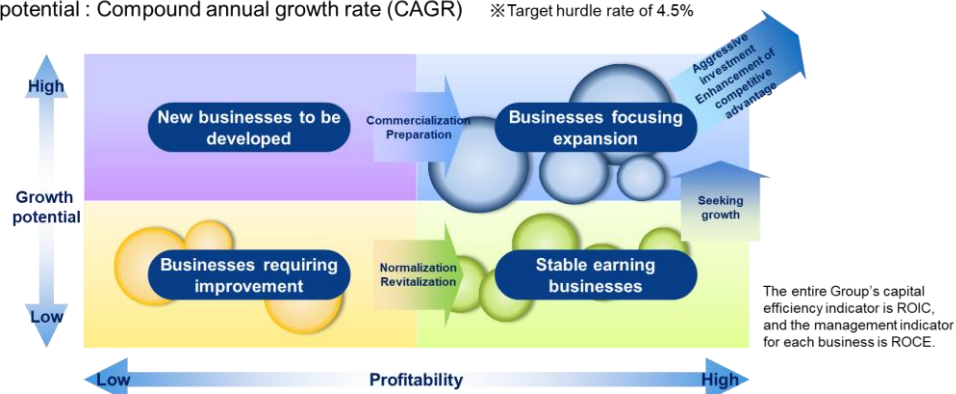
capital efficiency, aiming to ensure that they will return to profitability by the end of the period of the 2025 Medium-Term Management Plan.

■ Reorganization of the Business Portfolio: Concept of Business Stratification

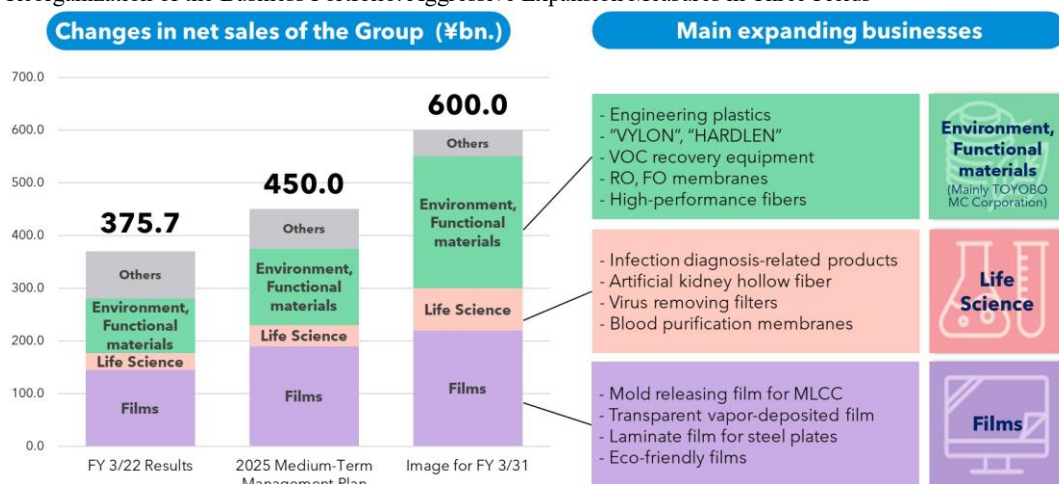
**Assess and stratify each business into 4 quadrants with 2 axes: “Profitability” and “Growth potential”**

- Profitability : Return on capital employed (ROCE) = Operating profit / Capital employed ※Target hurdle rate of 6.5%

- Growth potential : Compound annual growth rate (CAGR) ※Target hurdle rate of 4.5%



■ Reorganization of the Business Portfolio: Aggressive Expansion Measures in Three Fields

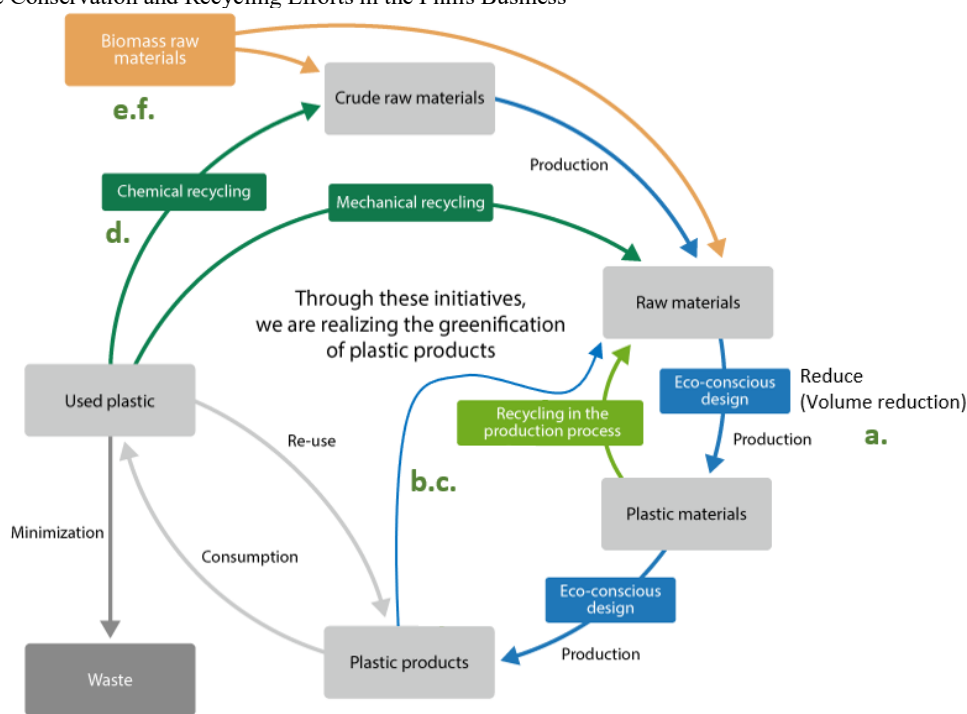


i) Films business

Ahead of our competitors, for more than a decade we have been working on the development of eco-friendly products with a higher recycled plastic content and reduced volume and thickness, and have successfully developed a polyester film with a recycled plastic content of 60% and a thickness of 18 μm as early as 2010.

We are currently stepping up our efforts to increase the range of products that contribute to resource conservation and a circular economy. The following chart illustrates one of these efforts.

■ Resource Conservation and Recycling Efforts in the Films Business



Description of items a. to f. shown in the chart

Item	Solution	
Volume reduction (thickness reduction)	a.	Highly durable OPP (biaxially oriented polypropylene) films
Mechanical recycling	b.	Collect and recycle used processed films
	c.	Replace release paper for labels with plastic film
Chemical recycling	d.	Recycle used plastics back to crude raw materials, polymerize the crude raw materials, and make films using the resulting polymers
Biomass	e.	Films made from at least 20% plant-derived content
	f.	PEF (polyethylene furanoate) films made from 100% biomass-derived raw materials

With climate change and the problem of waste plastics attracting attention as global issues, we will accelerate our shift to eco-friendly products through the above efforts and aim to achieve a “society living with plastics.” We have set the sustainability goal of achieving the ratio of green materials (biomass, recycling, volume reduction) of 60% by FY 3/31 and will aim to achieve 100% by FY 3/51.

Meanwhile, we will expand the sales of polarizer protective films for LCDs and mold releasing films for MLCC, positioning these as products contributing to digital society.

- a. The polarizer protective films for LCDs are used in LCD televisions. The super retarder polyester films leveraging our proprietary technology have a share of more than 50% in terms of area (our estimate), and we will work to further increase their share.
- b. The mold releasing films for MLCC are used in the process of manufacturing MLCC. One of the strengths of our products is their outstanding smoothness. As the market is growing, we will build and put into operation a new proprietary manufacturing facility for the films by FY 3/25, which makes high-end mold releasing films for MLCC in one integrated process that covers raw film formation to coating.

Our target for net sales of the film business in FY 3/26 is ¥190.0 billion, an increase of 36% from FY 3/22.

ii) Life science business

The origin of our biotechnology business dates back to 1948, when the Company began research on cultivating yeast to treat effluent from the production of pulp, a raw material of rayon. Currently, taking advantage of our technology for producing high-function proteins, we are currently providing a broad range of products, including enzymes for biochemical diagnostic reagents, enzymes for genetic testing reagents, laboratory reagents, diagnostic reagents, and diagnostic systems. We will expand the infectious disease solutions business to meet demand in the post-COVID world. Making the most of our film formation technology, in the medical materials business we will expand from the market of chronic blood purification membranes to the market of acute blood purification membranes. The following is the expansion plan for our major products.

## ■ Expansion of the Life Science Business

Product	Expansion plan	Sustainability goals
● Raw-material enzymes for biochemical diagnostic reagents	<ul style="list-style-type: none"> <li>The current overseas sales ratio is approximately 70%. Aim to expand the business in emerging economies</li> </ul>	
● Raw-material enzymes for genetic testing reagents	<ul style="list-style-type: none"> <li>Start operating new facilities to almost triple the current production capacity from 2024</li> <li>Expand the infectious-disease solutions business</li> </ul>	<ul style="list-style-type: none"> <li>Number of tests performed using infectious-disease diagnostic reagents provided by Toyobo: 10 million per year</li> </ul>
● Artificial kidney hollow-fiber membranes	<ul style="list-style-type: none"> <li>Construct integrated dialyzer production facilities that produce hollow-fiber membranes and manufacture dialyzers by processing the membranes (a joint project with Nipro Corporation) (scheduled to start operating in 2024)</li> </ul>	<ul style="list-style-type: none"> <li>Number of dialysis patients using dialysis membranes provided by Toyobo: 250,000</li> </ul>
● Nerve regeneration inducing conduit	<ul style="list-style-type: none"> <li>Launched in the U.S. market (in 2022)</li> </ul>	<ul style="list-style-type: none"> <li>Number of patients using nerve regeneration material provided by Toyobo: 100,000 per year</li> </ul>
● Bone regeneration-inducing material	<ul style="list-style-type: none"> <li>Launched for dental implant applications (in 2022) Launched for the treatment of alveolar clefts</li> </ul>	

Our target for net sales in the life science business in FY 3/26 is ¥40.0 billion, an increase of 21% from FY 3/22.

### iii) Environment, functional materials business

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

The following is the expansion plan for the major products of the environment, functional materials business.

## ■ Expansion of the Environment, Functional Materials Business

Product	Expansion plan	Sustainability goals
<ul style="list-style-type: none"> <li>RO membranes (reverse-osmosis membranes)</li> <li>FO membranes (forward-osmosis membranes)</li> <li>BC membranes (brine-concentration membranes)</li> </ul>	<ul style="list-style-type: none"> <li>RO membranes: Expand sales for seawater desalination</li> <li>FO membranes and BC membranes: Expand sales for effluent concentration and treatment, salt production, electricity generation, collection of valuables, and other applications</li> <li>Adsorption and collection of methylene chloride generated in the LIB (lithium-ion battery) separator manufacturing process</li> </ul>	<ul style="list-style-type: none"> <li>Seawater desalination using membranes: equivalent to tap water for 10 million people</li> </ul>
● VOC recovery equipment	<ul style="list-style-type: none"> <li>Respond to the electrification of vehicles. Secure the largest market share in the category of adsorption-type treatment equipment.</li> </ul>	<ul style="list-style-type: none"> <li>Volume of air treated using Toyobo's VOC emission treatment equipment: 7.0 billion m<sup>3</sup> per year</li> </ul>
● Polyester resin for low-pressure molding	<ul style="list-style-type: none"> <li>Expand sales for printed circuit board and electronic-part protection applications</li> </ul>	
● Adhesion promoter for polyolefin	<ul style="list-style-type: none"> <li>Expand into the 5G and 6G high-speed, large-volume data communication applications, taking advantage of the low dielectric constant</li> </ul>	
● Engineering plastics	<ul style="list-style-type: none"> <li>Expand sales in response to trends associated with the electrification of vehicles, such as weight reduction</li> </ul>	

Leveraging the respective strengths of the Company and Mitsubishi Corporation, we will focus on the environmental solutions area and the mobility and electronic materials area, proactively respond to mega-trends such as increasing demand for environmental solutions and the advance of EVs and CASE, and strengthen our ability to provide solutions by offering advanced materials to meet end-users' needs.

Our target for net sales in the environment, functional materials business in FY 3/26 is ¥145.0 billion, an increase of 40% from FY 3/22.

### iv) Businesses requiring improvement

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

a. In the airbag fabrics business, we plan to start commercial production at a new plant for producing raw yarns for airbag fabrics in Thailand in 2023.

b. In the contract manufacturing of pharmaceuticals business, we are taking action in response to the warning letter

from the U.S. Food and Drug Administration (FDA), striving to achieve early settlement.

c. In the textiles business, we established Toyobo Textile Co., Ltd. in April 2022 and are working on the consolidation and restructuring of group companies to improve earning power and asset efficiency. In addition, we will integrate three sites of the Toyama Production Center by the end of March 2024. The operations of the Inami Plant and the Nyuzen Plant will be discontinued, while the textile production at the Shogawa Plant will be downsized. The spinning operation will be transferred from the Inami Plant and the Nyuzen Plant to the Shogawa Plant for integration. Under the new production and development structure, we will maintain domestic textile production at the Shogawa Plant, including spinning, weaving, and processing, while also utilizing the manufacturing sites in Malaysia.

c) Measure 3: Preparations for the future

i) Research and development

Our businesses are supported by our four core technologies: “polymer technology,” including polymerization, modification, and processing, that has been accumulated from the development of synthetic fibers; “biomedical technology” that has developed from the research on the treatment of wastewater from pulp production with yeast cultivation; “environmental technology” that enables water and air purification, disposal, and recycling, based on polymer technology; and “comfort design” to create a human-centric living environment and mobility space. Making full use of these core technologies, we have brought to market high value-added products, including polarizer protective films for LCDs, mold releasing films for MLCC, ultra-high-strength fibers, VOC recovery equipment, seawater desalination membranes, enzymes for biochemical diagnosis, reagents for PCR testing, and artificial kidney hollow fiber membranes.

We are researching and developing new products and technologies to expand into new business areas and striving to implement them as soon as possible. Our major research and development themes are as follows:

■ Preparations for the Future: Examples

Product	Commercialization schedule (target)	Notes (features, etc.)
● Chemically recycled resins	· To be commercialized in 2030	· Recycle used plastics back to crude raw materials, polymerize the crude raw materials, and make films using the resulting polymers (R Plus Japan Co., Ltd.)
● PEF (polyethylene furanoate)	· To be commercialized in or after 2024	· Using 100% biomass-derived raw material · Higher gas barrier properties than polyester
● Organic thin-film solar cell materials	· To be launched on a trial basis in or after 2024	· The world's highest-level power conversion efficiency · Aimed at distributed power-generation system applications
● Ascites filtration membranes (for CART)	· Launched in 2020 and planned to be expanded	· Hollow-type separation membranes · Considering expansion into the areas of continuous renal replacement therapy (CRRT) and septicemia treatment equipment
● Biocompatible polymers	· Some products are on the market.	· Some products are on the market and are used in extracorporeal circuits and catheters. Expand into other applications
● Raw-material enzymes for nucleic acid medicine manufacturing		· Utilize Toyobo's expertise in enzymes

Research and development expenses represent important investments to create new products and services. Our target for the ratio of research and development expenses to net sales is 3.6% to 3.8%. As net sales increase, we are going to increase research and development expenses.

ii) Digital transformation

Driven by the progress of IT, digitalization of society is advancing at an accelerated pace. Given this trend, the Group is restructuring its IT system platform so that it will cover the Group's entire value chain, while also transforming its business style to one utilizing digital technology and endeavoring to create new solutions. Through these efforts, we aim not only to improve efficiency in our operations but also to enhance the value we provide for customers. Going forward, we will strengthen our IT system platform as well as establish and enhance our digital transformation promotion structure to advance the Group's digital transformation in accordance with our roadmap toward the milestone year of 2025.

iii) Carbon neutrality

The Group aims to become carbon neutral, with the goals of reducing its GHG emissions (Scope 1 and 2 emissions) by 46% from the level of FY 3/14 by FY 3/31 and achieving net zero emissions by FY 3/51. In addition, we aim to help reduce GHG emissions by providing membranes for seawater desalination and for osmotic power generation so that the avoided emissions will exceed that the emissions from the Group's entire value chain. In December 2022, the Group's GHG emissions reduction targets by FY 3/31 were acknowledged by the Science Based Targets (SBT)

initiative. We will steadily implement measures to reduce GHG emissions, such as energy transformation, energy saving, and introduction of renewable energy, in accordance with the roadmap we have formulated. Moreover, since April 2022, we have introduced an internal carbon pricing system. Using this system as one of our criteria for making decisions on capital investment, we are accelerating investments that contribute to GHG emissions reduction, such as investments in low-carbon and decarbonization facilities and investments for energy saving. We will work on these efforts comprehensively by utilizing the TCFD framework.

(d) Measure 4: Reestablishment of foundation

Regarding the reestablishment of foundation, we will undertake the following initiatives to reinforce the foundations needed for sustainable growth: “developing human resources, workstyle reform, diversity promotion,” “governance / compliance,” “workplace capabilities in manufacturing,” “change of the organizational culture,” and “development of the business base.”

For the “developing human resources, workstyle reform, diversity promotion” initiative, we aim to realize a workplace where each of our employees can individually work with pride and rewarding work, self-growth. To this end, we revamped our human resources system in July 2022. We are currently working to (i) revise the requirements for promotion, ending promotion based solely on seniority, (ii) start a human resource development and training program for next generation executives, (iii) establish professional positions to reward human resources with high-level expertise, and (iv) revise performance-based pay and base pay and enhance the senior employee system. Furthermore, as part of efforts to promote diversity, including empowerment of women, we will work to raise the ratio of women in managerial positions to 5.0% or higher in FY 3/26. Moreover, in order to further increase the ratio of women in managerial positions, when recruiting, we aim to raise the ratio of women in the recruits of new graduates for the global course to 40%.

For the “governance / compliance” initiative, we appointed one more Outside Director who has skills in general management in June 2022, so that 50% of the Directors are Outside Directors. By increasing the ratio of Outside Directors and receiving more opinions on the management of the Company from a third-party point of view, we are working to improve the effectiveness of the Board of Directors. The Company has established a Nomination and Compensation Advisory Committee (chaired by an Outside Director), a majority of whose members are Outside Directors, as an advisory body to the Board of Directors in order to ensure transparency and fairness as to the election and dismissal of Directors and other officers and the decision on their compensation. In addition, the Corporate Business Management Department works with responsible divisions and corporate divisions to support group companies in developing their risk management systems and reports on group companies’ risk management at Board of Directors meetings. Regarding compliance, we have enhanced training programs and study sessions to ensure compliance. In addition, as part of its supply chain management efforts, the Company has its CSR Procurement Guidelines that address matters such as compliance with laws and regulations, fair trade, environmental care, and respect for human rights (including prohibition of child labor, forced labor, and discrimination against LGBTQ and people of any attribute). In September 2022, the guidelines were revised in view of the global issues that have emerged in recent years. Throughout our supply chain, we will ensure social and environmental care, fair and sincere trade, and procurement and logistics that prioritize respect for human rights.

With respect to the “workplace capabilities in manufacturing” initiative, we will conduct and promote company-wide production innovation activities by developing and enhancing educational programs for engineers, utilizing digital technologies (e.g. smart factories), and facilitating exchanges between workplaces.

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

As for the “change of the organizational culture” initiative, we are continuing with cross-divisional efforts to translate small ideas into improvements and reforms through the efforts by KAERU Department to instill our corporate philosophy framework “Toyobo PVVs.” We are also working to improve psychological safety by promoting communication through such initiatives as “serious small talk.”

A company and its individual employees should work on an equal footing to align the achievement of organizational goals with personal growth. We are working to increase the level of employee work satisfaction in our engagement survey, with the sustainability goal of achieving an employee engagement score of 70% by FY 3/31.

(iv) Financial targets and management paying attention to cost of capital

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

have also added return on invested capital (ROIC) to the indices to promote management that emphasizes capital efficiency, striving to instill optimal allocation of management resources from the perspectives of both growth potential and efficiency.

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

As set out in the announcement of the 2025 Medium-Term Management Plan in May 2022, we plan to make capital investment of ¥240.0 billion in total over four years, including growth investment of ¥115.0 billion. We will actively invest in businesses that are expected to grow to increase earning power. While the total amount of growth investment is larger than that of operating cash flows, we consider the investment necessary to achieve growth in the future. Regarding the financial results in the first year of the 2025 Medium-Term Management Plan period, operating profit significantly decreased, about 65% lower than one year earlier. This was due primarily to external environmental factors, such as a major increase in raw material and fuel prices and a downturn in the MLCC market. While we expect our performance to recover in FY 3/24, we will watch changes in operating cash flows, monitor the Net Debt/EBITDA ratio, and make investments in order of priority going forward.

We manage businesses paying attention to cost of capital and set ROE and ROIC as key financial indices under the 2025 Medium-Term Management Plan. We take seriously the fact that our PBR is less than 1.0 time at present and consider that it is a key issue how to raise our ROE and ROIC. We will strive to improve our ROE by increasing asset efficiency and profitability and to increase our PBR by ensuring that concrete measures are taken to achieve growth in the businesses focusing expansion and delivering results that meet stakeholders' expectations about the Company's growth.

#### ■ Financial Targets

	FY 3/22 Results	FY 3/23 Results	FY 3/26 Targets	FY 3/31 Image
Net sales (¥bn.)	375.7	399.9	<b>450.0</b>	600.0
Operating profit (¥bn.)	28.4	10.1	<b>35.0</b>	50.0
(Ratio to sales) (%)	7.6	2.5	<b>7.8</b>	8.3
EBITDA (¥bn.)	48.5	29.1	<b>63.0</b>	90.0
Profit attributable to owners of parent (¥bn.)	12.9	- 0.7	<b>15.0</b>	23.0
ROE (%)	6.8	-	<b>≥ 7.0</b>	≥ 9.0
ROIC (%) *1	5.1	1.7	<b>≥ 5.0</b>	≥ 7.0
D/E ratio	0.98	1.21	<b>&lt; 1.20</b>	< 1.00
Net Debt / EBITDA ratio	3.4	5.8	<b>&lt; 5.0</b>	< 4.0

\* NOPAT / (Interest-bearing debt + Net assets)

#### (v) Policy on shareholder returns

The Company considers providing returns to shareholders to be one of its highest priorities, and therefore has a basic policy to continually provide a stable dividend. In a comprehensive consideration of such factors as sustainable profits levels, retention of earnings for future investment, and improving the financial position, we will take measures for shareholder returns, including the acquisition of treasury shares, with a target total return ratio of around 30%.

## 2. Approach and Efforts Toward Sustainability

The forward-looking statements made herein are based on certain assumptions that the Group consider reasonable as of the filing date of its Annual Securities Report and may significantly differ from actual results due to various factors.

### (1) Sustainability strategy

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

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

#### (i) Governance

The Group has established a Sustainability Committee, chaired by the President and Chief Operating Officer and joined by the members of the Board of Managing Executive Officers and Controlling Supervisors (division heads and officers supervising corporate divisions), to promote company-wide sustainability activities. The committee met four times a year in and before the current fiscal year and will meet six times a year from the next fiscal year onward, working to monitor the progress in the setting of key performance indicators (KPIs) for the items defined as the Group’s material issues and other sustainability activities. The committee also holds discussions about each of the material issues, considering changes in society and other factors. The content of the committee’s discussions is reported to the Board of Directors as appropriate.

#### (ii) Strategy

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

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

#### (iii) Risk management

The Group has established a Risk Management Committee, chaired by the President and Chief Operating Officer and joined by the members of the Board of Managing Executive Officers and Controlling Supervisors (division heads and officers supervising corporate divisions), to promote company-wide risk management activities. The committee met four times in the current fiscal year. The committee supervises risk management activities (identification, analysis, assessment, and response), determines divisions responsible for addressing risks that could have material impacts on the Group, and formulates measures to avoid and reduce those risks. Each of the responsible divisions plays a central role in dealing with those risks. The committee checks the state of their activities to strengthen the Group’s risk management system.

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

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

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

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



“occurring rarely”

(iv) Indicators and targets

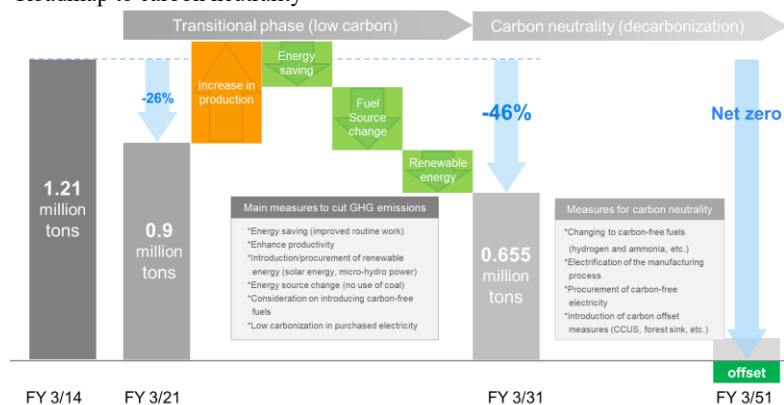
To ensure that the progress of the efforts to address the material issues is duly watched, the Company appoints responsible officers and sets KPIs (and targets) for each of the material issues. We will work out initiatives that will minimize negative impacts from business activities while maximizing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

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

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

In May 2022, the Group announced the Sustainable Vision 2030, which includes its roadmap to carbon neutrality. We aim to reduce GHG emissions from our business activities by more than 46% compared with the level of FY 3/14 by FY 3/31 (Scope 1 and 2 emissions) in line with the level of reduction called for under the Paris Agreement. We also aim to achieve net zero emissions by FY 3/51. Furthermore, we have set the goal of achieving avoided GHG emissions greater than the emissions from the Group’s entire value chain by FY 3/51.

<Roadmap to carbon neutrality>

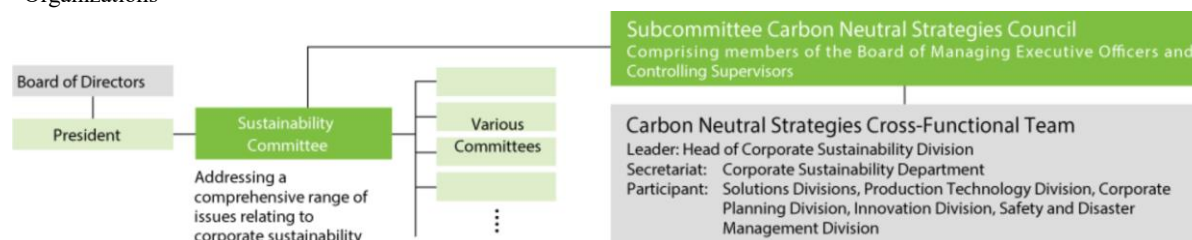


(i) Governance

The chief executive in charge of climate change-related issues is the President and Chief Operating Officer. The Group has established a Sustainability Committee, chaired by the President and Chief Operating Officer, which deliberates on high-level policies toward solving climate change-related issues and target setting. The Board of Directors hears reports from the committee, deliberates to approve high-level policies, targets and other material matters, and supervises the progress of sustainability activities. In May 2022, after resolution by the Board of Directors, the Group announced the Sustainable Vision 2030, which includes its roadmap to carbon neutrality.

In FY 3/22, the Company established the Carbon-Neutral Strategies Council and the Carbon-Neutral Strategies Cross-Functional Team (CN-CFT) to formulate and promote strategies to achieve carbon neutrality. We have also established working groups under the CN-CFT, whose members were selected from across sectors in the Company, to ensure that efforts to achieve carbon neutrality are duly implemented.

<Organizations>



We have revised the committee structure, establishing a “Climate Change and Biodiversity Committee,” which started in FY 3/24. We will implement company-wide measures to address climate change, considering international sustainability

standards. The CN-CFT, which operates under the Sustainability Committee, will advance various initiatives toward achieving carbon neutrality.

(ii) Risk management

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

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

(iii) Strategy

(a) Summary

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

(b) Scenario analysis

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

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

Assumed scenarios	Below 2°C scenario	4°C scenario
<b>The state of society</b>	Efforts to limit the increase in the global average temperature by the end of this century to 1.5°C are pursued, while bold policy measures and technological innovation are advanced to achieve sustainable development of society. It is a society in which social changes associated with the transition to a decarbonized society are highly likely to impact businesses. <Examples> <ul style="list-style-type: none"> <li>Introduction of carbon taxes and an increase in carbon prices</li> </ul> Shift to electric vehicles and expanded use of renewable energy	While the intended nationally determined contributions determined in accordance with the Paris Agreement and other national policy measures are implemented, the increase in the global average temperature by the end of this century ends up reaching up to 4°C. It is a society in which climate changes, such as increases in temperatures, are highly likely to impact businesses. <Examples> <ul style="list-style-type: none"> <li>Increased flood damage due to heavy rain</li> </ul>
<b>Scenarios referred to</b>	<ul style="list-style-type: none"> <li>「SDS」 (IEA WEO2021/ETP2020)</li> <li>「NZE」 (IEA Net Zero by 2050 A Roadmap for the Global Energy Sector)</li> <li>「RCP2.6」 (IPCC AR5)</li> <li>「SSP1-1.9」 (IPCC AR6)</li> </ul>	<ul style="list-style-type: none"> <li>「RCP8.5」 (IPCC AR5)</li> <li>「SSP5-8.5」 (IPCC AR6)</li> <li>「STEPS」 (IEA WEO2022/ETP2020)</li> </ul>
<b>Tendency of risks and opportunities</b>	Transition risks and opportunities are likely to materialize.	Physical risks and opportunities are likely to materialize.

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

Based on the below 2°C scenario and the 4°C scenario, we identified climate change-specific risks and opportunities for the Group. While we focused on the films business in the previous fiscal year, we expanded the scope to include all of the Group’s businesses in the current fiscal year. We compiled the identified risks and opportunities and rearranged them

in view of changes in society and then explored measures to address each of them (see the following table). After the assessment by the two axes of severity of impact and the likelihood of a risk occurring, we determined highly material risks and opportunities as described below.

The Group works on the reduction of GHG emissions across its entire supply chain, including procurement of raw materials, on the two fronts of risk reduction and opportunity development. Specifically, we will reduce our Scope 1 and 2 emissions in a well-planned way to lessen the burden of carbon prices in the future while also fully preparing for customers' demand for decarbonization. We will also work to switch our raw materials to recycled materials and biomass-derived materials in order to reduce the dependence on petroleum-derived resources and reduce future business risks and to gain and expand business opportunities.

In addition, we will address the problem of water scarcity, which poses an increasing risk to the whole world, by providing seawater desalination membranes that make it possible to produce fresh water with low energy consumption, and will work to gain and expand business opportunities through solving social issues.

Social changes and their impacts	Risk/opportunity item			The Group's response measures
	Category	Term	Description	
Impacts associated with the transition to a decarbonized society (Extensive changes in policies, laws and regulations, technology, and market, etc.)	Transition risks	Short term	Introduction of carbon prices	- Implementation of a GHG emissions reduction plan Energy saving, production efficiency improvement, fuel conversion, introduction of renewable energy, etc.) Utilization of an internal carbon pricing system
		Medium to long term	Increases in raw materials prices (Carbon prices passed on to raw-material prices, etc.)	Supplier engagement and cooperation (Development of low-carbon raw materials, manufacturing technology support, etc.) Diversification of the means of sourcing raw materials (Expansion of purchases from multiple suppliers and local procurement)
			Increases in costs due to implementation of energy saving measures, introduction of high-efficiency facilities, etc.	Pursuit of innovation and ultra-high efficiency in manufacturing processes Implementation of measures to achieve higher manufacturing efficiency across the entire value chain (Integration and strengthening of cooperation with associates, M&As, etc.)
			Increases in costs due to introduction of renewable energy	Selection of means of sourcing renewable energy
			Increases in costs due to demands for low-carbon/decarbonized processes for the manufacturing of products	Introduction and expanded purchases of renewable energy Implementation of measures to achieve higher efficiency and greater energy saving in manufacturing processes Fuel conversion for in-house power generation (shift away from coal) Study on the use of carbon-free fuels (hydrogen, ammonia, etc.) Study on the introduction of innovative technologies such as CCU/CCS
		Increased demand for reduction of the use of and replacement of petroleum-derived resources	Acceleration of the switch of raw materials to recycled materials and biomass-derived materials Reevaluation of the commodity materials business dependent on petroleum-derived resources	
	Transition opportunities	Medium term	Increased demand for low-carbon/decarbonized materials	Acceleration of the switch of raw materials to recycled materials and biomass-derived materials Response to issues with the sourcing of raw materials (recycled materials and biomass-derived materials) (supply shortages) Promotion of product development and planning for low-carbon/decarbonized materials Strengthening of the production / quality management systems for low-carbon/decarbonized materials
			Expansion of renewable energy and secondary battery-related markets	Strengthening of product development and planning for renewable energy / secondary battery-related businesses* Membranes for osmotic power generation, electrodes for stationary secondary batteries, specialty fibers and films for floating offshore wind turbines, VOC recovery equipment for lithium-ion secondary battery (LIB) manufacturing plants, separation membranes for LIB recycling plants, separation membranes for lithium purification, etc.

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

(d) Risks and opportunities considered highly material

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

We recognize that there are flood disaster risks at the Tsuruga Plant, the Iwakuni Plant, and the Inuyama Plant, which are our main plants. If climate change progresses, we project that the flood disaster risks will increase further due to sea level rise and changes in raining patterns. We calculated the estimate of decreases in assets (damage to buildings, equipment, etc.) due to flood disasters in 2030s using their book values, and the results show that the damage at these three plants can reach a maximum of about ¥50.0 billion. This is an estimate calculated by multiplying the book value of each asset by a relevant damage rate stipulated in the standards of the Ministry of Land, Infrastructure, Transport and Tourism of Japan\*.

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

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

<Material risk 2: Introduction of carbon prices>

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

The Group considers increases in its GHG emissions (Scope 1 and 2 emissions) as a climate-related material risk, and we announced the Sustainable Vision 2030, which includes our roadmap to carbon neutrality, in FY 3/23. In this roadmap, we aim to reduce our GHG emissions (Scope 1 and 2 emissions) in FY 3/31 to 655,000 tons-CO<sub>2</sub> or less by implementing measures to achieve greater energy saving—including improvement of production efficiency—and to optimize energy sources—including fuel conversion and introduction of renewable energy. In this case, the annual cost of the carbon price will be about ¥10.0 billion, a reduction of about ¥10.0 billion from the BAU scenario. The aggregate amount of investments to be made by 2025 in accordance with the roadmap to carbon neutrality will be included in the amount of environment, safety and disaster prevention investments (about ¥33.0 billion).

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

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

The films and functional materials business, which is the Group's major business, accounts for more than 40% of the Group's total net sales. As society changes and moves toward decarbonization going forward, it is expected that demands from society, including customers, to reduce the use of petroleum-derived resources and replace them with alternatives

will increase, which we recognize as a climate-related material risk. We also consider that demand for low-carbon/decarbonized materials and products will increase, presenting a business opportunity.

About 90% of the current net sales of the film business, or ¥120.0 billion, depends on petroleum-derived resources. In the Sustainable Vision 2030 announced in FY 3/23, we defined technologies and initiatives that contribute to reducing the use of petroleum-derived resources as green technologies and initiatives\* and set the target of achieving a ratio of green products of 60% by FY 3/31. Film products that contribute to reducing the use of petroleum-derived resources are also low-carbon/decarbonized products. We will work to increase the ratio of green film products to reduce risks and gain and expand business opportunities.

Of the target net sales of the film business in FY 3/31 of about ¥220.0 billion, about ¥130.0 billion will come from gaining and expanding these business opportunities.

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

<Material opportunity 2: Increased demand for seawater desalination>

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

The Group's **HOLLOSEP** reverse osmosis membrane for seawater desalination, which has the advantage of being resistant to dirt, delivers excellent performance in desalinating seawater in environments where which microbes easily proliferate, such as enclosed seas (Middle East, etc.). As **HOLLOSEP** has superior chlorine resistance, it is possible to chlorinate raw water and feed it directly into the **HOLLOSEP** module. This makes it possible to curb the proliferation of microbes in the module at relatively low cost, while also making maintenance easier and helping to increase the utilization rate of desalination facilities.

In the Sustainable Vision 2030 announced in FY 3/23, the Group set the target of desalinating seawater using membranes to make tap water for 10 million people in FY 3/31, and we will work to gain and expand business opportunities through solving social issues.

(iv) Indicators and targets

The Group has set climate change-related targets as shown in the following table and is taking measures for each of them. Our GHG emissions reduction targets for Scope 1, 2, and 3 emissions are in line with the levels called for under the Paris Agreement, and were acknowledged by the SBT initiative as science-based targets in December 2022.

In FY 3/23, while net sales increased by 6.4% from the previous fiscal year, our GHG emissions (Scope 1 and 2 emissions) were 890,000 tons-CO<sub>2</sub>, a 1.0% decrease from the emissions in FY 3/22, 900,000 tons-CO<sub>2</sub>.

Category	Indicator		Target	Major measures
GHG	GHG emissions	Scope1,2	FY 3/31: 27% reduction (SBT)* (equivalent to a 46% reduction from the level of FY 3/14) * Base year: 3/21	- (Energy saving, production efficiency improvement, fuel conversion, introduction of renewable energy, etc.)
			- FY 3/51: Net zero emissions	- Introduction of carbon-free fuels, purchases of renewable energy, manufacturing process innovation, etc.
	Scope3 (Categories 1 and 11)	FY 3/31: 12.5% reduction (SBT)* * Base year: 3/21	- Category 1: Acceleration of the switch of raw materials to recycled materials and biomass-derived materials - Category 11: Measures to achieve greater energy saving with VOC recovery equipment, etc.	
Climate-related opportunities	Ratio of green film products (also serving as an indicator for reducing transition risks)		FY 3/31: 60% or more	- Promotion of material recycling and chemical recycling, development and expanded use of biomass-derived raw materials, film volume reduction, etc.
	Seawater desalination using membranes		FY 3/31: Equivalent to tap water for 10 million people	- Expansion of sales of membranes for seawater desalination (RO membranes, FO membranes, etc.) - Development of RO membranes, FO membranes, etc. that enable greater energy saving and show higher durability - Strengthening of the production and quality management systems for RO membranes, FO membranes, etc.
Capital allocation	Capital investment amounts		FY 3/23-FY 3/26: ¥33.0 billion in aggregate (Aggregate amount of investments in environment, safety, and disaster prevention facilities)	Introduction of low-carbon facilities for in-house power generation, introduction of renewable energy facilities, etc.
Internal carbon pricing	—		- Internal carbon price set at ¥10,000/ton-CO <sub>2</sub> (reviewed annually as needed) - Proactive decisions on capital investments and investments in facilities for development purposes that cause changes in the volume of CO <sub>2</sub> emissions	
Compensation	—		Consider setting director and officer compensation according to the progress in GHG emissions reduction	

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

The Group aims to implement human resource and labor management measures in the spirit of "People First" to achieve its management policy and business strategy and accelerate efforts to create corporate value.

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

Specifically, we will create an employee empowerment cycle that helps employees to continuously 'change or update their skills and expertise in line with changes in our management policy or business strategy, while at the same time remaining firmly

committed to the Toyobo PVVs regarding what we will ‘not change,’ and putting it into action. We will also build the foundations of an environment where our employees can work with peace of mind. We believe that achieving these will lead to our employees’ happiness and the Group’s sustained growth.

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

(i) Strategy

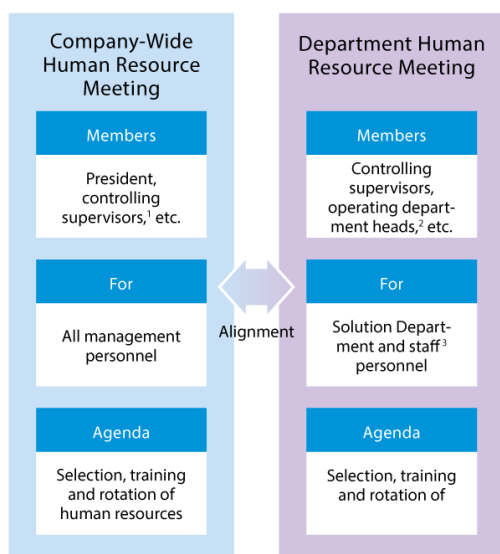
(a) Human resource development

The Group considers people to be our most important asset. We are supporting the growth of each and every one of our employees, who have diverse characteristics and opinions, and building an environment that helps them to be successful and realize their potential in and outside the company. We believe that these efforts will enable the entire Group to continue to exist and thrive.

We are carrying out human resource development using our training system that covers the whole range from new employee training to executive training and offers programs designed according to rank, job type, and purpose. Our commitment to valuing **people**, who are our most important management resource, and supporting their growth has been formed during the Company’s long history and is now shared throughout the Group.

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

As an initiative to train the next generation of executives, the Group plans to provide selected personnel with in-house and external training to develop management executives. The Group holds Human Resource Meetings to discuss measures to develop next generation executives. We have a Company-Wide Human Resource Meeting, which primarily deliberates on successors of management executives, and a Departmental Human Resource Meeting, which mainly discusses successors of personnel in highly professional positions. By aligning these two meetings, we will identify competent personnel and train them more effectively. At the same time, we will advance Diversity & Inclusion and step up efforts to recruit people with work experience and foreign nationals to bring more expertise and experience from the outside, in addition to promoting the empowerment of women.



1 Oversees each division and Management and Administration Division  
 2 Oversees specific fields across multiple business divisions  
 3 “Corporate divisions” including corporate planning, management and administration, and human resources

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

(b) Diversity & Inclusion

The Group is aware that being with people who are different in terms of workstyles, career experience, gender, nationality, race, or beliefs, valuing each other, and working with them toward goals, leads to personal growth and the organization’s growth.

We consider it important to mutually recognize the value of different views and existence of diverse human resources and strive together to achieve ambitious goals.

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

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



2-star Eruboshi certification



In addition to women's empowerment activities, the Company ensures that employees are assessed and treated according to their ability, without biases based on gender, nationality or other irrelevant attributes and also works to create a corporate culture in which diverse people each can feel their work is rewarding and be successful.

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

Regarding efforts to increase the ratio of employees with disabilities, we are working to identify issues in our work environment to create a better workplace. As part of efforts to improve our work environment, we have renovated the offices of the Tsuruga Research and Production Center and the Inuyama Plant to make them conform to universal design. We are doing similar renovation work for the buildings of other centers and plants one after another, stepping up adoption of universal design.

#### (c) Building the foundations for a better workplace environment

The Group will aim to achieve a workplace environment in which our employees can have pride, feel a sense of reward, respect one another, and work in psychological safety. We are engaging in workstyle reform to ensure that our employees can work efficiently with a new mindset and make their professional life and personal life more fulfilling, while also providing programs supporting their childcare and nursing care and implementing flexible working hours and remote work policies. In the Toyobo Group Charter of Corporate Behavior, we have declared "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."

A company and its individual employees should work on an equal footing to align the achievement of organizational goals with personal growth. To this end, we started an organizational culture and sense of reward survey for all officers and employees in FY 3/22. Using this survey, we will grasp the state of employee engagement regularly and develop an environment in which employees can work on their own initiative with pride and a sense of satisfaction.

The Company has introduced a shorter working hours policy for childcare and a nursing care leave policy, both of which offer greater benefits than legally required, in addition to a five-day childcare leave policy. To ensure that more male employees take childcare leave, we remind each male employee who has a new baby of the childcare leave policy and have his superior encourage him to take the leave. We will continue the promotion so that it will be a matter of course that a male employee takes childcare leave.

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

- Initiatives to raise employees' health awareness (enlightenment and education)
- Initiatives to improve employees' lifestyles (including exercise, diet, helping them quit smoking, etc.)



- Initiatives to strengthen mental health improvement measures (improvement measures for highly-stressed employees and workplaces, etc.)

In FY 3/23, we stepped up employee enlightenment efforts, such as seminars about smoking to lecture on passive smoking and nicotine addiction, promotion of an online quit-smoking program, and seminars to promote understanding of women's health issues.

We carry out physical checkups that include more items than legally required, covering lifestyle-related diseases and cancers as well. In cooperation with the health insurance association, we offer a cancer checkup to those of employees and their dependents who want to take it, in order to detect and treat any disease in employees and their family members as early as possible. If needed, we advise them to take a checkup and get treatment at clinics or introduce a specialized medical institution. Thus we are working to ensure an effective health consultation system and environment to help employees maintain and enhance their health.

In order to curb long working hours, if the monthly total working hours have overrun a certain standard for three consecutive months, the Company deliberates on preventive measures at the Management Meeting. We have also set a certain guideline for each center and plant based on agreement between labor and management to keep movements that could lead to long working hours in check and reduce excessively long working hours. In addition, we set a **No Overtime Day** at each center and plant based on cooperation between labor and management, encouraging employees to leave the office at closing time and go home to use their time for their families and themselves.

Furthermore, we provide managers with a mental health training program once a year for enlightenment and education. We are taking measures for highly stressed employees based on the results of a stress checkup, in addition to the feedback of the results of the FY 3/23 group analysis to managers of each workplace.

As the Company's globalization efforts accelerate, the number of employees working overseas has increased year after year. We provide those employees with various support measures to help them work in good health, such as a mandatory thorough physical checkup and vaccinations before leaving Japan, assistance to receive local healthcare services, and provision of information about the region where they live.

Toyobo Co., Ltd. has been recognized as one of the 2023 White 500 enterprises (in the large enterprise category) under the Certified Health & Productivity Management Outstanding Organizations Recognition Program co-sponsored by the Ministry of Economy, Trade and Industry of Japan and the Nippon Kenko Kaigi. Going forward, we will work to continue receiving the White 500 recognition and will also strive to maintain and enhance employees' health and to further strengthen and advance health and productivity management, thereby aiming to achieve the further improvement of our corporate value.



\* In this section, the descriptions provided without reference to 'the Group' are those about Toyobo Co., Ltd., Toyobo STC Co., Ltd., and Toyobo Information System Create Co., Ltd. unless otherwise specified.

## (ii) Indicators and targets

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

Strategy item	Indicator (key performance indicator (KPI))	Target	FY 3/22 Results	FY 3/23 Results
(a) Human resource development	Number of overseas core personnel who participated in training programs in Japan (Note 2)	15 people per year (Note 1)	Cancelled due to the COVID-19 pandemic	Cancelled due to the COVID-19 pandemic
	Training investment (training time) per employee	¥50,000 per year (21 hours) (Note 1)	¥50,000 per year (17.67 hours)	¥50,000 per year (17.97 hours)
(b) Diversity & Inclusion	Ratio of women in managerial positions	5.0% or higher (Note 1)	3.7%	4.7%
(c) Building the foundations for a better workplace environment	Ratio of employees taking annual paid leave	75% or higher (Note 1)	72.3%	80.2%
	Reduction of the number of employees who worked in excess of statutory working hours (the number of employees who worked for more than 360 hours of overtime/the number of employees subject to the regulations)	2.0% or less (a 20% reduction from the level of FY 3/20) (Note 1)	3.8%	4.2%
	Ratio of men taking childcare leave (%)	Ratio: 80% or more; and average days of leave taken: 14 days or more (a 20% increase from the level of FY 3/21) (Note 1)	Ratio: 64.4% Average number of days of leave taken: 9 days	Ratio: 104.3% Average number of days of leave taken: 14.8 days
	White 500 Health and Productivity Management recognition	Obtain and maintain the recognition (Note 1)	Recognized as a 2022 White 500 Health & Productivity Management Outstanding enterprise	Recognized as a 2023 White 500 Health & Productivity Management Outstanding enterprise
	Ratio of positive responses to questions about the degree of positivity regarding workstyles (i) "There is no difficulty in doing daily work." (ii) "Each individual's diverse views and way of thinking are respected."	Increase in the ratio of positive responses	(i) 33% (ii) 42%	(i) 38% (ii) 50%

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

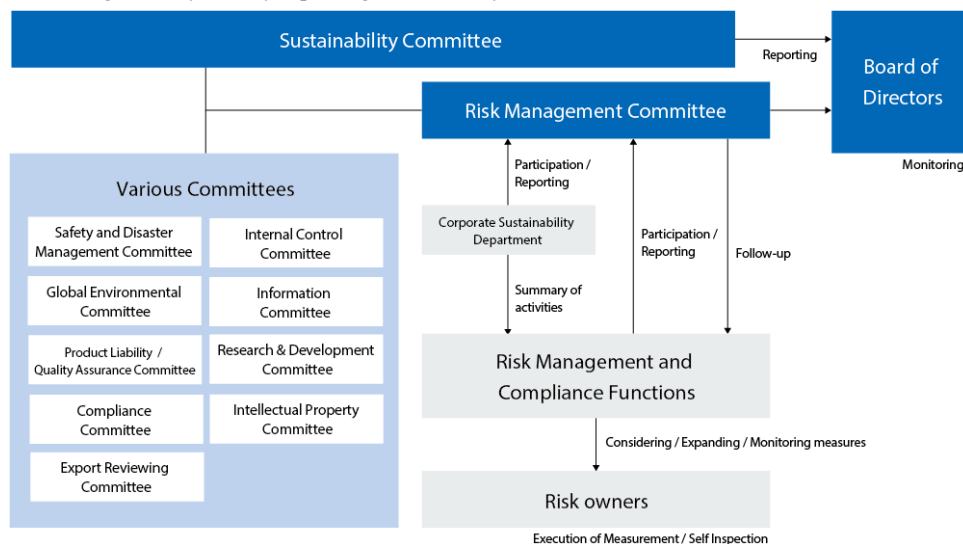
2. Except for the item marked Note 2, the targets and results are those of Toyobo Co., Ltd., Toyobo STC Co., Ltd., and Toyobo Information System Create Co., Ltd.

### 3. Risk Factors

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

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

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



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

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

#### <Incurred or highly probable risks>

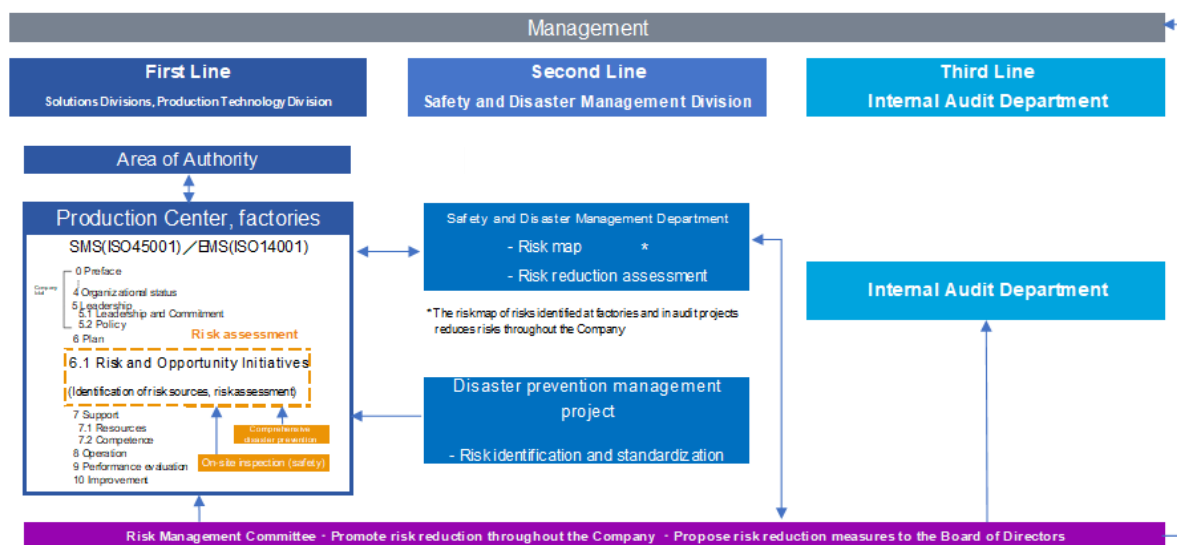
##### (1) Occurrence of disasters, accidents, and infectious diseases

The Group conducts production and other corporate activities at various locations in Japan and overseas, and strives to prevent accidents to the extent possible by replacing aging facilities and enhancing equipment management at each plant and each business site, continuing measures to prevent the spread of the COVID-19, promoting training and education for operators (assuming that accidents may happen), and other means. However, in the case where a natural disaster such as a large earthquake, windstorm and flooding, and snow, an accident such as fire, a pandemic of COVID-19 or a new infectious disease, or an accident at a nuclear power plant etc. occurs, or the case where any similar disaster happens to a business partner, it could seriously affect the Group’s businesses and others.

Following the fire accident that occurred at our Inuyama Plant in September 2020, the Group announced its safety declaration, namely, “We will thoroughly implement 'putting safety first,' and we will emphasize labor safety, environmental safety, product safety, and equipment safety” in April 2022. In order to ensure that safety, security, and disaster prevention measures are duly carried out, we have established the Safety and Disaster Management Division, an organization under the direct control of the President, that plays a central role to make continuous safety, security, and disaster prevention efforts by repeating the PDCA

cycle. In addition, as a disaster prevention and management project from the perspective of a third party, we implemented an initiative to visualize risks of fires and explosions at 29 manufacturing sites, including seven Toyobo Co., Ltd. sites and 22 sites of group companies in Japan, and took action to reduce those risks. We will execute this initiative regularly to strengthen our risk management. Further, we strive to reduce risks related to safety and disaster prevention by establishing a structure based on the concept of **three lines of defense**, in which the Sales and Marketing Division, the Management and Administration Division, and the Audit Division perform risk reduction activities in line with their respective responsibilities. The Sales and Marketing Division conducts comprehensive disaster prevention checks and on-site inspections based on SMS and EMS, while the Management and Administration Division identifies risks at plants and in management projects, and these divisions reflect them on the risk map. Together with the Safety and Disaster Management Division, the Risk Management Committee promotes company-wide risk reduction efforts based on the risk map, while proposing various risk reduction measures to the Board of Directors, etc.

### Three-lines-of-defense structure



The Group is also constructing facilities for manufacturing PCR testing reagents used for genetic testing and raw materials for genetic diagnostic reagents such as enzymes and antibodies, which are scheduled to come into operation in November 2024. With these facilities, we will increase our manufacturing capacity for PCR testing reagents and genetic testing reagent raw materials that are expected to see growing demand as they will be used to respond to COVID-19 and other infectious diseases. We will also work to further enhance our development and manufacturing capabilities for testing reagents for infectious diseases that could spread in the future as well as for their raw materials.

## (2) Worsening political and economic situations

The Group produces and sells in Japan and overseas a wide range of products in the fields of films and functional materials, mobility, lifestyle and environment, and life science. While there remains uncertainty over the outlook for monetary policies in each country implemented against inflationary pressure and the situation in Russia and Ukraine, there might occur serious political turmoil or an economic recession in the countries in which the Group and its suppliers have production bases or in major markets where we operate. In such an event, there is a possibility that our production and sales could be reduced. Furthermore, if the impact of any of these events is expected to continue for a long period, the Group's businesses could be seriously affected through recording of impairment losses on non-current assets and reversal of deferred tax assets. The Group only has immaterial amounts of transactions with Russia and Ukraine for the current fiscal year, and the direct impact is negligible.

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

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

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

In relation to this case, the Company was subject to a special review by Lloyd’s Register Quality Assurance Ltd., which is a certification/registration agent for the International Organization for Standardization (ISO). As a result, among ISO 9001 certifications acquired by the Company, the scope of certification associated with the department in charge of the nonconforming products was removed from the certification list as of January 28, 2021. We are currently working to re-acquire the ISO 9001 certification.

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

(4) Litigation, etc.

No major lawsuit that could have a material effect was filed against the Group in the current fiscal year. Meanwhile, the Group has been notified that some of its products may infringe a third party’s patent rights. The Group is negotiating a license arrangement, including cross-licensing its patent rights.

Additionally, the Group conducts production and other corporate activities in various domestic and overseas locations. In this process, there is a possibility that lawsuits may be brought against us in connection with product liability, the environment, labor, intellectual property, or other areas. If a major lawsuit is filed against the Group, our operating results and financial status could be seriously affected.

<Medium- to long-term risk>

(5) Purchase of raw materials

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

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

## (6) Product defects

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

The Group has established a Product Liability Prevention / Quality Assurance Committee that oversees product liability (PL) and quality assurance (QA). The committee comprises the executive officer supervising quality management as well as General Manager and staff of Quality Assurance Management Department in charge of each business division, and meets once a month. In addition, a PL/QA Promotion Committee, which consists of General Managers and people in equivalent positions of each business division, meets six times a year and met six times in FY 3/23.

For each department and group company, PL / QA assessments are carried out by the Quality Assurance Division and people in charge of quality assurance from other departments, who are independent of business promotion, to verify objectively and provide an opportunity to improve Product Safety (PS) activities. Moreover, we have established criteria for assessing PS and PL risk, and based on these criteria, we carry out inspections at each stage, from product development to sales. By addressing risk in advance, we work to mitigate risks pertaining to customers and other stakeholders.

## (7) Securing of human resources

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

The Group is putting its effort into nurturing the next generation of managers, who will help to realize its growth strategy. At the same time, the Group is actively engaged in initiatives to train mid-career hires and promote the participation of women in the workforce, with a focus on encouraging diversity.

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

## (8) Climate change

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

## (9) Environmental burden

In recent years, laws, ordinances, and regulations regarding water pollution, air pollution, soil pollution, and chemicals management have been tightened, and in Japan, the Act on the Promotion of Resource Circulation for Plastics was enacted in April 2022.

Plastics are materials essential to modern society, but they cause the problem of plastic waste while also giving rise to concern in terms of depletion of natural resources. The Group, which has been broadly developing businesses with polymers as their core materials, considers that the plastic waste issues are key challenges. In the future, tighter regulations on plastics could have material impacts on the Group's businesses, etc., such as an increase in the cost of responding to regulations and a decrease in the Group's sales due to a decline in demand for plastic products.

The Group has proactively developed products and technologies that mitigate environmental burdens, aiming to achieve a circular economy in which resources are used sustainably. Regarding plastic products, in order to make the materials we provide sustainable, we are striving to increase the use of biomass-derived (plant-derived) raw materials and recycled materials, while also working on the commercialization of biomass plastics that retain high functionality.

The Group is working closely with a variety of companies and organizations, and is active in a number of initiatives aimed at helping to build a plastics value chain that is appropriate to the era of the circular economy. In December 2021, the Suntory Group and Anellotech, Inc. announced PET bottle samples using 100% plant-derived raw materials that they jointly developed, and our polymerization technology, one of our core technologies, made a significant contribution to the development. We also engage with R Plus Japan, Ltd. and are stepping up efforts to develop chemical recycling technology that recycles used plastics back to crude raw materials and produce high-quality recycled plastics using the crude raw materials. In addition, we have also participated in the Japan BioPlastics Association, as well as the Japan Clean Ocean Material Alliance (CLOMA), an organization established in 2019 in Japan to reduce marine plastic waste.

## (10) Information security

The Group manages a lot of important information such as customer information and confidential information related to conducting business. The Group has put in place various security measures for these information assets. However, in the event of communication failure due to natural disasters, etc., unauthorized access to systems, and being targeted in a cyberattack, employee errors, among others, the Group's businesses, etc. could be seriously affected through suspension of its business activities resulting from system failure, leakage of customer information and confidential information, and damage from fraud, etc.

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

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

## (11) Laws, regulations and compliance

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

The Group has stated its corporate philosophy of "Jun-Ri-Soku-Yu (順理則裕)" (Adhering to reason leads to prosperity), as the core of its compliance activities, and is promoting the use of compliance manuals. Meanwhile, in the event of a compliance violation, such as violation of laws and regulations, etc. in Japan and overseas, a considerable amount of damage could rise from loss of trust in the Group, administrative penalties, and liability for damage, among others.

The Group implements a variety of specific initiatives to promote compliance. For example, the Group distributes the commentaries on the Toyobo Group Charter of Corporate Behavior, and the Toyobo Group Employee Conduct Standards, which are the codes of conduct, as well as a compliance manual that compiles cases of violation, to employees of the Company and other group companies. We encourage them to read through the texts together at each workplace to ensure thorough

familiarization with the rules. In addition, we conduct a compliance workshop targeted for managerial personnel from Group companies in Japan and overseas, and publish case studies every month that highlight topics such as violations of laws and regulations to raise awareness of compliance. In Compliance Enforcement Month, we conduct a compliance survey and hold promotion activities to identify issues related to the status of compliance. Improvement measures are taken thereafter.

(12) Overseas business activities

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

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

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

<Financial risk>

(13) Foreign exchange rate fluctuation

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

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

(14) Substantial increase in interest rates

The Group raises funds by borrowing from financial institutions and issuing bonds, among other means. Of these interest-bearing debts, for borrowings exposed to the risk of interest rate fluctuation, derivatives (mainly interest rate swaps) are used as hedging instruments to avoid the risk of changes in interest payments. In addition, the Group focuses on a ratio of interest-bearing debt and net assets (excluding non-controlling interests) (D/E Ratio) and a ratio of net debt to EBITDA (a sum of operating profit and depreciation expenses) (Net Debt/EBITDA ratio). At the end of the current fiscal year, the D/E ratio was 1.21 and the Net Debt/EBITDA ratio was 5.80.

(15) Substantial decline in stock prices

The Group holds stocks that are traded on exchange markets and bears the risk of fluctuations in stock prices. If the prices of these stocks decline by a large margin, valuation differences in available-for-sale securities may decrease and losses may be recorded when these stocks are sold. For the Company's corporate pension, since certain pension assets are managed with stocks that are traded on exchange markets, there is a risk of pension assets decreasing in value due to a decline in stock prices. With respect to investment stocks held for purposes other than pure investment, the Company individually verifies whether the stock contributes to its sustained growth and medium- to long-term improvement in corporate value, in light of future business strategy, business relations, and other factors at the Board of Directors meetings each year to judge whether to continue holding the stock. The Company and its subsidiaries sold a portion of their investment securities, and posted a gain on sale in the amount of ¥2.9 billion.

(16) Impairment loss of non-current assets

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



In the current fiscal year, an impairment loss of ¥8.2 billion was recorded regarding the nonwoven fabric materials business and the engineering plastics business. In addition, an impairment loss of ¥1.6 billion was recorded on assets to be suspended and business assets included in the non-current assets held by the Company and some of its subsidiaries. As a result, impairment losses of ¥9.8 billion in total were recorded in the current fiscal year.

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

### (1) Analysis of Operating Results

Regarding the business environment surrounding the Group in the fiscal year ended March 31, 2023 (hereinafter "this fiscal year"), the world economy slowed down due to a surge in raw-material and fuel prices resulting from the situation in Ukraine and other factors, the tightening of financial policy in Europe and the U.S., and China's zero-COVID policy (lockdowns). In Japan, while the economy has been recovering from the effects of the COVID-19 pandemic and returning to normal since the second half of this fiscal year, the recovery was only modest on a full-year basis, with a major increase in raw-material and fuel prices and a slow recovery in automotive production due to shortages of the supply of semiconductors and other raw materials.

In this business environment, sales of VOC (organic solvents) recovery equipment used in the process of manufacturing separators for lithium-ion batteries remained strong, as the electrification of vehicles advances globally. In addition, the Group saw growth in overseas sales of raw-material enzymes used in diagnosis reagents and genetic testing reagents. Meanwhile, we had difficulty improving profitability in the film business and the nonwoven fabric materials business, as product price could not be revised to the extent necessary to offset the effect of a major increase in raw-material and fuel prices. In addition, in the film business, sales decreased due to a temporary decline in demand for mold releasing films for MLCC and other products.

Financially, the Group recorded insurance claim income of ¥5.6 billion associated with the fire accident that occurred at its Inuyama Plant and gain on sales of investment securities of ¥2.9 billion for sale of some of the investment securities it had held under extraordinary income. Meanwhile, an impairment loss of ¥9.8 billion was recorded under extraordinary losses regarding business assets and assets to be suspended for the nonwoven fabric materials business, the engineering plastics business, etc.

As a result, net sales in this fiscal year increased 6.4% from the previous fiscal year to ¥399.9 billion, operating profit decreased 64.6% from the previous fiscal year to ¥10.1 billion, ordinary profit decreased 71.5% from the previous fiscal year to ¥6.6 billion, and loss attributable to owners of the parent was ¥0.7 billion (as opposed to profit attributable to owners of the parent of ¥12.9 billion posted in the previous fiscal year).

Results by business segment were as follows:

#### Films and Functional Materials

In this segment, while the Group strived to revise product prices, sales and operating profit decreased, largely affected by a major increase in raw-material and fuel prices and a decline in demand.

In the packaging film business of the films business, product prices could not be revised to the extent necessary to offset the effect of a major increase in raw-material and fuel prices, and shipment of products slowed down in the second half of this fiscal year. The industrial film business was affected by a decline in demand for mold releasing films for MLCC and other products, in addition to a major increase in raw-material and fuel prices.

In the functional materials business, sales of **VYLON** industrial adhesives decreased, affected by China's zero-COVID policy.

As a result, net sales in this segment decreased ¥3.0 billion (0.2%) from the previous fiscal year to ¥170.0 billion, and operating profit decreased ¥15.3 billion (76.7%) to ¥4.6 billion.

#### Mobility

In this segment, while the Group strived to revise product prices, sales increased but the operating loss increased, largely affected by a major increase in raw-material and fuel prices.

In the engineering plastics business, in Japan, product prices could not be revised to the extent necessary to offset the effect of a major increase in raw-material and fuel prices. Overseas, while the Group strived to revise product prices, the business was affected by a major increase in raw-material and fuel prices and an increase in processing costs overseas.

In the airbag fabrics business, while the Group strived to revise product prices, profitability did not improve due to an increase in purchase prices of raw materials such as raw yarns.

As a result, net sales in this segment increased ¥4.6 billion (10.3%) from the previous fiscal year to ¥49.3 billion, with operating loss of ¥4.5 billion (compared with operating loss of ¥1.8 billion for the previous fiscal year).

## Lifestyle and Environment

In this segment, sales increased but operating profit decreased, as sales of VOC recovery equipment and highly functional fibers remained strong but a major increase in raw-material and fuel prices had a large impact.

In the environmental solutions business, sales of VOC recovery equipment used in the process of manufacturing separators for lithium-ion batteries and replacement elements remained strong on the back of an increase in demand for lithium-ion batteries driven by the global advance of the electrification of vehicles.

In the nonwoven fabric materials business, product prices could not be revised to the extent necessary to offset the effect of a major increase in raw-material and fuel prices.

In the highly functional fibers business, sales of **ZYLON** remained strong primarily in the construction reinforcement application, and so did sales of **IZANAS** primarily in the fishing line application.

In the textiles business, while the cost of purchasing imported materials increased due to a weaker yen, the profitability of traditional Arabic fabric exports improved.

As a result, net sales in this segment increased ¥15.6 billion (13.6%) from the previous fiscal year to ¥129.9 billion, and operating profit decreased ¥0.5 billion (13.2%) to ¥3.0 billion.

## Life Science

In this segment, sales and operating profit increased, as sales of raw-material enzymes to overseas markets remained strong, although the hollow-fiber membranes for artificial kidneys business was affected by a major increase in raw-material and fuel prices.

In the biotechnology business, sales of PCR testing reagents decreased as the number of COVID-19 cases fell significantly in the fourth quarter of this fiscal year. In addition, overseas sales of raw material enzymes used in diagnostic reagents and genetic testing reagents remained strong.

In the contract manufacturing of pharmaceuticals business, sales recovered as the Group resumed manufacturing and shipment of OTC drugs in stages, while the cost to respond to the FDA requirements increased.

The medical products business was affected by a major increase in raw-material and fuel prices, while sales of hollow-fiber membranes for artificial kidneys remained strong.

As a result, net sales in this segment increased ¥3.1 billion (8.9%) from the previous fiscal year to ¥38.1 billion, and operating profit increased ¥0.6 billion (6.4%) to ¥9.2 billion.

## Real Estate and Other Businesses

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

As a result, net sales in this segment increased ¥1.2 billion (10.5%) from the previous fiscal year to ¥12.6 billion, and operating profit decreased ¥0.0 billion (1.4%) to ¥2.2 billion.

### (ii) Analysis of cash flows

#### Cash flows from operating activities

Net cash provided by operating activities was ¥7.8 billion, a decrease of ¥9.3 billion from the previous fiscal year. This was due mainly to a cash increase representing depreciation of ¥19.1 billion and a cash decrease of ¥17.7 billion resulting from an increase in working capital.

#### Cash flows from investing activities

Net cash used in investing activities was ¥36.0 billion, an increase of ¥11.4 billion from the previous fiscal year. This was due mainly to purchases of property, plant and equipment and intangible assets of ¥39.2 billion and proceeds from sales of investment securities of ¥3.7 billion.

#### Cash flows from financing activities

Net cash provided by financing activities was ¥61.3 billion (¥1.7 billion used in the previous fiscal year). This was due mainly to proceeds from short-term borrowings of ¥30.6 billion, proceeds from share issuance to non-controlling shareholders of ¥30.0 billion, proceeds from long-term borrowings of ¥23.1, proceeds from issuance of bonds of ¥20.0 billion, and repayments of long-term borrowings of ¥37.0 billion.

As a result, the balance of cash and cash equivalents at the end of this fiscal year (March 31, 2023) was ¥60.2 billion, an increase of ¥33.8 billion from the end of the previous fiscal year (March 31, 2022).

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

(a) Production results

Production results by segment for the fiscal year ended March 31, 2023 are as follows:

Segment name	Amount (Millions of yen)	YoY change (%)
Films and Functional Materials	176,880	0.1
Mobility	51,232	8.3
Lifestyle and Environment	138,082	17.1
Life Science	41,666	10.8
Real Estate	—	—
Other Businesses (of which, manufacturing)	22,913	(0.6)
Total	430,774	7.0

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

2. Includes outsourced production.

3. There are no production results for Real Estate.

(b) Results of orders received

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

(c) Sales results

Sales results by segment for the fiscal year ended March 31, 2023 are as follows:

Segment name	Amount (Millions of yen)	YoY change (%)
Films and Functional Materials	170,028	(0.2)
Mobility	49,320	10.3
Lifestyle and Environment	129,872	13.6
Life Science	38,134	8.9
Real Estate	4,053	2.4
Other Businesses	8,514	14.8
Total	399,921	6.4

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

2. Inter-segment transactions are eliminated.

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

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

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

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

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

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

#### (a) Analysis of financial position

The year-end balance of total assets for the current fiscal year increased ¥71.1 billion (13.7%) from the end of the previous fiscal year, to ¥588.9 billion. This was mainly due to an increase in cash and cash equivalents and inventories.

The year-end balance of total liabilities for the current fiscal year increased ¥46.9 billion (14.6%) from the end of the previous fiscal year, to ¥367.5 billion. This was mainly due to an increase in bonds and borrowings.

The year-end balance of net assets for the current fiscal year increased ¥24.3 billion (12.3%) from the end of the previous fiscal year, to ¥221.4 billion mainly due to an increase in non-controlling interests resulting from the payment of deposits for subscriptions of shares made by Mitsubishi Corporation to Toyobo MC Corporation for a third-party allocation of Toyobo MC Corporation's shares to Mitsubishi Corporation.

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

	161st term	162nd term	163rd term	164th term	165th term
Fiscal year-end	March 2019	March 2020	March 2021	March 2022	March 2023
Equity ratio (%)	38.3	36.4	37.8	37.6	32.2
Equity ratio, based on market value (%)	27.2	20.8	25.8	18.8	15.6
Return on equity (%)	(0.3)	7.8	2.3	6.8	(0.3)
Interest-bearing debt to cash flow ratio (Years)	21.0	4.0	5.3	11.2	29.4
Interest coverage ratio (Times)	6.0	32.2	28.0	14.0	5.9
Ratio of interest-bearing debt to equity (D/E ratio) (Times)	0.93	0.98	1.01	0.98	1.21

Equity ratio: shareholders' equity / total assets

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

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

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

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

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

The Group places particular emphasis on the ratio of interest-bearing debt and net assets (D/E ratio) as an indicator of financial soundness. At the end of the current fiscal year, the D/E ratio was 1.21.

(b) Analysis of operating results

In the current fiscal year, the second year of the 2025 Medium-Term Management Plan period, the Group set a plan at the beginning of the fiscal year to achieve net sales of ¥410.0 billion and operating profit of ¥24.0 billion and conducted business operations toward the targets. The Group, however, could not achieve the planned net sales and operating profit due to a major increase in raw-material and fuel prices, a slow recovery in the demand for industrial films, and other factors.

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

Regarding operating profit, product prices could not be revised to the extent necessary to offset the effect of a major increase in raw-material and fuel prices, which included the impact from foreign exchange rates. In addition, the efforts to improve and strengthen the foundations of our business, such as quality management, safety and disaster prevention measures, and research and development, led to increased personnel expenses, and expenses for sales operations increased as economic activity recovered from the effects of the COVID-19 pandemic and returned to normal. Moreover, in the contract manufacturing of pharmaceuticals business, the expenses for responding to the FDA requirements increased. As a result, operating profit fell far short of the plan set at the beginning of this fiscal year.

Regarding profit attributable to owners of the parent, whereas the Group set a plan at the beginning of the current fiscal year to achieve profit of ¥13.0 billion, the Group recorded a loss attributable to owners of the parent of ¥0.7 billion in this fiscal year. This is due to operating profit falling short of the initial plan as well as extraordinary losses totaling ¥15.7 billion, which includes an impairment loss of ¥9.8 billion on business assets, etc. of the nonwoven materials business and the engineering plastics business, whereas the Group recorded insurance claim income of ¥5.6 billion related to the fire accident that occurred at the Inuyama Plant. It also sold some investment securities and non-current assets held by the Company and its subsidiaries to increase asset efficiency and enhance the Group's financial health and recorded gain on sale of investment securities of ¥2.9 billion and gain on sale of non-current assets of ¥1.2 billion under extraordinary income. As a result, return on equity (ROE) was negative 0.3%.

(Billions of yen)

	FY 3/23: (Plan*)	FY 3/23: (Results)	Change (Results - Plan)
Net sales	4,100	3,999	(101)
Operating profit	240	101	(139)
Profit (loss) attributable to owners of the parent	130	(7)	(137)

\* Planned values at the beginning of the fiscal year

In response to the deteriorating performance, the Group will implement the following action plan to restore its earning power.

Films and Functional Materials	<ul style="list-style-type: none"> <li>- Packaging films: Improve profit margins by carrying out further price revision and launch new manufacturing lines and new products at full-scale</li> <li>- Mold releasing films for MLCC: Respond to customers' manufacturing capacity expansion when the market improves, and construct new manufacturing lines</li> <li>- Polarizer protective films for LCDs: Respond to customers' manufacturing capacity expansion and revise prices</li> <li>- Industrial adhesives: Revise prices further, achieve recovery in sales volume, and develop new products for electronics applications</li> </ul>
Mobility	<ul style="list-style-type: none"> <li>- Engineering plastics: Establish a quality assurance system, revise prices further, and achieve recovery in sales volume</li> <li>- Airbag fabrics: Revise prices further to improve profitability and start commercial production at the new raw yarn plant (in Thailand)</li> </ul>
Lifestyle and Environment	<ul style="list-style-type: none"> <li>- Environmental solutions: Accelerate the expansion of sales of VOC recovery equipment for separators for lithium-ion batteries in overseas markets and development of new applications of FO membranes and brine concentration (BC) membranes</li> <li>- Textiles: Integrate three plants and manage the business in close cooperation with overseas business bases to achieve recovery in profit</li> </ul>
Life Science	<ul style="list-style-type: none"> <li>- Biotechnology: Expand sales of raw material enzymes to overseas markets and invest in renewal and expansion of production facilities, despite decreased PCR testing reagents sales</li> <li>- Medical products: In the artificial kidney hollow-fiber membranes business, respond to increasing demand and construct an integrated manufacturing plant, and bring hollow-fiber membranes to the market of acute blood purification membranes as well as to the market of membranes used in the process of manufacturing antibody drugs, while also launching new products in these markets</li> <li>- Contract manufacturing of pharmaceuticals: Respond to FDA's warning letter and strengthen the Company's GMP-compliant system, and achieve recovery in sales and improve profit</li> </ul>

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

The factors that significantly affect the Group's operating results are as described in "II. Overview of Business, 3. Risk Factors." In particular, the Group closely watches when the market of mold releasing films for MLCC will begin to recover. The Group also anticipates that raw-material and fuel prices in FY 3/24 will be lower than in FY 3/23 but remain in high levels and has concerns that U.S. and European economies could slow down due to tight monetary policy measures taken in response to rising inflationary pressure. Therefore, the Group will continue to closely watch the movement of raw-material and fuel prices and foreign exchange rate fluctuations as well.

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

a. Cash flows

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

b. Contract liabilities

The overview of contract liabilities as of March 31, 2023 is as follows:

Contract liabilities	Payment due (Millions of yen)				
	Total	Within 1 year	Over 1 year and within 3 years	Over 3 years and within 5 years	Over 5 years
Short-term borrowings	71,595	71,595	—	—	—
Long-term borrowings	78,571	29,472	16,438	22,162	10,499
Lease obligations	2,809	766	1,035	417	590
Deposits received	1,430	1,430	—	—	—

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

The Group's guarantees for third parties are loan guarantees for borrowings, etc. of affiliates. In the event of a default on guaranteed borrowings, etc. during the guarantee period, the Group is obliged to repay the debt. The amount of loan guarantees was ¥6,889 million as of March 31, 2023.

c. Fiscal policy

To achieve the goals of the 2025 Medium-Term Management Plan (FY 3/23 – FY 3/26), the Group will continue to place top priority on safety, disaster prevention, and environmental responses and at the same time will invest aggressively in growing businesses. Necessary funds will be sourced internally or externally. Both direct and indirect finance will be used for external financing, which will be managed with a target D/E ratio of less than 1.2 times and a target Net Debt / EBITDA ratio of not less than 4 times to less than 5 times.

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



## 5. Material Contracts, etc.

### (1) Licensing agreements

Licensor	Licensed item	License details	Licensee	Agreement date (Licensing period)	Consideration
Toyobo Co., Ltd. (The Company)	Active carbon fiber	Provision of technical support related to equipment for VOC emission treatment using <b>K-FILTER</b>	(U.S.) Met-Pro Corporation	July 1, 1980 (July 1, 1980 - automatic renewal)	License fees, etc.
Same as above	Same as above	Same as above	(U.K.) CJB Developments Limited	March 4, 1981 (March 4, 1981 - automatic renewal)	Same as above
Same as above	Same as above	Same as above	(Germany) Durr Anlagenbau GmbH	October 18, 1984 (October 18, 1984 - October 17, 1987 - automatic renewal)	Same as above
Same as above	Same as above	Same as above	(South Korea) Doosan Machine Tools Co., Ltd.	August 5, 1991 (September 25, 1991 - September 24, 1994 - automatic renewal)	Same as above
Same as above	Same as above	Same as above	(Taiwan) Morrison Co., Ltd.	September 1, 1993 (September 1, 1993 - August 31, 1996 - automatic renewal)	Same as above
Same as above	Same as above	Same as above	(U.S.) Durr Industries, Inc.	December 25, 1996 (December 25, 1996 - December 24, 1999 - automatic renewal)	Same as above

### (2) Company split with Toyobo MC Corporation related to the Company's functional materials business

At its meeting held on January 25, 2023, the Company's Board of Directors resolved to have the Company's functional materials business succeeded by Toyobo MC Corporation (hereinafter "the New Company"), which is a wholly-owned subsidiary established on September 5, 2022, through an absorption-type company split, and the Company concluded an absorption-type company split agreement effective as of January 25, 2023. At its meeting held on March 15, 2023, the Company's Board of Directors also resolved to approve the issuance of new shares in the New Company that were to be allocated to Mitsubishi Corporation (head office: located in Chiyoda-ku, Tokyo; Representative Director and President: Katsuya Nakanishi; hereinafter "Mitsubishi Corporation") through a third-party allocation, and Mitsubishi Corporation and the New Company concluded an agreement on subscription of the total number of offered shares effective as of March 17, 2023. For details, please see "V. Financial Information, 1. Consolidated Financial Statements, etc., (1) Consolidated Financial Statements, Notes to Consolidated Financial Statements (Significant subsequent events)."

### (3) Merger with Toyobo Information System Create Co., Ltd.

At its meeting held on December 26, 2022, the Company's Board of Directors resolved to approve the merger of the Company with Toyobo Information System Create Co., Ltd., a consolidated subsidiary, through an absorption-type merger effective as of April 1, 2023, and the Company concluded a merger agreement effective as of December 26, 2022. For details, please see "V. Financial Information, 1. Consolidated Financial Statements, etc., (1) Consolidated Financial Statements, Notes to Consolidated Financial Statements (Significant subsequent events)."

## 6. Research and Development Activities

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

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

### Films and Functional Materials

Sales of environmental products are expanding in the field of packaging film. Products using polyester films, nylon films and sealants offered under the **BIOPRANA** name, which contain biomass materials, have also been increasingly adopted. With respect to thickness reduction (plastic volume reduction), we are working to expand sales of **SPACECLEAN** highly durable shrinkable polyester films and highly heat-resistant, highly rigid polypropylene films, while also developing thinner nylon films and sealant films. In addition, with new polypropylene film manufacturing equipment launched, we have also developed **PYLEN EXTOP** polypropylene films, which possess higher heat resistance and higher rigidity. We will endeavor to contribute to achieving a circular economy by stepping up efforts to reduce the thickness of packaging films and to develop packaging films using a single material.

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

The PET that is produced by using **TOYOBO GS Catalyst**, a polyester polymerization catalyst that is environmentally friendly with no heavy metals, has outstanding recyclability because its degradation during the melting process is limited. Taking advantage of this property, we are developing the applications of the PET to help achieve a circular economy. We will also expand the GS catalyst license business, promoting the catalyst for use in commercial production at the major overseas PET manufacturer. Furthermore, we will advance the development of the applications of an environmentally friendly, bio-derived resin with superior barrier properties and the development of bio PET that uses 100% plant-derived raw materials, aiming to realize a society that co-exists with plastics. We will continue to strive to increase the use of and promote the switch to biomass-derived raw materials.

The **VYLON** high-functionality copolymerized polyester, **VYLOMAX** heat-resistant polymer with imide and amide bonding, and **HARDLEN** adhesion promoter for polyolefin, are being developed for use in electric and electronic equipment, coatings for automotive interiors/exterior, and adhesives for lithium-ion battery packaging materials. The **VYLON** series offers a new low-dielectric adhesive for electronic products that features low transmission loss even in the high-frequency band for the next-generation high-speed communications, while **VYLOMAX** continues to be adopted for more smartphone peripheral devices in recognition of its high heat resistance and high rigidity. We have strongly promoted the **HARDLEN** adhesion promoter for polyolefin that is difficult to adhere for use in plastic coatings applied to automobile exteriors in Japan and overseas. The adhesion promoter is also expanding as a packaging adhesive for lithium-ion batteries. We are strengthening initiatives for both **VYLON** and **HARDLEN** based on the keywords of “self-crosslinking,” “aqueous,” “hot-melt” “low-temperature curing,” and “next-generation coating” as part of our efforts to address environmental problems in North America, Europe, and China and to achieve carbon neutrality.

The research and development expenses for the Films and Functional Materials segment were ¥5.5 billion.

### Mobility

In the field of engineering plastics, we are developing distinctive materials attuned to the key concepts of CASE and MaaS, with the aim of electrifying automobiles and increasing electrical and electronic parts amid this once-in-a-century period of transformation of the automotive industry. Specifically, we have started offering at exhibitions and other events new resins for injection molding that can be used in various forms of housings as a measure to control gigahertz-bandwidth electromagnetic noise for advanced sensing and high-speed communication equipment, such as 5G communication devices and millimeter-wave radars. This offering enables our customers to drastically simplify their complicated assembly processes and reduce costs. In addition to the material development outlined above, we enjoy the advantages of introducing computer analysis technologies, including computer-aided engineering (CAE) analysis, digital transformation (DX), and materials informatics (MI), and continue to provide comprehensive solutions for our customers.

In the airbag fabric business, we are expanding the sales of airbag fabric using polyethylene terephthalate (PET) fiber, airbag

fabric with low CO<sub>2</sub> emissions, as an effort to achieve carbon neutrality. Going forward, we will also work on the development of airbag fabric using PET fiber made of plant-derived biomaterials and recycled raw materials. Regarding nylon airbag fabric, which now dominates the market, we are working to put into full operation the nylon raw-yarn plant in Thailand, which came onstream last year, as soon as possible and to build a stable global fabric supply system.

The research and development expenses for the Mobility segment were ¥1.2 billion.

#### Lifestyle and Environment

Regarding the **Izanas** ultra-high-strength polyethylene fiber, the Group is developing a raw yarn with high creep resistance intended for use in long-term moorings of floating offshore wind-power generation facilities. Currently, we are working on the scale-up of the production technology and making preparations for a pilot test for long-term mooring. For **Tsunoooga**, we have developed multicolored yarn to expand applications, and we will start production and sales.

Regarding the ester staple fiber, the **Breathair** three-dimensional cushion material, and spunbond, we are working on the development of products that can contribute to reducing environmental load and beginning to offer new products one after another.

As for filter materials, we are working to further increase the dust collection capacity of our mainstay **ELITOLON** electret air filter, while also enhancing its durability and adding new properties such as antibacterial and antiviral properties. We are stepping up these development efforts to bring new products to market. In addition, product development for environmental responses is also underway, aiming to launch new products.

As for water treatment membranes, the Group is developing hollow-fiber RO/FO membranes and making modules with higher performance. We are also conducting applied research on energy-saving seawater desalination and osmotic power generation, as well as on valuables collection and a zero liquid discharge (ZLD) process using BC membrane concentration technology. These development efforts are progressing toward the commercialization stage.

Regarding VOC recovery equipment, we are working to increase the performance of K-FILTER for solvent recovery equipment in response to the global expansion of the lithium-ion battery separators (LIBS), while also developing technologies to realize greater energy efficiency as an effort toward achieving the SDGs and carbon neutrality.

In the textile area, we are developing **IC-DRY**, which is made of cotton but has excellent quick-drying characteristics. We have achieved a cool feeling by processing raw material cotton using a special method, leveraging our spinning and weaving technologies to do so.

In the area of sustainable products, we are developing **UPTO CYCLE**, products using plastic raw materials that are produced by recycling waste fiber and cloth generated in our manufacturing process. These products contribute to reducing CO<sub>2</sub> emissions and lessening the use of petroleum-derived resources by reducing the amounts of waste materials that are disposed of by incineration.

In the industrial materials field, we worked on the development of water-stop materials and piping protection materials and sales expansion for thermal insulation sheets as disaster prevention and safety materials. We are also exploring the development of water resistant coating materials and products for road greening.

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

In the functional resins field, we are providing support for the launch of the **ECONEO** safety cone using recycled PET.

The research and development expenses for the Lifestyle and Environment segment were ¥1.5 billion.

#### Life Science

In the field of infectious disease diagnosis, we have successfully developed an ex-vivo diagnostic reagent that can detect SARS-CoV-2 and influenza infections simultaneously, and started sales of the reagent. We have also successfully developed a norovirus one-step testing kit using the PCR method for sanitary inspection and started sales of the kit.

In the medical equipment field, we started sales of the **Bonarc** bone regeneration-inducing material in the dentistry area in June 2022. We have also started the development of new products using biomaterials.

As for hollow-fiber membranes for artificial kidneys, we have advanced the development of a new product that has the ability to more efficiently remove waste matter from the body of the patient receiving dialysis treatment, and offers higher biocompatibility. We have also started building a new research center to expand the range of medical products we make.

The research and development expenses for the Life Science segment were ¥1.7 billion.

#### Company total

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

The Corporate Research Center, which is a company-wide research and development organization, developed new products and technologies that will carry the future of the Group. It also functions as company-wide infrastructure that supports research and development in general and the Company's manufacturing and sales activities through various analysis/evaluation work, as well as analysis work using computer simulations and other digital technologies. As for the activities of the DX Promotion Office, which directly reports to the General Manager of the Research Center, we are promoting the application of materials informatics (MI) technology throughout the Research Center and have established systems in our research and technology centers that help researchers utilize MI technology on their own.

Meanwhile, in the Research Center, which serves as our core research and development base, we are renovating its infrastructure, and in January 2023, the construction of a pilot plant unit, the first stage of the renewal project, was completed.

Our research and development projects include the development of polyester resin using biomass-derived raw materials and the development of new products applying the resin—joint projects of the corporate research centers and the departmental research and development division to contribute to achieving a sustainable society—as well as the development of an adhesive sheet with high adhesiveness and superior ease of disassembly that bonds different types of materials, leveraging new technologies developed by universities.

In planning and developing new businesses, we continue to stick to the idea of open innovation, and are proactively participating in national projects and collaborating with companies, universities, and research institutions in and outside Japan. We concluded comprehensive collaboration agreements with Kobe University in April 2022 and with Osaka Metropolitan University in June 2022. With each of these universities, we have started exploring projects with the aim of socially implementing results of joint research in the environment and life science fields and to make a contribution from Osaka to the development of local communities and the resolution of social issues. Moreover, as part of our efforts to promote manufacturing using biotechnology, we have stepped up our investments in startups, which includes an indirect investment in a startup established by Kobe University that aims to provide a one-stop service of genetic material production, from gene design to the development of manufacturing processes and samples.

The research and development expenses for the company-wide corporate research were ¥4.2 billion.

### III. Information about Facilities

#### 1. Overview of Capital Expenditures

The Group made capital expenditures of ¥42.7 billion in total (including intangible assets) during the current fiscal year, such as by reinforcing film production facilities and investing in productivity enhancement. Primary purpose, details, and investment amount by segment are as follows:

##### Films and Functional Materials

The Films and Functional Materials segment spent a total of ¥20.2 billion on capital expenditures, including ¥18.4 billion used for reinforcing the Company's film production facilities.

##### Mobility

The Mobility segment spent a total of ¥1.2 billion on capital expenditures, including reinforcement of airbag fabric production facilities at the Company's consolidated subsidiary Toyobo Industrial Materials America, Inc.

##### Lifestyle and Environment

The Lifestyle and Environment segment spent a total of ¥7.8 billion on capital expenditures, including ¥5.4 billion used for reinforcing the Company's nonwoven fabric production facilities.

##### Life Science

The Lifestyle and Environment segment spent a total of ¥7.6 billion on capital expenditures, including ¥7.2 billion used for reinforcing the Company's pharmaceuticals production facilities.

##### Real Estate

The Real Estate segment spent a total of ¥0.5 billion on capital expenditures.

##### Other Businesses

The Other Businesses segment spent a total of ¥0.7 billion on capital expenditure

## 2. Major Facilities

Major facilities of the Group are as follows:

### (1) Reporting company

As of March 31, 2023

Production center name (Location)	Segment name	Facility details	Book value (Millions of yen)					Number of employees (People)	
			Buildings and structures	Machinery, equipment, and vehicles	Land (Area)	Leased assets	Other		Total
[Tsuruga Research and Production Center] Tsuruga Polymers Plant Tsuruga Functional Materials Plant (Tsuruga, Fukui)	Films and Functional Materials, Mobility, Lifestyle and Environment	Production facilities for functional resins, nonwoven fabrics and chemical synthetic fibers (Notes 2, 3)	7,851	5,637	25,217 (727,000 m <sup>2</sup> )	12	542	39,259	405 [15]
[Iwakuni Production Center] Iwakuni Polymers Plant Iwakuni Functional Materials Plant (Iwakuni, Yamaguchi)	Films and Functional Materials, Mobility, Lifestyle and Environment	Production facilities for functional resins, nonwoven fabrics and chemical synthetic fibers (Note 2)	4,446	2,334	11,849 (476,000 m <sup>2</sup> )	1	2,456	21,086	309 [11]
Inuyama Plant (Inuyama, Aichi)	Films and Functional Materials	Film production facility	6,916	11,520	8,878 (227,000 m <sup>2</sup> )	11	12,821	40,147	387 [8]
[Tsuruga Research and Production Center] Tsuruga Films Plant (Tsuruga, Fukui)	Films and Functional Materials	Film production facility	4,212	6,057	491 (18,000 m <sup>2</sup> )	21	2,484	13,265	252 [3]
[Tsuruga Research and Production Center] Tsuruga Biochemicals Plant (Tsuruga, Fukui)	Life Science	Enzyme production facility	1,717	2,079	195 (7,000 m <sup>2</sup> )	—	4,165	8,156	200 [22]
[Iwakuni Production Center] Iwakuni Functional Membranes Plant (Iwakuni, Yamaguchi)	Lifestyle and Environment, Life Science	Functional membrane production facility	1,201	1,780	393 (15,000 m <sup>2</sup> )	—	2,183	5,556	126 [6]
[Toyama Production Center] Shogawa Plant (Imizu, Toyama) Two other plants	Lifestyle and Environment	Yarn and fabric production facilities and facilities for dyeing and sorting	1,563	1,059	6,517 (408,000 m <sup>2</sup> )	—	1,423	10,563	125 [129]
Takasago Plant (Takasago, Hyogo)	Films and Functional Materials	Chemical production facility	1,440	1,769	224 (67,000 m <sup>2</sup> )	—	2,725	6,158	145 [9]
Utsunomiya Plant (Utsunomiya, Tochigi)	Films and Functional Materials	Film production facility	2,038	1,643	— (—)	1	8,361	12,042	260 [13]
Fujita Toyobo Building (Kita-ku, Osaka) Two other facilities	Real Estate, sales business	Rental buildings and other facilities	952	0	2,049 (2,000 m <sup>2</sup> )	—	1	3,002	25 [5]
Research Center (Otsu, Shiga)	Company-wide research and development business	Research and development facilities, etc.	3,787	1,430	5 (226,000 m <sup>2</sup> )	50	3,651	8,923	605 [59]

### (2) Domestic subsidiaries

As of March 31, 2023

Company name	Production center name (Location)	Segment	Facility details	Book value (Millions of yen)					Number of employees (People)	
				Buildings and structures	Machinery, equipment, and vehicles	Land (Area)	Leased assets	Other		Total
Toyo Cloth Co., Ltd.	Head office, Tarui Production Center (Sennan, Osaka)	Films and Functional Materials	Cloth and film production facilities	1,046	653	1,159 (36,000 m <sup>2</sup> )	—	278	3,136	231 [52]
Kureha Ltd.	Head office (Ritto, Shiga)	Lifestyle and Environment	Nonwoven fabric production facilities (Note 4)	590	194	240 (42,000 m <sup>2</sup> )	—	6	1,030	201 [19]

Company name	Production center name (Location)	Segment	Facility details	Book value (Millions of yen)						Number of employees (People)
				Buildings and structures	Machinery, equipment, and vehicles	Land (Area)	Leased assets	Other	Total	
Japan Exlan Co., Ltd.	Saidaji Plant (Higashi-ku, Okayama)	Lifestyle and Environment	Chemical production facility	344	439	3,879 (299,000 m <sup>2</sup> )	—	61	4,723	293 [32]
Miyukikeori Co., Ltd.	Head office (Nishi-ku, Nagoya)	Real Estate, sales business	Rental buildings and other facilities	838	—	2,031 (26,000 m <sup>2</sup> )	—	58	2,927	32 [17]
	Miyuki Mall (Nishi-ku, Nagoya)	Real Estate	Rental stores and rental housing	1,339	—	1,221 (11,000 m <sup>2</sup> )	—	8	2,568	— [—]

### (3) Foreign subsidiaries

As of March 31, 2023

Company name	Production center name (Location)	Segment	Facility details	Book value (Millions of yen)						Number of employees (People)
				Buildings and structures	Machinery, equipment, and vehicles	Land (Area)	Leased assets	Other	Total	
TOYOBO SAHA SAFETY WEAVE CO., LTD.	Head office plant (Samutprakarn Thailand)	Mobility	Airbag fabric production facilities	2,366	1,782	— (—)	—	742	4,890	241 [—]
PT. TOYOBO TRIAS ECOSYAR	Head office plant (Sidoarjo Indonesia)	Films and Functional Materials	Film processing facility	371	2,871	— (—)	10	74	3,327	50 [—]

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

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

3. Includes land worth ¥118 million (5,000 m<sup>2</sup>) leased to Hokuriku Air Chemicals, Inc., an associate.

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

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

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

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

Major planned addition

Company name Production center name	Location	Segment name	Facility details	Planned investment amount		Financing method	Scheduled year and month for starting and completing work		Increased capacity after completion
				Total amount (Millions of yen)	Amount already paid (Millions of yen)		Commencement	Completion	
The Company Utsunomiya Plant	Utsunomiya, Tochigi	Films and Functional Materials	Industrial film production facilities	20,000	4,669	Own funds, borrowings and bond issuance funds	October 2021	April 2025	20,000 tons/year
The Company Tsuruga Biochemicals Plant	Tsuruga, Fukui	Life Science	Enzyme production facility	6,500	—	Own funds, borrowings and bond issuance funds	March 2023	November 2024	An increase of about 200%



## IV. Information about the Reporting Company

### 1. Company's Shares, etc.

#### (1) Total Number of Shares

##### (i) Total number of shares

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

##### (ii) Issued shares

Class	Number of issued shares at the fiscal year-end (Shares) (March 31, 2023)	Number of issued shares at the filing date (Shares) (June 28, 2023)	Name of stock exchange on which the Company is listed or names of authorized financial instruments trade associations	Description
Common shares	89,048,792	89,048,792	Tokyo Stock Exchange Prime Market	The number of shares per unit of shares is 100 shares.
Total	89,048,792	89,048,792	—	—

#### (2) Share Acquisition Rights

##### (i) Content of stock option systems

Not applicable

##### (ii) Content of rights plans

Not applicable

##### (iii) Other share acquisition rights

Not applicable

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

Not applicable

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

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

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

## (5) Shareholdings by Shareholder Category

As of March 31, 2023

Category	Status of shares (One unit equals 100 shares)								Status of shares in amounts of less than one unit (Shares)
	Government and municipalities	Financial institutions	Financial instruments business operators	Other corporations	Foreign corporations, etc.		Other individuals	Total	
					Other than individuals	Individuals			
Number of shareholders (People)	2	49	44	586	198	65	53,364	54,308	—
Number of shares held (Units)	14	279,971	41,012	44,636	184,943	3,036	333,054	886,666	382,192
Ratio of shares held (%)	0.00	31.58	4.63	5.03	20.86	0.34	37.56	100.00	—

(Notes) 1. Of the Company's 723,040 treasury shares, 7,230 units are presented in "Other individuals" and 40 shares are presented in "Status of shares in amounts less than one unit."

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

## (6) Major Shareholders

As of March 31, 2023

Name	Address	Number of shares held (Thousand shares)	Ratio of shares held to total number of issued shares (excluding treasury shares) (%)
The Master Trust Bank of Japan, Ltd.	2-11-3, Hamamatsu-cho, Minato-ku, Tokyo	13,894	15.73
Custody Bank of Japan, Ltd.	1-8-12, Harumi, Chuo-ku, Tokyo	7,444	8.43
Toyobo Employees Stockholders' Association	1-13-1 Umeda, Kita-ku, Osaka, Japan	2,315	2.62
Toyukai	1-13-1 Umeda, Kita-ku, Osaka, Japan	1,940	2.20
SMBC Nikko Securities Inc.	3-3-1, Marunouchi, Chiyoda-ku, Tokyo	1,854	2.10
NIPPON LIFE INSURANCE COMPANY	1-6-6, Marunouchi, Chiyoda-ku, Tokyo	1,750	1.98
DFA INTL SMALL CAP VALUE PORTFOLIO (Standing proxy: Citibank, N.A., Tokyo Branch)	PALISADES WEST 6300, BEE CAVE ROAD BUILDING ONE AUSTIN TX 78746 US (6-27-30, Shinjuku, Shinjuku-ku, Tokyo)	1,472	1.67
Meiji Yasuda Life Insurance Company	2-1-1, Marunouchi, Chiyoda-ku, Tokyo	1,402	1.59
STATE STREET BANK WEST CLIENT-TREATY 505234 (Standing proxy: Mizuho Bank, Ltd.)	1776 HERITAGE DRIVE, NORTH QUINCY, MA 02171, U.S.A. (2-15-1, Konan, Minato-ku, Tokyo)	1,111	1.26
STATE STREET BANK AND TRUST COMPANY 505223 (Standing proxy: Mizuho Bank, Ltd.)	P.O. BOX 351 BOSTON MASSACHUSETTS 02101 U. S. A. (2-15-1, Konan, Minato-ku, Tokyo)	946	1.07
Total	—	34,132	38.64

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

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

Name	Address	Number of shares, etc. (Thousand shares)	Shareholding ratio (%)
Nomura Securities Co., Ltd. and two other shareholders	1-13-1, Nihombashi, Chuo-ku, Tokyo, etc.	4,405	4.95

Sumitomo Mitsui Trust Bank, Limited submitted a Report of Possession of Large Volume (Change Report) on April 6, 2023, with Sumitomo Mitsui Trust Asset Management Co., Ltd. and one other shareholder being joint shareholders. The Company has not confirmed the actual number of shares held by the shareholders as of March 31, 2023, and therefore has not reflected the information in the above list of Major Shareholders. The content of the Report of Possession of Large Volume (Change Report) is as follows:

Name	Address	Number of shares, etc. (Thousand shares)	Shareholding ratio (%)
Sumitomo Mitsui Trust Asset Management Co., Ltd. and one other shareholder	1-1-1, Shibakouen, Minato-ku, Tokyo, etc.	6,216	6.98

(7) Voting Rights

(i) Issued shares

As of March 31, 2023

Category	Number of shares (Shares)	Number of voting rights	Description
Shares with no voting rights	—	—	—
Shares with limited voting rights (treasury shares, etc.)	—	—	—
Shares with limited voting rights (other)	—	—	—
Shares with full voting rights (treasury shares, etc.)	Common shares 723,000	—	—
Shares with full voting rights (other)	Common shares 87,943,600	879,436	—
Shares less than one unit	Common shares 382,192	—	—
Total number of issued shares	89,048,792	—	—
Voting rights of all shareholders	—	879,436	—

(Note) “Shares with full voting rights (other)” include 2,100 shares (21 voting rights) under the name of Japan Securities Depository Center, Incorporated. “Shares totaling less than one unit” include 50 shares under the name of Japan Securities Depository Center, Incorporated and 40 treasury shares of the Company

(ii) Treasury shares

As of March 31, 2023

Owner's name	Owner's address	Number of shares held under own name (Shares)	Number of shares held under the names of others (Shares)	Total owned shares (Shares)	Ratio of shares held to total number of issued shares (%)
Toyobo Co., Ltd.	1-13-1 Umeda, Kita-ku, Osaka, Japan	723,000	—	723,000	0.81
Total	—	723,000	—	723,000	0.81

## 2. Acquisition, etc. of Treasury Shares

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

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

Not applicable

### (2) Acquisition by resolution of the Board of Directors

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

Category	Number of shares (Shares)	Total amount (Yen)
Resolution of the Board of Directors at its meeting held on February 8, 2023 (Acquisition period: from February 9, 2023, to April 30, 2023)	1,300,000	1,000,000,000
Treasury shares acquired prior to the current fiscal year	—	—
Treasury shares acquired during the current fiscal year	653,900	681,965,387
Total number and total amount of common shares to be acquired	646,100	318,034,613
Percentage of common shares yet to be acquired at the end of the current fiscal year (%)	49.7	31.8
Treasury shares acquired during the current period	311,300	318,027,194
Percentage of common shares yet to be acquired as of the filing date (%)	25.8	0.0

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

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

Category	Number of shares (Shares)	Total amount (Yen)
Treasury shares acquired during the current fiscal year	1,621	1,686,229
Treasury shares acquired during the current period	231	235,390

(Note) Treasury shares acquired during the current period exclude shares in amounts less than one unit purchased from June 1, 2023 to the date of filing the Annual Securities Report.

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

Category	Number of shares (Shares)	Total amount (Yen)
Treasury shares acquired during the current fiscal year	1,434	—
Treasury shares acquired during the current period	3,164	—

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

2. Treasury shares acquired during the current period exclude shares acquired without consideration from June 1, 2023 to the date of filing the Annual Securities Report.

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

Category	Current fiscal year		Current period	
	Number of shares (Shares)	Total disposal amount (Yen)	Number of shares (Shares)	Total disposal amount (Yen)
Acquired treasury shares subject to offering for subscription	—	—	—	—
Acquired treasury shares canceled	—	—	—	—

Category	Current fiscal year		Current period	
	Number of shares (Shares)	Total disposal amount (Yen)	Number of shares (Shares)	Total disposal amount (Yen)
Acquired treasury shares transferred due to merger, share exchange, share issuance, and company split	—	—	—	—
Other (Disposal in the form of restricted share compensation)	86,347	123,717,118	—	—
Other (Sale of shares in amounts less than one unit)	118	169,094	—	—
Number of treasury shares held	723,040	—	1,037,735	—

(Notes) 1. Treasury shares disposed of during the current period exclude shares in amounts less than one unit sold from June 1, 2023 to the date of filing the Annual Securities Report.

2. The number of treasury shares held during the current period exclude shares in amounts less than one unit purchased or sold from June 1, 2023 to the date of filing the Annual Securities Report.

### 3. Dividend Policy

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

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

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

Resolution date	Total dividend (Millions of yen)	Dividend per share (Yen)
June 28, 2023 Resolution by the Annual General Meeting of Shareholders	3,533	40

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

## 4. Corporate Governance

### (1) Overview of Corporate Governance

#### (i) Basic views on corporate governance

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

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

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

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

#### (a) Board of Directors

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

In the current fiscal year, the Board of Directors held its regular meeting once a month and held six extraordinary meetings, determining the Sustainable Vision 2030 and the 2025 Medium-Term Management Plan, deciding matters stipulated in laws and regulations and the Company’s Articles of Incorporation and important management matters, hearing reports on the state of business execution, and deliberating on medium- to long-term themes.

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

Title	Name	Attendance
Chair of the Board & Director	Seiji Narahara	18/18 (100%)
President & Representative Director, CEO & Co-COO	Ikuo Takeuchi	18/18 (100%)
Representative Director	Chikao Morishige	18/18 (100%)
Representative Director	Hiroshi Otsuki	18/18 (100%)
Director	Yutaka Ouchi	17/18 (94%)
Director	Yoshio Araki * Retired on June 24, 2022	4/4 (100%)
Director	Masakatsu Shirai * Retired on June 24, 2022	4/4 (100%)
Outside Director	Masaru Nakamura	18/18 (100%)
Outside Director	Takafumi Isogai	18/18 (100%)
Outside Director	Kimie Sakuragi	18/18 (100%)
Outside Director	Masaaki Harima	17/18 (94%)

Title	Name	Attendance
Outside Director	Hiroshi Fukushi * Assumed the office of Director on June 24, 2022	14/14 (100%)

At the Annual General Meeting of Shareholders held on June 28, 2023, Mr. Yutaka Ouchi and Mr. Masaru Nakamura retired as Director and Outside Director, respectively, and Mr. Taichi Sakai and Ms. Shoko Takase assumed the office of Director and Outside Director, respectively.

(b) Business execution

There are 26 Executive Officers, including some who serve concurrently as Directors. The President and Representative Director serves currently as CEO and Co-COO, and efficiently executes businesses. The Board of Managing Executive Officers and Controlling Supervisors, which consists of Executive Officers supervising divisions, deliberates in advance on matters to be resolved by the Board of Directors, and determines matters related to business execution that have been entrusted by the Board of Directors. The Corporate Planning Committee and the Financial Control Committee are established under the Board of Managing Executive Officers and Controlling Supervisors. They deliberate on important investment and financing projects, etc. from their respective expert standpoints, thereby managing business risk. The Board of Executive Officers discusses management issues and communicates management policies. Through this system, the Company strives to carry out business efficiently.

(c) Board of Corporate Auditors

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

(d) Voluntary committee

Nomination and Compensation Advisory Committee

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

In the current fiscal year, the committee held five meetings, deliberating on proposals on Director candidates and setting of the Company's overall performance target to determine Directors and Officers compensation and hearing reports on the progress of the CEO succession plan and the training plan for the next generation of executives.

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

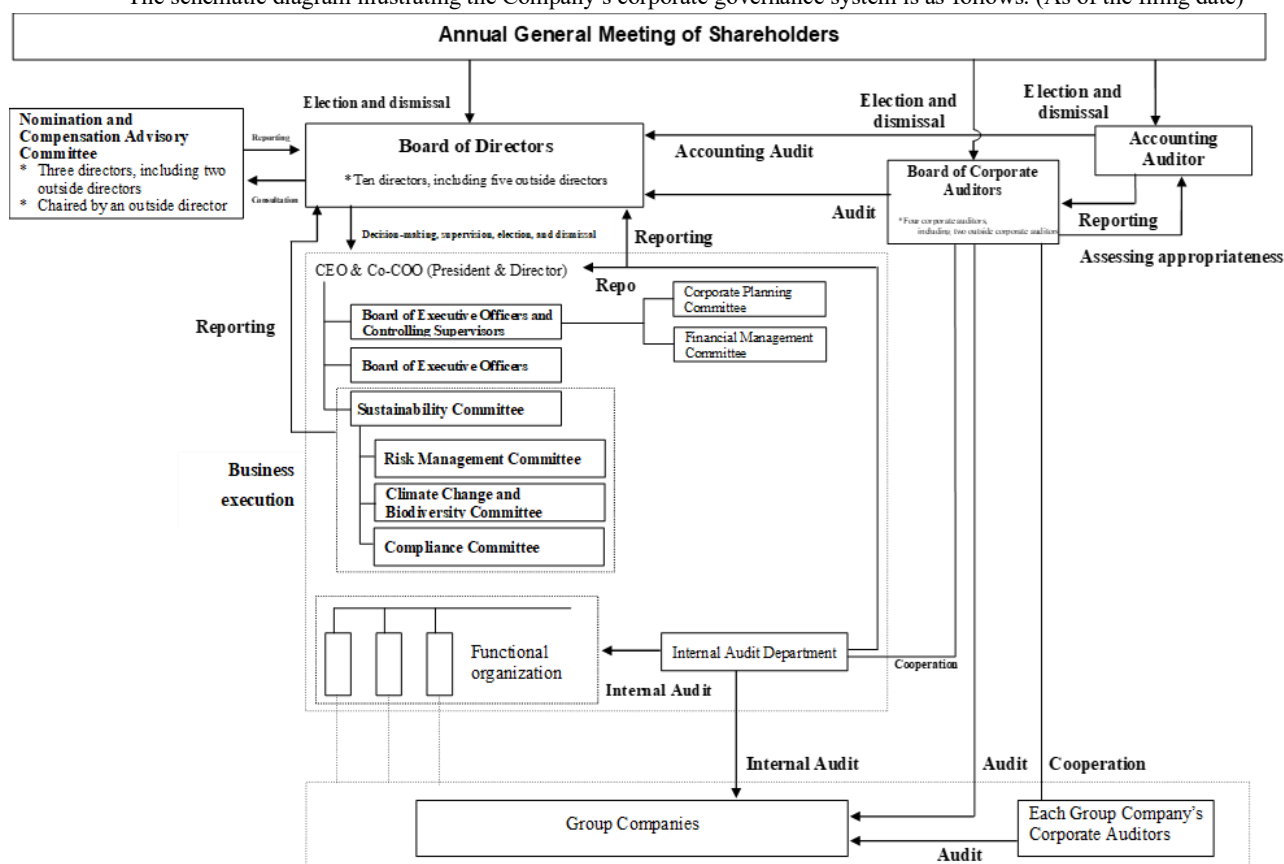
	Name	Attendance
Chairperson	Masaru Nakamura, Outside Director	5/5 (100%)
Committee Member	Kimie Sakuragi, Outside Director	5/5 (100%)
Committee Member	Seiji Narahara, Chair of the Board & Director	5/5 (100%)
Observer	Hiroyuki Sugimoto, Outside Corporate Auditor	5/5 (100%)

As of the filing date, the committee consisted of the following members:

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

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

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



(iv) Development of the internal control system

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

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

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

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

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

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

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

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

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



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

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

(d) Rules and framework for managing risks of loss

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

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

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

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

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

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

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

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

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

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

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

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

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

The Company establishes a dedicated e-mail address to enable officers and employees of the Group to directly consult with or report to Corporate Auditors of the Company. The Company thoroughly communicates that people who consult with or report to Corporate Auditors of the Company cannot be dismissed or receive other disadvantageous treatment in the Company or group companies due to the reason that they conducted this consultation or report.

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

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

d. Other framework ensuring the effectiveness of auditing by Corporate Auditors

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

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

Corporate Auditors receive reports on the results of internal audits from the Internal Audit Department, receive reports

on the status of evaluations of internal control related to financial report, and exchange information.

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

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

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

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

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

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

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

The scope of the insured is as follows:

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

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

(vii) Number of Directors

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

(viii) Resolution requirements for election of Directors

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

(ix) Organization that decides on interim dividends

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

(x) Organization that decides on acquisition of treasury shares

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

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

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

(Basic policy regarding company control)

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

The Company believes that since the Company allows the Company shares to be freely traded as a listed company, the decision

on whether to accept a large-scale purchase of the Company's shares that entails transfer of control over the Company should be left ultimately to the shareholders.

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

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

(2) Special efforts for realization of the basic policy

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

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

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

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

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

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

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

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

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

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

## (2) Directors (and Other Officers)

## (i) List of officers

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

Title	Name	Date of birth	Career summary	Term of office	Number of shares held (Hundred shares)
Chair of the Board & Director	Seiji Narahara	October 17, 1956	January 1988 Joined the Company April 2009 Deputy Director, General Manager, Finance Department April 2010 Executive Officer June 2011 Director and Executive Officer April 2014 Director, President and Chief Operating Officer April 2021 Chair of the Board & Director (current position)	(Note) 3	443
President & Director, CEO and Co-COO (Representative Director) Controlling Supervisor of the Corporate Sustainability Division, Internal Audit Department, and KAERU Department	Ikuo Takeuchi	October 15, 1962	April 1985 Joined the Company October 2015 Deputy Director, General Manager, Corporate Planning Office April 2018 Executive Officer April 2020 Managing Executive Officer June 2020 Director and Managing Executive Officer April 2021 President and Director, CEO and Co-COO (current position)	(Note) 3	280
Vice President and Director and Co-COO (Representative Director) Executive Assistant to President, and Head, Environment and Functional Materials Division	Chikao Morishige	April 19, 1960	April 1983 Joined the Company April 2014 Deputy Director, General Manager, Films Development Department June 2014 Deputy Director, Senior General Manager, Plastic Production Technology Department April 2017 Executive Officer April 2019 Managing Executive Officer April 2020 Senior Managing Executive Officer June 2021 Director and Senior Managing Executive Officer April 2022 Vice President and Director and Co-COO (current position) April 2023 President & Representative Director, CEO, Toyobo MC Corporation (current position)	(Note) 3	176
Director Senior Managing Executive Officer (Representative Director) Controlling Supervisor of the Management and Administration Division, Supervisor of the KAERU Department	Hiroshi Otsuki	February 19, 1961	November 1987 Joined the Company October 2014 Deputy Director, General Manager, Plastics Planning and Management Office, and Manager, Film Business Management Office April 2017 Executive Officer June 2020 Director and Executive Officer April 2021 Director and Managing Executive Officer April 2022 Director and Senior Managing Executive Officer (current position)	(Note) 3	164
Director Managing Executive Officer Head of Safety and Disaster Management Division CTO of Production Technology Division	Taichi Sakai	November 26, 1962	April 1986 Joined the Company March 2012 General Manager of Production Technology Division and Corporate Planning Officer (special project under President) April 2016 Deputy Director, Senior General Manager of the Production Technology Division and Global Business Planning Division Officer December 2020 Executive Officer April 2023 Managing Executive Officer June 2023 Director and Managing Executive Officer (current position)	(Note) 3	90
Director (Outside Director)	Takafumi Isogai	April 4, 1949	January 1987 Assistant Professor, Faculty of Liberal Arts, Osaka University April 1996 Assistant Professor, Graduate School of Engineering Science, Osaka University April 2002 Professor, Faculty of Mercantile Marine, Kobe University of Mercantile Marine October 2003 Professor, Faculty of Maritime Sciences, Kobe University April 2013 Professor, School of Commerce, University of Marketing and Distribution Sciences April 2018 Part Time Lecturer, University of Marketing and Distribution Sciences June 2018 Director, the Company (current position)	(Note) 3	-

Title	Name	Date of birth	Career summary	Term of office	Number of shares held (Hundred shares)
Director (Outside Director)	Kimie Sakuragi	September 6, 1958	<p>March 1981 Joined Fukutake Publishing Co., Ltd. (currently Benesse Holdings, Inc.)</p> <p>January 2003 Manager, Business Ethics and Compliance Office</p> <p>June 2003 Standing Audit &amp; Supervisory Board member</p> <p>April 2007 Adjunct Professor, the University of Aizu Graduate School (current position)</p> <p>June 2019 Director, the Company (current position)</p> <p>June 2021 Outside Director of the Board (Audit and Supervisory Committee Member), Isuzu Motors Limited (current position)</p> <p>June 2021 Outside Director, Kumagai Gumi Co., Ltd. (current position)</p>	(Note) 3	-
Director (Outside Director)	Masaaki Harima	December 9, 1950	<p>April 1977 Assistant Judge, Osaka District Court</p> <p>April 1980 Fukushima District / Family Court Assistant Judge, Fukushima Summary Court Judge</p> <p>May 1981 Registered as an attorney at law (Osaka Bar Association)</p> <p>September 1987 Founded Harima Law Office (currently Fushimimachi Lawyer's Office)</p> <p>April 2010 Chairman, Osaka City Fair Work Committee</p> <p>June 2011 Outside Corporate Auditor, Ishihara Sangyo Kaisha, Ltd. (current position)</p> <p>March 2014 Chairman, Osaka Prefecture Labor Relations Board</p> <p>June 2014 Independence Committee, the Company</p> <p>November 2018 Member, Osaka Prefecture Pollution Examination Committee</p> <p>October 2019 Sakai City Audit Committee Member (current position)</p> <p>June 2020 Director, the Company (current position)</p> <p>April 2021 Chairperson, Osaka Prefecture Pollution Examination Committee (current position)</p>	(Note) 3	-
Director (Outside Director)	Hiroshi Fukushi	April 25, 1958	<p>April 1984 Joined Ajinomoto Co., Inc.</p> <p>June 2011 Corporate Executive Officer</p> <p>June 2013 Member of the Board &amp; Corporate Vice President</p> <p>June 2013 General Manager, Bioscience Products &amp; Fine Chemicals Division</p> <p>June 2015 Member of the Board &amp; Corporate Senior Vice President</p> <p>June 2017 Representative Director</p> <p>June 2019 Director, Corporate Executive Deputy President</p> <p>June 2019 Chief Digital Officer</p> <p>May 2021 Chairman, Japan Food Additives Association (current position)</p> <p>May 2021 Vice Chairman, Japan Food Hygiene Association (current position)</p> <p>June 2021 Representative Executive Officer &amp; Executive Vice President, Ajinomoto Co., Ltd.</p> <p>July 2021 Outside Director of Marketing Applications, Inc. (currently Greater Fukuoka, Inc.) (current position)</p> <p>April 2022 Member of the Board, Executive Officer, Ajinomoto Co., Inc.</p> <p>June 2022 Senior Corporate Advisor (current position)</p> <p>June 2022 Director, the Company (current position)</p> <p>June 2022 Outside Director of MEGMILK SNOW BRAND Co., Ltd. (current position)</p>	(Note) 3	-

Title	Name	Date of birth	Career summary	Term of office	Number of shares held (Hundred shares)
Director (Outside Director)	Shoko Takase	January 4, 1965	<p>April 1987 Joined IBM Japan Ltd.</p> <p>January 2005 Seconded to IBM Corporation (IBM Corporation USA Headquarters)</p> <p>January 2007 Manager of Strategy and Marketing, Global Technology Services, IBM Japan Ltd.</p> <p>January 2010 Brand Executive of Tivoli, Software Group</p> <p>July 2015 Mobile County Leader, Growth Initiatives</p> <p>July 2016 Brand Executive of Resiliency Services, Global Technology Services</p> <p>July 2018 Director, Head of the IBM Cloud Solutions Center, IBM Japan, Ltd.</p> <p>April 2019 Managing Director for Enterprise Sector, Cisco Systems G.K.</p> <p>July 2021 Advisor of TechnoPro Holdings, Inc.</p> <p>September 2021 Outside Director of TechnoPro Holdings, Inc.</p> <p>June 2023 Director, the Company (current position)</p>	(Note) 3	-
Corporate Auditor (Full-time)	Takayuki Tabo	February 5, 1961	<p>April 1983 Joined the Company</p> <p>March 2010 General Manager, Accounting Department</p> <p>October 2013 Deputy Director, General Manager, Accounting Department</p> <p>April 2017 Executive Officer</p> <p>April 2020 President and Chief Operating Officer, Toyobo STC Co., Ltd.</p> <p>June 2021 Corporate Auditor (current position)</p>	(Note) 4	57
Corporate Auditor (Full-time)	Yasuo Ota	December 3, 1959	<p>April 1984 Joined the Company</p> <p>April 2007 Head of the Research Center and Head of the Corporate Research Center, and Deputy General Manager of the Business Development Planning Office</p> <p>October 2009 Deputy Director, General Manager of the Biochemical Department</p> <p>April 2013 Deputy Director, General Manager of the North America Business Operating Department and seconded to Toyobo U.S.A., Inc.</p> <p>April 2015 Executive Officer</p> <p>April 2019 Managing Executive Officer</p> <p>April 2023 Officer in charge of Special Mission by the President, Innovation Division</p> <p>June 2023 Corporate Auditor (current position)</p>	(Note) 4	145
Corporate Auditor (Outside Corporate Auditor)	Akihiko Irie	September 18, 1956	<p>April 1980 Joined Osaka Gas Co., Ltd.</p> <p>June 2009 Corporate Officer</p> <p>April 2012 Corporate Executive Officer</p> <p>April 2015 Deputy Director</p> <p>June 2015 Audit &amp; Supervisory Board Member</p> <p>June 2019 Outside Audit &amp; Supervisory Board Member, Osaka Gas Urban Development Co., Ltd.</p> <p>June 2021 Corporate Auditor, the Company (current position)</p>	(Note) 4	-
Corporate Auditor (Outside Corporate Auditor)	Wakyu Shinmen	January 14, 1957	<p>October 1982 Joined Tohmatsu Awoki &amp; Co. (currently Deloitte Touche Tohmatsu LLC)</p> <p>March 1983 Registered as a certified public accountant</p> <p>August 1997 Appointed as a Designated Engagement Partner (currently Partner) at Deloitte Touche Tohmatsu LLC</p> <p>October 2013 General Manager of the Kansai Business Department, Audit Business Division at Deloitte Touche Tohmatsu LLC</p> <p>September 2021 Retired from Deloitte Touche Tohmatsu LLC</p> <p>September 2022 Established Shinmen Certified Public Accountant Office</p> <p>June 2023 Corporate Auditor, the Company (current position)</p>	(Note) 4	-
Total					1,358

(Notes) 1. Directors Takafumi Isogai, Kimie Sakuragi, Masaaki Harima, Hiroshi Fukushi, and Shoko Takase are Outside Directors.  
2. Corporate Auditors Akihiko Irie and Wakyu Shinmen are Outside Corporate Auditors.



(Executive Officers)

The Company has introduced the executive officer system to invigorate the Board of Directors by separating decision-making/oversight and business execution. There are 26 Executive Officers. Executive Officers who do not serve concurrently as Directors. They are as follows:

Title	Name
Senior Managing Executive Officer Head, Functional Textiles and Trading Division	Shigeo Nishiyama
Senior Managing Executive Officer Controlling Supervisor, Corporate Planning Division; General Manager, Tokyo Branch	Ichiro Takai
Managing Executive Officer Head, Corporate Sustainability Division; Controlling Supervisor, Procurement and Logistics Department	Nobuya Fujiwara
Managing Executive Officer Head, Life Science Division	Takahito Sagara
Managing Executive Officer Head, Films Division	Muneo Hirooka
Executive Officer General Manager, Corporate Business Management Department	Seiji Yamazoe
Executive Officer Deputy Head, Films Division, and General Manager, Films New Business Development Operating Department	Yoshihiro Nomi
Executive Officer General Manager, Environmental and Functional Materials Management Department	Naoki Fujii
Executive Officer	Eiichi Shimizu
Executive Officer	Kazuyuki Kawata
Executive Officer General Manager, Internal Audit Department	Kenji Fujihashi
Executive Officer General Manager, Packaging Operating Department, and Nagoya Branch	Nobuyuki Hoshino
Executive Officer General Manager, Industrial Films Operating Department	Masanao Kudo
Executive Officer General Manager, Biotechnology Operating Department	Atsushi Sogabe
Executive Officer General Manager, Airbag Operating Department	Tadao Kuroki
Executive Officer Head, Quality Assurance Division and General Manager, Quality Assurance Management Department	Masakazu Iwasaki
Executive Officer General Manager, IT and DX Planning Department	Tetsuro Yabuki
Executive Officer General Manger, Corporate Communication Department	Sonoko Ishimaru
Executive Officer	Katsuya Ito
Executive Officer	Takehiko Inada
Executive Officer General Manager, Safety and Disaster Management Department, and Iwakuni Production Center	Hisashi Arimoto
Executive Officer	Kazuhiro Ikeda



(ii) Outside officers

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

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

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

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

(b) Independence standards for outside officers

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

- a. A major shareholder in the Company (refers to a shareholder with a voting rights ownership ratio of 10% or more; the same applies below) or an individual who executes business for that shareholder
- b. An individual who executes business for a company of which the Company is a major shareholder
- c. A business partner of the Company for which the Company is a major partner (refers to a party that provides products or services to the Company for which the average annual transaction amount for the past three fiscal years exceeds 2% of that business partner's annual gross sales) or an individual who executes business for that company
- d. A major business partner of the Company (refers to a party that the Company provides products or services to for which the average annual transaction amount for the past three fiscal years exceeds 2% of the Company's annual gross sales) or an individual who executes business for that company
- e. An individual who executes business as an employee of a financial institution that is a major lender to the Company (refers to a lender for which the loan balance amount is equivalent to more than 2% of the Company's total assets)
- f. An individual who obtains more than ¥10 million per year in cash or other assets in profit from the Company as a specialist, such as a consultant, accountant, or attorney at law, other than officers' compensation (or an individual who belongs to a corporation, etc., that obtains more than ¥100 million per year in this matter)
- g. An individual to whom any item in a. to f. above has applied within the past three years
- h. A relation within the second degree of an individual to whom any item in a. to g. above applies

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

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

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

(3) Audits

(i) Corporate Auditors' audit

(a) Organization, personnel

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

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

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

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

a. Attendance at meetings of the Board of Corporate Auditors and the Board of Directors held during the current fiscal year

Title	Name	Attendance at meetings of the Board of Corporate Auditors	Attendance at meetings of the Board of Directors
Full-time Corporate Auditor	Yasuhiro Iizuka	15/15 (100%)	18/18 (100%)
Full-time Corporate Auditor	Takayuki Tabo	15/15 (100%)	18/18 (100%)
Part-time Corporate Auditor (Outside)	Hiroyuki Sugimoto	15/15 (100%)	18/18 (100%)
Part-time Corporate Auditor (Outside)	Akihiko Irie	15/15 (100%)	18/18 (100%)

The Board of Corporate Auditors holds a regular monthly meeting prior to a meeting of the Board of Directors, and an extraordinary meeting as necessary. The average duration of regular meetings is approximately 70 minutes.

At the Annual General Meeting of Shareholders held on June 28, 2023, Mr. Yasuhiro Iizuka and Mr. Hiroyuki Sugimoto retired as full-time Corporate Auditor and part-time Corporate Auditor, respectively, and Mr. Yasuo Ota and Mr. Wakyu Shinmen assumed the office of full-time Corporate Auditor and part-time Corporate Auditor, respectively.

b. Key matters for consideration at the Board of Corporate Auditors

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

c. Priority audit items and audit activity

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

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

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

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

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

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

(ii) Internal audits

The Company has established the Internal Audit Department as an organization placed under the direct control of President & Representative Director. With its 16 members, the Internal Audit Department conducts internal audits of the Company and group companies based on audit plans, etc. and conducts monitoring activities to evaluate the effectiveness of internal controls. The Internal Audit Department conducts general audits to audit matters regarding the operations that the audited organization is responsible for, audits of the risk management system that addresses major risks related to safety, disaster prevention, quality, and other matters, and thematic audits to audit matters on specified themes. If any item is found in the audits that requires improvement, the Internal Audit Department asks the audited organization to submit an improvement plan and a report on implementing improvement measures in order to check how the improvement plan is being carried out and managed, thereby strengthening internal control.

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

(iii) Accounting audits

a. Name of audit corporation

KPMG AZSA LLC

b. Continuous audit period

54 years

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

c. Certified public accountants who executed business

Yoshihide Takehisa

Tetsuo Yamada

Seiko Ohashi

d. Composition of assistants relating to audit work

The total number of assistants related to the accounting audit of the Company was 34, including 9 certified public accountants and 25 others.

e. Policy for selecting an audit firm and reasons for the selection

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

f. Assessment of the audit firm by Corporate Auditors and the Board of Corporate Auditors

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

(iv) Details of audit fees, etc.

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

(Millions of yen)

Category	Previous fiscal year		Current fiscal year	
	Fees for audit and attestation services	Fees for non-audit services	Fees for audit and attestation services	Fees for non-audit services
Reporting company	87	11	88	2
Consolidated subsidiaries	37	4	23	8
Total	124	15	111	10

Fees for non-audit services paid by the Company to certified public accountants, etc. for audits during the previous fiscal year are related to support for systematic and standardized consolidated accounting.

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

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

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

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

(Millions of yen)

Category	Previous fiscal year		Current fiscal year	
	Fees for audit and attestation services	Fees for non-audit services	Fees for audit and attestation services	Fees for non-audit services
Reporting company	—	88	—	28
Consolidated subsidiaries	26	9	33	2
Total	26	97	33	30

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

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

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

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

c. Fees for other significant audit and attestation services

Not applicable

d. Determination policy for audit fees

Not applicable

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

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

#### (4) Compensation

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

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

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

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

(Content of the Determination Policy (Summary))

##### (a) Basic policy

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

- i) Provide incentives that lead to the Group’s sustained growth and enhance corporate value over the longer term
- ii) Secure highly talented management personnel
- iii) Set determination procedures that are objective and highly transparent

b. The compensation structure and levels are reviewed based upon the company’s business environment, levels of employee salaries, and other companies’ levels based upon surveys conducted by specialized external organizations.

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

##### a. Composition of monetary compensation

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

- i) Basic component based on position (basic compensation)
- ii) Variable component based on performance in the previous fiscal year (short-term incentive compensation)

##### b. The above short-term incentive compensation is determined as follows:

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

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

For Directors: Factor in the Company’s overall performance and the division’s performance at the ratio of 2 to 1

For Executive Officers: Factor in the Company’s overall performance and the division’s performance at the ratio of 1 to 2

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

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

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

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

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

In order to increase incentives to sustainably enhance corporate value and to promote more value sharing with shareholders, a certain percentage of compensation is granted annually as non-monetary compensation for granting restricted shares (non-performance-based, provided in advance).

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

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

- (e) Other matters related to deciding on the determination policy for content of individual compensation, etc.
- a. Compensation for Outside Directors is to be fixed monetary compensation in view of their role and independence.
  - b. Compensation for Corporate Auditors is to be fixed monetary compensation in accordance with their duties and responsibilities, and is to be decided by discussions with the Corporate Auditors in view of their duties and responsibilities.
  - c. The Nomination and Compensation Advisory Committee, in which Outside Directors account for a majority of the members, has been established as an advisory body to the Board of Directors to ensure the transparency and objectivity of decisions on compensation. The Nomination and Compensation Advisory Committee is chaired by an Outside Director. The Nomination and Compensation Advisory Committee receives a request for advice from the Board of Directors and deliberates on the system, level, and method of calculating the compensation, in addition to the target value set for the evaluation of the Company's overall performance that forms part of the compensation by position. The Board of Directors makes the final decision on the amount of individual compensation based upon the report from the Nomination and Compensation Advisory Committee.

<Reference>

Based on discussions about social trends surrounding executive compensation, appropriate incentives for performance improvement, and other matters, the Board of Directors partially revised by resolution the compensation system on April 25, 2022, and the changes have been in place since July 2022.

The major changes are as follows:

(1) Composition ratio of compensation

The guidance ratio of the basic compensation by position, the short-term incentive compensation, and the long-term incentive compensation (restricted share compensation) has been changed as follows:

Before the change : 7:2:1

After the change : 6:3:1

(2) Composition ratio of short-term incentive compensation

Before the change: The short-term incentive compensation was calculated by taking into account the assessment of the Company's overall performance and the division's performance.

After the change: The short-term incentive compensation is calculated by factoring in the Company's overall performance and the division's performance, applying the following ratios:

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

For Directors: Factor in the Company's overall performance and the division's performance at the ratio of 2 to 1

For Executive Officers: Factor in the Company's overall performance and the division's performance at the ratio of 1 to 2

(3) KPI for determining short-term incentive compensation

The KPI for the Company's overall performance has been changed from consolidated operating profit to EBITDA to link it to the 2025 Medium-Term Management Plan targets.

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

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

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

Officer category	Total amount of compensation, etc. (Millions of yen)	Total amount of compensation, etc. by type (Millions of yen)			Number of eligible officers (People)
		Basic compensation	Performance-based compensation, etc.	Non-monetary compensation, etc. (Restricted share compensation)	
Directors (excluding Outside Directors)	357	225	101	31	7
Corporate Auditors (excluding Outside Corporate Auditors)	52	52	—	—	2
Outside officers	68	68	—	—	7

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

(5) Shareholdings

(i) Criteria for equity investment category and approach

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

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

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

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

Each year, the Board of Directors examines each equity investment held for purposes other than pure investment with respect to the investee's future business strategies and business relationships, and determines whether to continue holding the equity investment. The Board of Directors discussed the status of shareholdings as of the end of March 2023 at its meeting held on April 25, 2023, and confirmed that some stocks will be sold.

(b) Number of stocks and carrying amounts

	Number of stocks (Stock)	Total carrying amount (Millions of yen)
Unlisted shares	52	1,320
Shares other than unlisted shares	10	1,682

(Stocks that increased during the current fiscal year)

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

(Stocks that decreased during the current fiscal year)

	Number of stocks (Stock)	Total selling prices for the decrease in stocks (Millions of yen)
Unlisted shares	1	0
Shares other than unlisted shares	4	411



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

## Specified equity investments

Stocks	Current fiscal year	Previous fiscal year	Purpose of holding, outline of business alliance, quantitative effects from holdings, and reason for share increase	Shares held in the Company
	Number of shares (Shares)	Number of shares (Shares)		
	Carrying amount (Millions of yen)	Carrying amount (Millions of yen)		
Mitsubishi Gas Chemical Company, Inc.	225,600	273,900	The Company holds the shares to maintain and strengthen the relationship with the issuer as a strategic partner for supplying raw materials for high-performance products. The Company sold a portion of the shares in the current fiscal year.	Yes
	442	570		

Stocks	Current fiscal year	Previous fiscal year	Purpose of holding, outline of business alliance, quantitative effects from holdings, and reason for share increase	Shares held in the Company
	Number of shares (Shares)	Number of shares (Shares)		
	Carrying amount (Millions of yen)	Carrying amount (Millions of yen)		
Taisei Lamick Co., Ltd.	108,267	107,114	The issuer is a key customer of the Company's packaging films business, and the Company holds its shares to maintain a stable relationship. The increase in shares held is due to the Shareholding Association.	No
	311	287		
Stanley Electric Co., Ltd.	100,000	100,000	The issuer is a key customer of the Company's engineering plastics business, and the Company holds the shares to maintain a stable relationship because it operates the business globally.	No
	293	232		
Toppan Inc.	90,000	183,886	The issuer is a key customer of the Company's industrial films and packaging films businesses, and the Company holds its shares to maintain a stable relationship. The Company sold a portion of the shares in the current fiscal year.	Yes
	239	398		
Yagi & Co., Ltd.	142,900	142,900	The issuer is a key customer of the Company's high performance fibers business, and the Company holds the shares to maintain a stable relationship because it operates the business globally.	Yes
	182	179		
France Bed Holdings Co., Ltd.	99,600	99,600	The issuer is a key customer of the Company's nonwoven materials business, and the Company holds its shares to maintain a stable relationship.	Yes
	105	86		
Hisamitsu Pharmaceutical Co., Inc.	20,000	20,000	The issuer is a key customer of the Company's industrial films business, and the Company holds its shares to maintain a stable relationship.	No
	75	73		
Sun A Kaken Co., Ltd.	35,000	35,000	The issuer is a key customer of the Company's industrial films and packaging films businesses, and the Company holds its shares to maintain a stable relationship.	No
	16	19		
Maruto Sangyo Co., Ltd.	4,575	4,575	The issuer is a key customer of the Company's packaging films business, and the Company holds its shares to maintain a stable relationship.	No
	8	9		
Kaneka Corporation	2,000	2,000	The issuer is a key customer of the Company's environmental solutions business, and the Company holds its shares to maintain a stable relationship.	No
	6	7		
Nakamoto Packs Co., Ltd.	—	40,000	The Company has no stocks, as it sold all of its stocks during the current fiscal year.	No
	—	63		
Nippon Shokubai Co., Ltd.	—	8,000	The Company has no stocks, as it sold all of its stocks during the current fiscal year.	No
	—	43		

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

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

(iii) Equity investments held for pure investment purposes

Not applicable

## V. Financial Information

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

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

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

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

### 2. Audit and attestation

The consolidated and non-consolidated financial statements of the Company for the current fiscal year (from April 1, 2022 to March 31, 2023) are audited by KPMG AZSA LLC, in accordance with the provisions of Article 193-2, paragraph (1) of the Financial Instruments and Exchange Act.

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

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

# 1. Consolidated Financial Statements, etc.

## (1) Consolidated Financial Statements

### (i) Consolidated Balance Sheets

(Millions of yen)

	2022 (As of March 31, 2022)	2023 (As of March 31, 2023)
<b>Assets</b>		
Current assets		
Cash and deposits	*2 27,176	*2 60,703
Notes receivable - trade	7,437	5,873
Accounts receivable - trade	83,644	82,553
Contract assets	421	407
Electronically recorded monetary claims – operating	10,747	12,295
Merchandise and finished goods	57,362	75,343
Work in process	14,483	16,556
Raw materials and supplies	24,204	30,002
Other	14,150	15,672
Allowance for doubtful accounts	(311)	(271)
<b>Total current assets</b>	<b>239,314</b>	<b>299,133</b>
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	*7 53,960	*7 54,515
Machinery, equipment, and vehicles, net	*7 51,786	*7 46,907
Land	*6 91,586	*6 90,816
Construction in progress	21,721	39,829
Other, net	8,522	8,166
<b>Total property, plant, and equipment</b>	<b>*1.*2 227,574</b>	<b>*1.*2 240,234</b>
Intangible assets		
Other	4,307	4,633
<b>Total intangible assets</b>	<b>4,307</b>	<b>4,633</b>
Investments and other assets		
Investment securities	*4 19,064	*4 13,951
Retirement benefit asset	562	702
Deferred tax assets	18,449	21,527
Other	*4 9,476	*4 9,857
Allowance for doubtful accounts	(972)	(1,131)
<b>Total investments and other assets</b>	<b>46,579</b>	<b>44,906</b>
<b>Total non-current assets</b>	<b>278,460</b>	<b>289,773</b>
<b>Total assets</b>	<b>517,774</b>	<b>588,906</b>

(Millions of yen)

	2022 (As of March 31, 2022)	2023 (As of March 31, 2023)
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	46,876	53,436
Electronically recorded monetary obligations – operating	6,326	5,156
Short-term borrowings	40,592	71,595
Current portion of bonds payable	–	10,000
Current portion of long-term borrowings	21,418	29,472
Provision for bonuses	4,778	4,776
Other	*2,*5 26,759	*2,*5 28,064
Total current liabilities	146,750	202,500
Non-current liabilities		
Bonds payable	55,000	65,000
Long-term borrowings	70,681	49,099
Deferred tax liabilities for land revaluation	19,641	19,641
Provision for retirement benefits for directors (and other officers)	236	239
Provision for environmental measures	12	12
Retirement benefit liability	19,841	22,427
Other	8,465	8,566
Total non-current liabilities	173,876	164,984
Total liabilities	320,626	367,484
<b>Net assets</b>		
Shareholders' equity		
Share capital	51,730	51,730
Capital surplus	32,193	32,402
Retained earnings	74,700	70,490
Treasury shares	(221)	(781)
Total shareholders' equity	158,402	153,840
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4,882	3,434
Deferred gains or losses on hedges	7	67
Revaluation reserve for land	*6 41,562	*6 41,435
Foreign currency translation adjustment	(7,656)	(4,556)
Adjustment of defined benefit plans	(2,321)	(4,632)
Total accumulated other comprehensive income	36,474	35,748
Non-controlling interests	2,273	31,834
Total net assets	197,149	221,422
<b>Total liabilities and net assets</b>	<b>517,774</b>	<b>588,906</b>

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

## Consolidated Statements of Income

(Millions of yen)

	2022 (From April 1, 2021 to March 31, 2022)	2023 (From April 1, 2022 to March 31, 2023)
Net sales	*1 375,720	*1 399,921
Cost of sales	*2 279,594	*2 314,915
Gross profit	96,126	85,006
Selling, general and administrative expenses	*3,*4 67,696	*3,*4 74,943
Operating profit	28,430	10,063
Non-operating income		
Dividend income	531	323
Share of profit of entities accounted for using the equity method	161	342
Foreign exchange gains	673	443
Insurance claim income	123	250
Other	918	1,088
Total non-operating income	2,406	2,446
Non-operating expenses		
Interest expenses	1,211	1,328
Loss on suspension of production	953	—
Salaries paid to dispatched employees	746	699
Other	4,833	3,891
Total non-operating expenses	7,743	5,919
Ordinary profit	23,092	6,590
Extraordinary income		
Gain on sale of non-current assets	—	*5 1,200
Gain on sale of investment securities	*6 6,529	*6 2,946
Insurance claim income	—	*7 5,607
Total extraordinary income	6,529	9,753
Extraordinary losses		
Impairment losses	*9 9,362	*9 9,794
Loss on disposal of non-current assets	*8 4,232	*8 3,851
Other	1,232	2,086
Total extraordinary losses	14,825	15,731
Profit before income taxes	14,796	612
Income taxes - current	5,627	3,202
Income taxes - deferred	(2,892)	(1,783)
Total income taxes	2,735	1,419
Profit (loss)	12,061	(807)
Loss attributable to non-controlling interests	(804)	(152)
Profit (loss) attributable to owners of the parent	12,865	(655)

Consolidated Statements of Comprehensive Income

(Millions of yen)

	2022 (From April 1, 2021 to March 31, 2022)	2023 (From April 1, 2022 to March 31, 2023)
Profit (loss)	12,061	(807)
Other comprehensive income		
Valuation difference on available-for-sale securities	(2,151)	(1,428)
Deferred gains or losses on hedges	(4)	60
Foreign currency translation adjustment	3,320	2,815
Adjustment for defined benefit plans, net of tax	(1,356)	(2,311)
Share of other comprehensive income of entities accounted for using the equity method	243	439
Total other comprehensive income	* 51	* (425)
Comprehensive income	12,112	(1,232)
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	12,745	(1,254)
Comprehensive income attributable to non-controlling interests	(633)	21

## (iii) Consolidated Statements of Changes in Net Assets

For the fiscal year ended March 31, 2022

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at the beginning of the current fiscal year	51,730	32,202	64,351	(294)	147,989
Cumulative effects of changes in accounting policies			(108)		(108)
Restated balance	51,730	32,202	64,243	(294)	147,881
Changes during period					
Dividends of surplus			(3,554)		(3,554)
Profit attributable to owners of the parent			12,865		12,865
Reversal of revaluation reserve for land			1,146		1,146
Purchase of treasury shares				(2)	(2)
Disposal of treasury shares		(9)		76	68
Net changes in items other than shareholders' equity					
Total changes during period	—	(9)	10,457	74	10,522
Balance at the end of the current fiscal year	51,730	32,193	74,700	(221)	158,402

	Accumulated other comprehensive income						Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Adjustment of defined benefit plans	Total accumulated other comprehensive income		
Balance at the beginning of the current fiscal year	7,038	11	42,708	(11,052)	(965)	37,740	2,906	188,635
Cumulative effects of changes in accounting policies								(108)
Restated balance	7,038	11	42,708	(11,052)	(965)	37,740	2,906	188,527
Changes during period								
Dividends of surplus								(3,554)
Profit attributable to owners of the parent								12,865
Reversal of revaluation reserve for land								1,146
Purchase of treasury shares								(2)
Disposal of treasury shares								68
Net changes in items other than shareholders' equity	(2,156)	(4)	(1,146)	3,396	(1,356)	(1,266)	(633)	(1,900)
Total changes during period	(2,156)	(4)	(1,146)	3,396	(1,356)	(1,266)	(633)	8,622
Balance at the end of the current fiscal year	4,882	7	41,562	(7,656)	(2,321)	36,474	2,273	197,149



For the fiscal year ended March 31, 2023

(Millions of yen)

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

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

## (iv) Consolidated Statements of Cash Flows

(Millions of yen)

	2022 (From April 1, 2021 to March 31, 2022)	Current fiscal year (From April 1, 2022 to March 31, 2023)
<b>Cash flows from operating activities</b>		
Profit before income taxes	14,796	612
Depreciation	20,080	19,050
Impairment losses	9,362	9,794
Increase (decrease) in allowance for doubtful accounts	265	98
Increase (decrease) in retirement benefit liability	(340)	461
Decrease (increase) in retirement benefit asset	(331)	(1,456)
Interest and dividend income	(605)	(448)
Interest expenses	1,211	1,328
Share of loss (profit) of entities accounted for using equity method	(161)	(342)
Loss (gain) on sales and disposal of property, plant and equipment, net	4,268	2,651
Loss (gain) on sale and valuation of investment securities	(5,472)	(2,067)
Loss (gain) on sale of shares of subsidiaries and associates	—	289
Insurance claim income	—	(5,607)
Decrease (increase) in trade receivables	(6,866)	2,322
Decrease (increase) in inventories	(18,212)	(24,551)
Increase (decrease) in trade payables	6,295	4,557
Other, net	(3,530)	1,001
Subtotal	20,760	7,693
Income taxes refund (paid)	(3,663)	(5,502)
Receipt of insurance claims	—	5,607
Net cash provided by (used in) operating activities	17,097	7,798
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment, and intangible assets	(29,112)	(39,158)
Proceeds from sale of property, plant and equipment, and intangible assets	39	2,345
Proceeds from sale of shares of subsidiaries and associates	—	2,194
Proceeds from sale of investment securities	11,485	3,652
Long-term loan advances	(53)	(88)
Proceeds from collection of long-term loans receivable	13	38
Interest and dividends received	668	507
Other, net	(7,649)	(5,501)
Net cash provided by (used in) investing activities	(24,608)	(36,011)
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term borrowings	(611)	30,606
Proceeds from long-term borrowings	14,959	23,087
Repayments of long-term borrowings	(10,370)	(37,018)
Proceeds from issuance of bonds	10,000	20,000
Redemption of bonds	(10,000)	—
Purchase of treasury shares	(3)	(682)
Interest paid	(1,225)	(1,324)
Dividends paid	(3,553)	(3,555)
Dividends paid to non-controlling interests	—	(14)
Proceeds from share issuance to non-controlling shareholders	—	30,000
Other, net	(926)	194
Net cash provided by (used in) financing activities	(1,729)	61,295
Effect of exchange rate change on cash and cash equivalents	1,143	688
Net increase (decrease) in cash and cash equivalents	(8,097)	33,771
Cash and cash equivalents at beginning of period	34,526	26,433
Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries	5	—
Cash and cash equivalents at end of period	* 26,433	* 60,204

## Notes to Consolidated Financial Statements

(Significant accounting policies for preparation of consolidated financial statements)

### 1. Disclosure of scope of consolidation

#### (1) Number of consolidated subsidiaries: 52

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

Toyobo MC Corporation and Toyobo MC U.S.A., INC., both of which are newly established subsidiaries, have been included in the scope of consolidation from the current fiscal year. Pt. Toyobo Knitting Indonesia, which completed the distribution of residual assets in liquidation procedures, has been excluded from the scope of consolidation. Toyobo Uni-Products Co., Ltd. has changed its trade name to Toyobo Textile Co., Ltd., and Pt. Shinko Toyobo Gistex Garment has changed its trade name to Pt. Shinko Toyobo Garment.

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

### 2. Disclosure about application of the equity method

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

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

Japan U-Pica Co., Ltd. has been excluded from the scope of the application of the equity method from the current fiscal year, as the Company transferred all of the shares it had held in Japan U-Pica. In addition, PHP Fibers GmbH has changed its trade name to Indorama Ventures Mobility Obernburg GmbH.

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

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

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

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

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

In the current fiscal year, Arabian Japanese Membrane Company, LLC and Pt. Indonesia Toyobo Film Solutions changed their fiscal year-end from December 31 to March 31, so that at these subsidiaries, the fiscal year-end is now the same as the consolidated fiscal year-end. At these subsidiaries, the accounting period for the current fiscal year is 15 months.

### 4. Disclosure of accounting policies

#### (1) Evaluation standards and methods for significant assets

##### Securities

##### Held-to-maturity securities

Stated at amortized cost (straight-line method).

##### Available-for-sale securities

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

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

(ii) Shares, etc. with no market price

Stated at cost using the moving-average method.

Inventories

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

(2) Depreciation and amortization methods for significant depreciable assets

Property, plant and equipment (excluding lease assets)

Depreciated using the straight-line method.

Intangible assets (excluding lease assets)

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

Leased assets

Leased assets concerning finance lease transactions that transfer ownership

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

Leased assets concerning finance lease transactions that do not transfer ownership

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

(3) Standards for recording significant provisions

Allowance for doubtful accounts

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

Provision for bonuses

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

Provision for retirement benefits for directors (and other officers)

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

Provision for environmental measures

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

(4) Significant accounting policies for retirement benefits

(i) Attribution method for estimated amounts of retirement benefits

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

(ii) Amortization of actuarial differences and prior service costs

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

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

(iii) Accounting for unrecognized actuarial gains and losses and unrecognized prior service costs

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

#### (5) Standards for recognizing significant revenue and expenses

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

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

Step 2: Identify the performance obligations in the contract.

Step 3: Determine the transaction price.

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

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

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

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

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

#### (6) Method of significant hedge accounting

##### Method of hedge accounting

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

##### Hedging instruments and hedged items

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

##### Hedging policy

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

##### Method for evaluating hedging effectiveness

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

#### (7) Method for goodwill amortization and amortization period

Goodwill is amortized over five years.

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

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

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

Accounting treatment for deferred assets

Charged to expenses in full at the time of payment.

(Significant accounting estimates)

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

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023
Property, plant and equipment	227,574	240,234
Retirement benefit liability	19,841	22,427

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

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

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

(1) Property, plant and equipment

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

(2) Retirement benefit liability

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

The following illustrates the amount of impact in a case where there is a change in the discount rate (a discount rate of 0.6% is primarily used for the end of the current fiscal year) used for accounting estimates to measure retirement benefit liability.

(Millions of yen)

Amount of impact on retirement benefit liability at the end of the current fiscal year	
Discount rates: decrease of 0.5 percentage points	3,662
Discount rates: increase of 0.5 percentage points	(3,375)

(Changes in presentation method)

(Consolidated statements of income)

Share of profit of entities accounted for using the equity method, which was included in 'other' under non-operating income in the previous fiscal year, is presented separately in the current fiscal year because the item now accounts for 10% or more of total non-operating income. Subsidy income, which was presented separately under non-operating income in the previous fiscal year, is included in 'other' in the current fiscal year because the item now accounts for 10% or less of total non-operating income. To reflect these changes in presentation method, the consolidated financial statements for the previous fiscal year have been reclassified.

As a result, for the consolidated statement of income for the previous fiscal year, 'other' of ¥993 million and subsidy income of ¥87 million, previously presented under non-operating income, have been reclassified into share of profit of entities accounted for using equity method of ¥161 million and 'other' of ¥918 million.

Salaries paid to dispatched employees, which was included in 'other' under non-operating expenses in the previous fiscal year, is presented separately in the current fiscal year because the item now accounts for 10% or more of total non-operating expenses. To reflect this change in presentation method, the consolidated financial statements for the previous fiscal year have been reclassified.

As a result, for the consolidated statement of income for the previous fiscal year, 'other' of ¥5,579 million, previously presented under non-operating expenses, has been reclassified into salaries paid to dispatched employees of ¥746 million and 'other' of ¥4,833 million.



(Consolidated balance sheets)

\*1. Accumulated depreciation directly deducted from property, plant, and equipment was ¥439,652 million for the previous fiscal year and ¥435,047 million for the current fiscal year.

\*2. Assets pledged as collateral, and collateralized debt obligations

Assets pledged as collateral are as follows:

	As of March 31, 2022	As of March 31, 2023
Cash and deposits	¥2 million	¥2 million
Property, plant and equipment	226	209
Total	¥228 million	¥211 million

Collateralized debt obligations are as follows:

	As of March 31, 2022	As of March 31, 2023
Other current liabilities (deposits received)	¥106 million	¥106 million
Total	¥106 million	¥106 million

3. Guarantee obligations

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

	As of March 31, 2022		As of March 31, 2023
PT.TRIAS TOYOBO ASTRIA	¥2,098 million	Toyobo Indorama Advanced Fibers Co.,Ltd.	¥3,502 million
Toyobo Indorama Advanced Fibers Co.,Ltd.	1,178	PT.TRIAS TOYOBO ASTRIA	1,665
PHP Fibers GmbH (Note)	957	Indorama Ventures Mobility Obernburg GmbH (Note)	962
Cast Film Japan Co., Ltd.	675	Cast Film Japan Co., Ltd.	675
Nippon Dyneema Co., Ltd.	344	Nippon Dyneema Co., Ltd.	86
Employee housing loans (1 case)	1	Employee housing loans (1 case)	0
Total	¥5,253 million	Total	¥6,889 million

(Note) PHP Fibers GmbH changed its trade name to Indorama Ventures Mobility Obernburg GmbH in the current fiscal year.

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

	As of March 31, 2022	As of March 31, 2023
Investment securities (shares)	¥7,869 million	¥5,689 million
[of which, the amount on the right is the amount of investment in companies under common control]	[2,471]	(2,471)
“Other” under investments and other assets (investments)	1,963	2,428

\*5 Contract liabilities

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

\*6. Revaluation reserve for land

In accordance with the Act on Revaluation of Land (Act No. 34 published on March 31, 1998), the Company and two

consolidated subsidiaries (in the previous fiscal year, the Company, two consolidated subsidiaries and one associate accounted for using the equity method) revaluated land for business purposes, and recorded the revaluation reserve for land in net assets.

(1) The Company and one consolidated subsidiary (in the previous fiscal year, the Company, one consolidated subsidiary and one associate accounted for using the equity method)

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

- Land revaluation date: March 31, 2002

	As of March 31, 2022	As of March 31, 2023
Difference between the year-end fair value of land subject to revaluation and the carrying amount after the revaluation	¥31,840 million	¥31,620 million

(2) One consolidated subsidiary

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

- Land revaluation date: March 31, 2000

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

\*7. Amount of accelerated depreciation for tax purposes

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

	As of March 31, 2022	As of March 31, 2023
Amount of accelerated depreciation for tax purposes	¥607 million	¥607 million
[Of which, the amount on the right is the amount of buildings and structures]	[281]	(281)
[Of which, the amount on the right is the amount of machinery, equipment, and vehicles]	(327)	(327)

\*8. Others

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

	As of March 31, 2022	As of March 31, 2023
Total amount of committed lines of credit	¥17,500 million	¥17,500 million
Executed loan balance	—	—
Unexecuted loan balance	¥17,500 million	¥17,500 million

(Consolidated statements of income)

\*1. Revenue from contracts with customers

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

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

For the fiscal year ended March 31, 2022	For the fiscal year ended March 31, 2023
¥2,370 million	¥3,307 million

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

	For the fiscal year ended March 31, 2022	For the fiscal year ended March 31, 2023
Transport and storage costs	¥13,371 million	¥13,754 million
Salaries and bonuses	17,478	18,067
Provision for bonuses	1,993	2,338
Retirement benefit expenses	1,177	1,196
Research and development expenses	13,709	14,011

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

For the fiscal year ended March 31, 2022	For the fiscal year ended March 31, 2023
¥13,792 million	¥14,112 million

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

For the fiscal year ended March 31, 2022		For the fiscal year ended March 31, 2023	
Buildings and structures	¥— million	Buildings and structures	¥547 million
Land	—	Land	645
‘Other’ under property, plant, and equipment	—	‘Other’ under property, plant, and equipment	8
Total	¥— million	Total	¥1,200 million

\*6. Gain on sale of investment securities

For the fiscal year ended March 31, 2022

All are related to available-for-sale securities.

For the fiscal year ended March 31, 2023

All are related to available-for-sale securities.

\*7. Insurance claim income

For the fiscal year ended March 31, 2023

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

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

For the fiscal year ended March 31, 2022		For the fiscal year ended March 31, 2023	
Buildings and structures	¥2,208 million	Buildings and structures	¥2,332 million
Machinery, equipment, and vehicles	1,977	Machinery, equipment, and vehicles	1,454
‘Other’ under property, plant, and equipment	46	‘Other’ under property, plant, and equipment	65
Total	¥4,232 million	Total	¥3,851 million

\*9. Impairment losses

For the fiscal year ended March 31, 2022

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

Location	Use	Main type
Toyobo Co., Ltd. Otsu Pharmaceuticals Plant (Otsu, Shiga)	Business assets (Facility for contract manufacturing of pharmaceuticals)	Buildings and structures Machinery, equipment, and vehicles Construction in progress and others
Toyobo Co., Ltd. Shogawa Plant, Nyuzen Plant, Inami Plant (Imizu, Toyama; Shimoniikawa- gun, Toyama; Nanto, Toyama)	Assets to be suspended	Buildings and structures Machinery, equipment, and vehicles Land and others
Xenomax - Japan Co., Ltd. Head office plant (Tsuruga, Fukui)	Business assets (Film production facility)	Buildings and structures Machinery, equipment, and vehicles and others

The Group's business assets are classified by administrative accounting categories, and assets scheduled for disposal and idle assets are grouped together on an individual basis. The recoverable amount of the business assets fell below their carrying amount in the current fiscal year due to changes in the business environment, etc. Therefore, the carrying amount of these assets has been reduced to the recoverable amount, and the amount of the reduction was recognized as an impairment loss of ¥9,362 million.

The breakdown is as follows:

Buildings and structures	¥2,732 million
Machinery, equipment, and vehicles	¥2,447 million
Land	¥1,646 million
Construction in progress	¥2,062 million
Other	<u>¥476 million</u>
Total	¥9,362 million

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

Regarding the recoverable amount of the aforementioned asset groups, the Group used either the value in use, for which the undiscounted future cash flow, calculated using rational estimates, was discounted by a discount rate of 5.0%, or the net selling price calculated by deducting estimated disposal expenses from the value computed based on indicators deemed to appropriately reflect market prices such as a roadside land price.

For the fiscal year ended March 31, 2023

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

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

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

The breakdown is as follows:

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

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

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

## (Consolidated statements of comprehensive income)

## \* Reclassification adjustments and tax effects relating to other comprehensive income

	For the fiscal year ended March 31, 2022	For the fiscal year ended March 31, 2023
Valuation difference on available-for-sale securities:		
Amount arising during the period	¥2,295 million	¥862 million
Reclassification adjustment	(5,447)	(2,946)
Amount before the effect of tax	(3,152)	(2,083)
Tax effect	1,001	655
Valuation difference on available-for-sale securities	(2,151)	(1,428)
Deferred gains or losses on hedges:		
Amount arising during the period	(2)	96
Reclassification adjustment	(5)	(7)
Amount before the effect of tax	(7)	89
Tax effect	3	(29)
Deferred gains or losses on hedges	(4)	60
Foreign currency translation adjustment:		
Amount arising during the period	3,321	2,399
Reclassification adjustment	—	475
Amount before the effect of tax	3,321	2,874
Tax effect	(1)	(59)
Foreign currency translation adjustment	3,320	2,815
Adjustment of defined benefit plans:		
Amount arising during the period	(1,811)	(3,371)
Reclassification adjustment	(160)	23
Amount before the effect of tax	(1,971)	(3,348)
Tax effect	615	1,037
Adjustment for defined benefit plans, net of tax	(1,356)	(2,311)
Share of other comprehensive income of entities accounted for using the equity method:		
Amount arising during the period	243	439
Reclassification adjustment	—	—
Share of other comprehensive income of entities accounted for using the equity method	243	439
Total other comprehensive income	51	(425)

(Consolidated statements of changes in net assets)

For the fiscal year ended March 31, 2022

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

	Number of shares at the beginning of the current fiscal year (Thousand shares)	Increase during the current fiscal year (Thousand shares)	Decrease during the current fiscal year (Thousand shares)	Number of shares at the end of the current fiscal year (Thousand shares)
Issued shares				
Common shares	89,048	—	—	89,048
Total	89,048	—	—	89,048
Treasury shares				
Common shares (Notes) 1, 2	203	2	53	152
Total	203	2	53	152

(Notes) 1. The increase in 2,000 common shares of treasury stock consists of purchases of shares in amounts less than one unit.

2. The decrease of 53,000 common shares in treasury stock consists of a decrease due to disposal of treasury shares as restricted shares.

2. Share acquisition rights and own-share acquisition rights

Not applicable

3. Dividends

(1) Dividends paid

(Resolution)	Share class	Total dividend (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
Annual General Meeting of Shareholders on June 24, 2021	Common shares	3,554	40	March 31, 2021	June 25, 2021

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

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

For the fiscal year ended March 31, 2023

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

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

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

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

2. Share acquisition rights and own-share acquisition rights

Not applicable

3. Dividends

(1) Dividends paid

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

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

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

(Consolidated statements of cash flows)

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

	For the fiscal year ended March 31, 2022	For the fiscal year ended March 31, 2023
Cash and deposits	¥27,176 million	¥60,703 million
Time deposits maturing after three months	(743)	(499)
Cash and cash equivalents	¥26,433 million	¥60,204 million

(Leases)

1. Finance leases (lessor)

(1) Finance lease transactions that transfer ownership

(i) Type of leased asset

Property, plant and equipment

Mainly production facilities (Machinery, equipment, and vehicles)

(ii) Method of depreciating lease assets

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

(2) Finance lease transactions that do not transfer ownership

(i) Type of leased asset

(a) Property, plant, and equipment

Mainly OA devices (other property, plant and equipment)

(b) Intangible assets

Software (other intangible assets)

(ii) Method of depreciating lease assets

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



2. Operating leases (lessor)

Lease receivables for non-cancelable operating leases

	As of March 31, 2022	As of March 31, 2023
Lease receivables at end of period		
Within 1 year	¥673 million	¥604 million
Over 1 year	4,615	4,011
Total	¥5,288 million	¥4,615 million

(Financial instruments)

1. Overall status of financial instruments

(1) Policy on the use of financial instruments

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

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

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

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

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

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

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

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

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

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

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

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

The following table summarizes the carrying amounts and the estimated fair values of financial instruments as of March 31, 2022 and 2023.

As of March 31, 2022

(Millions of yen)

	Book value	Fair value	Difference
(1) Investment securities (*2)			
Available-for-sale securities	8,845	8,845	—
Total assets	8,845	8,845	—
(2) Bonds payable	55,000	54,742	(258)
(3) Long-term borrowings	92,100	92,313	213
Total liabilities	147,100	147,055	(45)
Derivatives (*4)			
(i) Derivatives to which hedge accounting is not applied	(139)	(139)	—
(ii) Derivatives to which hedge accounting is applied	10	10	—
Total derivatives	(129)	(129)	—

As of March 31, 2023

(Millions of yen)

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

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

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

(Millions of yen)

Category	As of March 31, 2022	As of March 31, 2023
Unlisted shares	9,911	7,389

(\*3) The Company adopts the treatment that does not require notes on fair value of investments in partnerships for which equity interests are recorded on a net basis or in any other similar entities, and therefore has omitted the notes on fair value. The carrying amounts of these financial instruments were ¥308 million at the end of the previous fiscal year and ¥513 million at the end of the current fiscal year.

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

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

As of March 31, 2022

(Millions of yen)

	Within 1 year	Over 1 year and within 5 years	Over 5 years and within 10 years	Over 10 years
Cash and deposits	27,176	—	—	—
Notes receivable - trade	7,437	—	—	—
Accounts receivable - trade	83,644	—	—	—
Total	118,258	—	—	—

As of March 31, 2023

(Millions of yen)

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

(Note 2) Scheduled repayment amounts of short-term borrowings, bonds payable, and long-term borrowings after the consolidated fiscal year-end

As of March 31, 2022

(Millions of yen)

	Within 1 year	Over 1 year and within 2 years	Over 2 years and within 3 years	Over 3 years and within 4 years	Over 4 years and within 5 years	Over 5 years
Short-term borrowings	40,592	—	—	—	—	—
Bonds payable	—	10,000	15,000	10,000	10,000	10,000
Long-term borrowings	21,418	29,352	9,454	6,308	8,899	16,668
Total	62,011	39,352	24,454	16,308	18,899	26,668

As of March 31, 2023

(Millions of yen)

	Within 1 year	Over 1 year and within 2 years	Over 2 years and within 3 years	Over 3 years and within 4 years	Over 4 years and within 5 years	Over 5 years
Short-term borrowings	71,595	—	—	—	—	—
Bonds payable	10,000	15,000	10,000	10,000	20,000	10,000
Long-term borrowings	29,472	9,799	6,639	9,191	12,972	10,499
Total	111,068	24,799	16,639	19,191	32,972	20,499

### 3. Breakdown of financial instruments according to the level of the fair value hierarchy

Fair value of financial instruments has been classified into the following three levels according to the observability and importance of inputs used for measuring fair value. If multiple inputs that are significant to the fair value measurement are used, the fair value measurement is categorized in its entirety in the level of the lowest level input that is significant to the entire measurement.

Level 1 fair value: Fair value measured using observable inputs, i.e. quoted prices in active markets for assets or liabilities that are the subject of the measurement

Level 2 fair value: Fair value measured using observable inputs other than Level 1 inputs

Level 3 fair value: Fair value measured using unobservable inputs

#### (1) Financial instruments carried at fair value on the consolidated balance sheets

As of March 31, 2022

(Millions of yen)

Category	Fair value			
	Level 1	Level 2	Level 3	Total
Investment securities				
Available-for-sale securities				
Shares	8,845	—	—	8,845
Total assets	8,845	—	—	8,845
Derivatives				
Currency-related	—	(140)	—	(140)
Interest rate-related	—	11	—	11
Total derivatives	—	(129)	—	(129)

As of March 31, 2023

(Millions of yen)

Category	Fair value			
	Level 1	Level 2	Level 3	Total
Investment securities				
Available-for-sale securities				
Shares	6,049	—	—	6,049
Total assets	6,049	—	—	6,049
Derivatives				
Currency-related	—	46	—	46
Total derivatives	—	46	—	46

(2) Financial instruments not carried at fair value on the consolidated balance sheets

As of March 31, 2022

(Millions of yen)

Category	Fair value			
	Level 1	Level 2	Level 3	Total
Bonds payable	—	54,742	—	54,742
Long-term borrowings	—	92,313	—	92,313
Total liabilities	—	147,055	—	147,055

As of March 31, 2023

(Millions of yen)

Category	Fair value			
	Level 1	Level 2	Level 3	Total
Bonds payable	—	74,901	—	74,901
Long-term borrowings	—	78,533	—	78,533
Total liabilities	—	153,434	—	153,434

(Notes) Description of the valuation techniques and inputs used to measure fair value

Investment securities

The fair value of shares categorized as available-for-sale securities is calculated using quoted prices at a stock exchange, and the shares are traded in active markets. Therefore, they are classified as Level 1 fair value.

Derivatives

The fair value of interest rate swaps and foreign exchange forward contracts is calculated using the present-value method and other valuation techniques that apply observable inputs based on market data that are available to market participants, such as forward exchange rates, and is classified as Level 2 fair value.

Bonds payable

The fair value of bonds payable is calculated using the present-value method by which the total principal and interest amount is discounted using an interest rate that reflects the remaining maturity of the bonds payable and credit risk, and is classified as Level 2 fair value.

Long-term borrowings

The fair value of long-term borrowings is calculated using the present-value method by which the total principal and interest amount is discounted using an interest rate expected to be applied when similar new borrowings are arranged, and is classified as Level 2 fair value.

(Securities)

As of March 31, 2022

1. Available-for-sale securities

(Securities for which the carrying amount exceeds the acquisition cost)

(Millions of yen)

	Book value	Acquisition cost	Difference
(1) Shares	8,473	1,842	6,631
(2) Bonds			
(i) Government bonds, local government bonds, etc.	—	—	—
(ii) Corporate bonds	—	—	—
(iii) Others	—	—	—
(3) Others	—	—	—
Total	8,473	1,842	6,631

(Securities for which the carrying amount does not exceed the acquisition cost)

(Millions of yen)

	Book value	Acquisition cost	Difference
(1) Shares	372	445	(73)
(2) Bonds			
(i) Government bonds, local government bonds, etc.	—	—	—
(ii) Corporate bonds	—	—	—
(iii) Others	—	—	—
(3) Others	308	308	—
Total	680	753	(73)

(Note) Shares, etc. with no market price (carrying amount of ¥9,911 million) are not included in “available-for-sale securities” in the above table.

2. Available-for-sale securities sold during the fiscal year ended March 31, 2022

(Millions of yen)

Type	Sales proceeds	Total gain on sale	Total loss on sale
(1) Shares	11,485	6,529	876
(2) Bonds			
(i) Government bonds, local government bonds, etc.	—	—	—
(ii) Corporate bonds	—	—	—
(iii) Others	—	—	—
(3) Others	—	—	—
Total	11,485	6,529	876

As of March 31, 2023

1. Available-for-sale securities

(Securities for which the carrying amount exceeds the acquisition cost)

(Millions of yen)

	Book value	Acquisition cost	Difference
(1) Shares	5,587	1,069	4,518
(2) Bonds			
(i) Government bonds, local government bonds, etc.	—	—	—
(ii) Corporate bonds	—	—	—
(iii) Others	—	—	—
(3) Others	—	—	—
Total	5,587	1,069	4,518

(Securities for which the carrying amount does not exceed the acquisition cost)

(Millions of yen)

	Book value	Acquisition cost	Difference
(1) Shares	462	509	(47)
(2) Bonds			
(i) Government bonds, local government bonds, etc.	—	—	—
(ii) Corporate bonds	—	—	—
(iii) Others	—	—	—
(3) Others	513	535	(22)
Total	975	1,044	(69)

(Note) Shares, etc. with no market price (carrying amount of ¥7,389 million) are not included in “available-for-sale securities” in the above table.

2. Available-for-sale securities sold during the fiscal year ended March 31, 2023

(Millions of yen)

Type	Sales proceeds	Total gain on sale	Total loss on sale
(1) Shares	3,652	2,946	—
(2) Bonds			
(i) Government bonds, local government bonds, etc.	—	—	—
(ii) Corporate bonds	—	—	—
(iii) Others	—	—	—
(3) Others	—	—	—
Total	3,652	2,946	—



## (Derivatives)

As of March 31, 2022

## 1. Derivatives to which hedge accounting is not applied

## (1) Currency-related

(Millions of yen)

Category	Type of transactions	Contract amount, etc.	Contract amount, etc. excluding a current portion	Fair value	Gain or loss on valuation
Transactions other than market transactions	Foreign exchange forward transactions				
	Short position				
	U.S. dollars	1,699	—	(82)	(82)
	Euro	333	—	(21)	(21)
	Thai baht	774	—	(46)	(46)
	Long position				
	U.S. dollars	625	—	6	6
Thai baht	91	—	4	4	
Chinese yuan	23	—	(0)	(0)	
Total		3,545	—	(139)	(139)

## 2. Derivatives to which hedge accounting is applied

## (1) Currency-related

(Millions of yen)

Method of hedge accounting	Type of transactions	Main hedged item	Contract amount, etc.	Contract amount, etc. excluding a current portion	Fair value
General treatment	Foreign exchange forward transactions	Accounts receivable - trade and accounts payable - trade			
	Short position				
	U.S. dollars		456	—	(30)
	Long position				
	U.S. dollars		212	—	9
Euro		396	—	19	
Chinese yuan		27	—	1	
Designation treatment of foreign exchange forward contracts	Foreign exchange forward transactions	Accounts payable - trade			
	Long position				
	U.S. dollars		225	—	(Note)
Chinese yuan		5	—		
Total			1,321	—	(1)

(Note) Derivatives subject to designation treatment are accounted for together with hedged items, which are accounts payable - trade. The accounts payable - trade that incorporate the fair value are settled in a short period of time, and the fair value approximates the carrying amount. Therefore, notes on the accounts payable - trade have been omitted.

## (2) Interest rate-related

(Millions of yen)

Method of hedge accounting	Type of transactions	Main hedged item	Contract amount, etc.	Contract amount, etc. excluding a current portion	Fair value
General treatment	Interest rate swap transactions	Long-term borrowings			
	Fixed-interest payments and floating-interest receivables		15,000	—	11

As of March 31, 2023

1. Derivatives to which hedge accounting is not applied

(1) Currency-related

(Millions of yen)

Category	Type of transactions	Contract amount, etc.	Contract amount, etc. excluding a current portion	Fair value	Gain or loss on valuation
Transactions other than market transactions	Foreign exchange forward transactions				
	Short position				
	U.S. dollars	1,410	—	(16)	(16)
	Euro	297	—	(5)	(5)
	Thai baht	1,043	—	(15)	(15)
	Long position				
	U.S. dollars	683	—	(15)	(15)
	Thai baht	41	—	1	1
	Chinese yuan	23	—	(1)	(1)
Total		3,497	—	(51)	(51)

2. Derivatives to which hedge accounting is applied

(1) Currency-related

(Millions of yen)

Method of hedge accounting	Type of transactions	Main hedged item	Contract amount, etc.	Contract amount, etc. excluding a current portion	Fair value
General treatment	Foreign exchange forward transactions	Accounts payable - trade			
	Long position				
	U.S. dollars		1,251	—	(17)
	Euro		1,551	—	115
	Chinese yuan		34	—	(0)
Designation treatment of foreign exchange forward contracts	Foreign exchange forward transactions	Accounts payable - trade			(Note)
	Long position				
	U.S. dollars		377	—	
Total			3,214	—	97

(Note) Derivatives subject to designation treatment are accounted for together with hedged items, which are accounts payable - trade. The accounts payable - trade that incorporate the fair value are settled in a short period of time, and the fair value approximates the carrying amount. Therefore, notes on the accounts payable - trade have been omitted.

(2) Interest rate-related

Not applicable

(Retirement benefits)

1. Overview of defined benefit plans

The Company and certain consolidated subsidiaries have established funded and unfunded defined benefit plans and defined contribution plans.

Under the defined benefit corporate pension plan and lump-sum severance payment plan, a lump-sum payment or pension payment based on the employee's salary at the time of retirement or termination and length of service is provided.

In certain cases, the Company pays employees who are retiring additional retirement benefits that are not considered to be retirement benefit obligations as calculated under actuarial methods according to retirement benefit accounting principles.

Although one consolidated subsidiary subscribes to a corporate pension plan under a multi-employer type employee pension fund plans, as it is unable to rationally calculate amounts of pension assets corresponding to the Company's contribution for this plan, the Group adopts an accounting procedure that treats the plan as being equivalent to a defined contribution plan.

2. Defined benefit plans

(1) Reconciliation of the opening balance and the closing balance of retirement benefit obligations

	(Millions of yen)	
	For the fiscal year ended March 31, 2022	For the fiscal year ended March 31, 2023
Retirement benefit obligations at beginning of year	63,635	65,489
Service cost	2,978	2,645
Interest cost	392	392
Actuarial differences incurred	1,665	2,046
Retirement benefits paid	(3,274)	(3,915)
Other	93	69
Retirement benefit obligations at end of year	65,489	66,727

(Note) The service cost in the above table includes increases in retirement benefit obligations of the consolidated subsidiaries applying the simplified method.

(2) Reconciliation of the opening balance and the closing balance of plan assets

	(Millions of yen)	
	For the fiscal year ended March 31, 2022	For the fiscal year ended March 31, 2023
Plan assets at beginning of year	45,766	46,210
Expected return on plan assets	841	861
Actuarial differences incurred	(146)	(1,325)
Employer's contribution	2,631	2,802
Retirement benefits paid	(2,884)	(3,547)
Other	2	(0)
Plan assets at end of year	46,210	45,001

(3) Reconciliation between the balance of retirement benefit obligations and plan assets at the end of the fiscal year, and retirement benefit liability and retirement benefit asset recorded on the consolidated balance sheets

	(Millions of yen)	
	As of March 31, 2022	As of March 31, 2023
Funded retirement benefit obligations	62,831	64,030
Plan assets	(46,210)	(45,001)
	16,622	19,028
Unfunded retirement benefit obligations	2,658	2,697
Net liability and asset recorded on the consolidated balance sheets	19,279	21,725
Retirement benefit liability	19,841	22,427
Retirement benefit asset	(562)	(702)
Net liability and asset recorded on the consolidated balance sheets	19,279	21,725

(4) Retirement benefit expenses and their components

(Millions of yen)

	For the fiscal year ended March 31, 2022	For the fiscal year ended March 31, 2023
Service cost	2,978	2,645
Interest cost	392	392
Expected return on plan assets	(841)	(861)
Amortization of actuarial differences	(21)	163
Amortization of prior service cost	(139)	(140)
Additional retirement benefits	62	159
Retirement benefit expenses for defined benefit plans	2,432	2,358

(Note) The service cost in the above table includes profit or loss related to retirement benefits of the consolidated subsidiaries, applying the simplified method.

(5) Adjustment of defined benefit plans

Components of adjustment of defined benefit plans (before the effect of tax) are as follows:

(Millions of yen)

	For the fiscal year ended March 31, 2022	For the fiscal year ended March 31, 2023
Actuarial differences	(1,832)	(3,208)
Prior service cost	(139)	(140)
Total	(1,971)	(3,348)

(6) Accumulated adjustment of defined benefit plans

Components of accumulated adjustment of defined benefit plans (before the effect of tax) are as follows:

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023
Unrecognized actuarial differences	4,040	7,249
Unrecognized prior service cost	(676)	(536)
Total	3,364	6,713

(7) Plan assets

(i) Main components of plan assets

The ratio of main components to the total plan assets was as follows:

	As of March 31, 2022	As of March 31, 2023
Bonds	28%	27%
Shares	19	20
General accounts	35	38
Cash and deposits	3	1
Other	15	14
Total	100%	100%

(Note) The ratio of plan assets used to fund a retirement benefit trust established for corporate pension plans was 3% and 1% for the years ended March 31, 2022 and 2023, respectively.

(ii) Method used to determine the expected long-term rate of return on plan assets

The expected long-term rate of return on plan assets is based on the current and expected allocation of plan assets and the current and expected long-term rate of return on the various plan assets.

(8) Assumptions used for actuarial calculation

The major assumptions used for the actuarial calculation were as follows:

	As of March 31, 2022	As of March 31, 2023
Discount rate	0.6%	0.6%
Expected long-term rate of return on plan assets	2.0%	2.0%

3. Defined contribution plans

The amount contributed to defined contribution plans by the Company and certain consolidated subsidiaries was ¥444 million and ¥476 million for the fiscal years ended March 31, 2022 and 2023, respectively.

4. Multi-employer-type employee pension fund plans

The total amount contributed to multi-employer type employee pension fund plans, which are calculated in the same way as defined contribution plans, was ¥6 million and ¥3 million for the years ended March 31, 2022 and 2023, respectively.

(1) Recent funds for multi-employer type employee pension fund plans

	(Millions of yen)	
	For the fiscal year ended March 31, 2022	For the fiscal year ended March 31, 2023
	(As of March 31, 2021)	(As of March 31, 2022)
Plan assets	13,408	13,367
Total amount of actuarial liabilities in calculation of pension finance and minimum actuarial reserve	13,422	13,534
Difference	(14)	(167)

(2) The ratio of contribution by the Group to the total contribution of multi-employer-type employee pension fund plans

FY 3/22: 0.5% (as of March 31, 2021)

FY 3/23: 0.5% (as of March 31, 2022)

(3) Supplementary explanation

The above item (1) represents funds for corporate pension plans.

The ratio indicated in the above item (2) does not match the actual ratio of contribution by the Group.

(Tax-effect accounting)

1. Breakdown of major factors that resulted in deferred tax assets and liabilities

	As of March 31, 2022	As of March 31, 2023
Deferred tax assets		
Provision for bonuses	¥1,792 million	¥1,679 million
Write-off of inventories	801	1,211
Retirement benefit liability	6,592	7,554
Allowance for doubtful accounts	260	340
Impairment losses	5,670	8,150
Write-off of investment securities	389	685
Depreciation in excess	1,170	1,127
Tax loss carry-forwards (Note)	6,642	6,757
Unrealized gain eliminated as inter-company transactions	9,758	9,389
Loss on fire	245	167
Other	2,381	1,447
Subtotal deferred tax assets	35,700	38,506
Valuation allowance pertaining to tax loss carry-forwards (Note)	(6,023)	(6,109)
Valuation allowance pertaining to total future deductible temporary difference	(5,745)	(5,757)
Valuation allowance subtotal	(11,768)	(11,866)
Total deferred tax assets	23,931	26,640
Deferred tax liabilities		
Adjustments to allowance for doubtful accounts due to consolidation	(0)	(0)
Reserve for tax purpose reduction entry	(577)	(577)
Retained earnings of foreign subsidiaries	(2,113)	(2,080)
Valuation difference on subsidiary assets	(1,546)	(1,542)
Qualified post-formation acquisition	(1,335)	(1,335)
Qualified company split	(497)	(497)
Valuation difference on available-for-sale securities	(2,015)	(1,364)
Total deferred tax liabilities	(8,083)	(7,395)
Net deferred tax assets	¥15,849 million	¥19,244 million

In addition to the above, deferred tax liabilities for land revaluation were recorded under non-current liabilities in the amount of ¥19,641 million and ¥19,641 million for the fiscal years ended March 31, 2022 and 2023.

(Note) Amounts classified by the deadline for retention of tax loss carry-forwards and related deferred tax assets

As of March 31, 2022	(Millions of yen)						
	Within 1 year	Over 1 year and within 2 years	Over 2 years and within 3 years	Over 3 years and within 4 years	Over 4 years and within 5 years	Over 5 years	Total
Tax loss carry-forwards (*)	182	426	485	562	480	4,506	6,642
Valuation allowance	(166)	(411)	(405)	(446)	(325)	(4,268)	(6,023)
Deferred tax assets	16	14	80	116	155	238	619

(\*) Tax loss carry-forwards are the amount multiplied by the effective tax rate.

As of March 31, 2023

(Millions of yen)

	Within 1 year	Over 1 year and within 2 years	Over 2 years and within 3 years	Over 3 years and within 4 years	Over 4 years and within 5 years	Over 5 years	Total
Tax loss carry-forwards (*)	208	278	542	392	140	5,196	6,757
Valuation allowance	(161)	(184)	(363)	(332)	(140)	(4,928)	(6,109)
Deferred tax assets	47	94	179	60	—	268	648

(\*) Tax loss carry-forwards are the amount multiplied by the effective tax rate.

2. Breakdown of items which caused the difference, if any, between the normal statutory tax rate and the effective tax rate after adoption of tax-effect accounting

	As of March 31, 2022	As of March 31, 2023
Effective tax rate	31.0%	31.0%
(Reconciliation)		
Entertainment and other expenses excluded from deductible expenses	0.2	10.8
Dividend and other income excluded from taxable income	(0.4)	(8.3)
Tax credit	(3.4)	(25.2)
Valuation allowance	(6.1)	180.8
Equity in earnings (loss) of associates	(0.3)	(16.8)
Retained earnings of foreign subsidiaries	1.0	(5.3)
Tax rate difference from parent company	(1.9)	(34.7)
Unrealized gains or losses	(0.4)	5.3
Income taxes for prior periods	0.2	(65.7)
Inhabitant tax on per capita basis	0.6	16.2
Consolidated adjustment of gain or loss on sale of shares of subsidiaries and associates	—	116.9
Effects of exclusion from scope of consolidation	—	16.3
Reversal of revaluation reserve for land	(3.5)	—
Other	1.5	10.5
Actual effective tax rate	18.5%	231.9%

(Business combinations)

The information has been omitted due to immateriality.

(Investment and rental property)

The Company and some of its consolidated subsidiaries hold rental office buildings (including land) located in Osaka (Japan) and other areas.

For the previous fiscal year, rental income (principal rental revenue is recorded in net sales, and principal rental expenses are recorded in cost of sales) on these real estate properties was ¥2,115 million.

For the current fiscal year, rental income (principal rental revenue is recorded in net sales, and principal rental expenses are recorded in cost of sales) on these real estate properties was ¥2,148 million.

The following table summarizes the carrying amount, the change during the fiscal year and the estimated fair value of investment and rental property.

(Millions of yen)

	For the fiscal year ended March 31, 2022	For the fiscal year ended March 31, 2023
Book value		
Opening balance	30,786	30,323
Changes during period	(463)	(993)
Closing balance	30,323	29,331
Fair value at end of period	36,162	36,745

(Notes) 1. Carrying amounts are acquisition costs less accumulated depreciation.

2. The change during the previous fiscal year was mainly attributable to a decrease due to depreciation (¥471 million).

The change during the current fiscal year was mainly attributable to a decrease due to sale (¥544 million).

3. The fair value at March 31, 2022 and 2023 was based on the amounts calculated by external real estate appraisers based on real estate appraisal standards for major properties. In cases where the fair value of properties fluctuates only slightly, the fair value is the appraisal value at the time of the most recent appraisal. The fair value of the other properties is based on an index considered to reflect the current market price.

4. Of the difference between the fair value and carrying amount of revaluated land presented in “(Consolidated balance sheets), \*6. Revaluation reserve for land,” the difference due to investment and rental property was ¥2,782 million and ¥2,749 million as of March 31, 2022 and 2023, respectively.



(Revenue recognition)

1. Disaggregation of revenue from contracts with customers

For the fiscal year ended March 31, 2022

(Millions of yen)

	Reportable segments						Other	Total
	Films and Functional Materials	Mobility	Lifestyle and Environment	Life Science	Real Estate	Total		
Japan	123,869	15,621	75,792	21,171	392	236,844	6,626	243,470
China	17,284	8,094	10,160	3,873	—	39,412	31	39,443
Southeast Asia	22,193	11,231	12,806	1,164	—	47,395	256	47,651
Other regions	6,979	9,775	15,537	8,794	—	41,085	506	41,591
Revenue from contracts with customers	170,326	44,721	114,295	35,003	392	364,737	7,419	372,156
Other revenue	—	—	—	—	3,564	3,564	—	3,564
Net sales to outside customers	170,326	44,721	114,295	35,003	3,957	368,301	7,419	375,720

(Note 1) Other include design/construction of buildings, machinery, etc., information processing services, and logistics services.

(Note 2) Other revenue include rental revenue based on accounting standards for lease transactions.

For the fiscal year ended March 31, 2023

(Millions of yen)

	Reportable segments						Other	Total
	Films and Functional Materials	Mobility	Lifestyle and Environment	Life Science	Real Estate	Total		
Japan	124,479	12,714	82,860	21,665	679	242,396	7,556	249,952
China	17,842	8,546	12,393	3,756	—	42,537	107	42,644
Southeast Asia	20,858	14,000	15,517	1,318	—	51,693	246	51,939
Other regions	6,850	14,060	19,102	11,395	—	51,408	606	52,013
Revenue from contracts with customers	170,028	49,320	129,872	38,134	679	388,034	8,514	396,548
Other revenue	—	—	—	—	3,373	3,373	—	3,373
Net sales to outside customers	170,028	49,320	129,872	38,134	4,053	391,407	8,514	399,921

(Note 1) Other include design/construction of buildings, machinery, etc., information processing services, and logistics services.

(Note 2) Other revenue include rental revenue based on accounting standards for lease transactions.

2. Information useful for understanding revenue from contracts with customers

The information useful for understanding revenue from contracts with customers is as described in “(Significant accounting policies for preparation of consolidated financial statements), 4. Disclosure of accounting policies, (5) Standards for recognizing significant revenue and expenses.”

3. Relationship between the satisfaction of performance obligations based on contracts with customers and cash flows generated from the contracts, and amounts and timing of revenue expected to be recognized in the following fiscal year or later from contracts with customers that existed as of the end of the current fiscal year

(1) Balances, etc. of contract assets and contract liabilities

For the fiscal year ended March 31, 2022

(Millions of yen)

	As of April 1, 2021	As of March 31, 2022
Receivables from contracts with customers	93,891	101,829
Contract assets	—	421
Contract liabilities	1,400	1,739

Contract liabilities are included in 'other' under current liabilities. There was no material revenue recognized during the previous fiscal year that was included in contract liabilities at the beginning of the previous fiscal year. Further, the amount of revenue recognized during the previous fiscal year from performance obligations satisfied (or partially satisfied) in prior periods was immaterial. There are no major changes in contract assets and contract liabilities.

For the fiscal year ended March 31, 2023

(Millions of yen)

	As of April 1, 2022	As of March 31, 2023
Receivables from contracts with customers	101,829	100,722
Contract assets	421	407
Contract liabilities	1,739	1,469

Contract liabilities are included in 'other' under current liabilities. There was no material revenue recognized during the current fiscal year that was included in contract liabilities at the beginning of the current fiscal year. Further, the amount of revenue recognized during the current fiscal year from performance obligations satisfied (or partially satisfied) in prior periods was immaterial. There are no major changes in contract assets and contract liabilities.

(2) Transaction price allocated to remaining performance obligations

The Group had no material transactions whose estimated contract period exceeds one year. There were no material considerations from contracts with customers that were not included in transaction prices.

(Segment information, etc.)

[Segment information]

1. Overview of reportable segments

The Company's reportable segments are its components for which separate financial information is available, and which are subject to periodic review by the highest decision-making body to determine the allocation of management resources and evaluate earnings performance.

The Company's basic organization comprises solution headquarters or business divisions within the head office, according to the type, nature and market domain for products and services. Each solution headquarters or business division formulates comprehensive strategies for its domestic and overseas operations, and conducts business activities.

Accordingly, the Company comprises segments by market domain. Its five reportable segments are "Films and Functional Materials," "Mobility," "Lifestyle and Environment," "Life Science" and "Real Estate."

The Films and Functional Materials segment manufactures and sells packaging films, industrial films, industrial adhesives, photo functional materials, and other products. The Mobility segment manufactures and sells engineering plastics, airbag fabrics, and other products. The Lifestyle and Environment segment manufactures and sells water treatment membranes, functional filters, high-performance fibers, nonwoven fabrics, functional textiles, apparel products, apparel textiles, apparel fibers, and other products. The Life Science segment manufactures and sells bio-products such as enzymes for diagnostic reagents, pharmaceuticals, medical-use membranes, medical equipment, and other products. The Real Estate segment leases and manages real estate properties.

2. Methods of calculating net sales, profit or loss, assets, and other items by reportable segment

The methods of accounting for business segments are the same as those stated in "Significant accounting policies for preparation of consolidated financial statements."

Profit of the reportable segments is based on operating profit.

Inter-segment revenue and transfers are based on prevailing market prices.

### 3. Net sales, profit or loss, assets and other items by reportable segment

For the fiscal year ended March 31, 2022

(Millions of yen)

	Reportable segments						Other (Note) 1	Total	Adjustment (Note) 2	Carrying amount (Note) 3
	Films and Functional Materials	Mobility	Lifestyle and Environment	Life Science	Real Estate	Total				
Net sales										
Net sales to outside customers	170,326	44,721	114,295	35,003	3,957	368,301	7,419	375,720	—	375,720
Inter-segment sales and transfers	152	22	377	43	419	1,012	16,145	17,157	(17,157)	—
Total	170,477	44,743	114,672	35,046	4,376	369,314	23,564	392,878	(17,157)	375,720
Segment profit (loss)	19,897	(1,753)	3,453	8,655	1,408	31,661	810	32,471	(4,041)	28,430
Segment assets	181,121	58,860	134,685	30,118	47,206	451,991	17,234	469,225	48,550	517,774
Other items										
Depreciation and amortization	9,826	1,357	3,779	2,397	750	18,109	404	18,514	1,566	20,080
Increases in property, plant and equipment and intangible assets	17,888	1,132	7,274	3,752	494	30,539	209	30,749	2,891	33,640

1. Other includes design/construction of buildings, machinery, etc., information processing services, and logistics services.
2. (1) Segment profit or loss adjustment of ¥(4,041) million includes elimination of inter-segment transactions of ¥(376) million and company-wide expenses that are not allocated across reportable segments of ¥(3,665) million. The principal components of company-wide expenses are those related to basic research and development.  
(2) The adjustment of segment assets of ¥48,550 million includes corporate assets of ¥86,912 million that are not allocated to the reportable segments.  
(3) The adjustment of increases in property, plant and equipment and intangible assets of ¥2,891 million represents the amount of capital investment related to research and development expenses.
3. Segment profit or loss has been adjusted with an operating profit in the consolidated financial statements.

For the fiscal year ended March 31, 2023

(Millions of yen)

	Reportable segments						Other (Note) 1	Total	Adjustment (Note) 2	Carrying amount (Note) 3
	Films and Functional Materials	Mobility	Lifestyle and Environment	Life Science	Real Estate	Total				
Net sales										
Net sales to outside customers	170,028	49,320	129,872	38,134	4,053	391,407	8,514	399,921	—	399,921
Inter-segment sales and transfers	127	20	324	41	429	940	15,652	16,592	(16,592)	—
Total	170,155	49,340	130,195	38,175	4,481	392,347	24,166	416,514	(16,592)	399,921
Segment profit (loss)	4,641	(4,485)	2,999	9,212	1,439	13,806	748	14,554	(4,490)	10,063
Segment assets	204,702	61,429	148,527	41,332	45,468	501,459	16,699	518,158	70,748	588,906
Other items										
Depreciation and amortization	8,582	1,829	4,126	2,211	514	17,262	416	17,679	1,371	19,050
Increases in property, plant and equipment and intangible assets	20,202	1,217	7,774	7,551	488	37,232	666	37,898	4,836	42,734

1. Other includes design/construction of buildings, machinery, etc., information processing services, and logistics services.
2. (1) Segment profit or loss adjustment of ¥(4,490) million includes elimination of inter-segment transactions of ¥(270) million and company-wide expenses that are not allocated across reportable segments of ¥(4,220) million. The principal components of company-wide expenses are those related to basic research and development.  
(2) The adjustment of segment assets of ¥70,748 million includes corporate assets of ¥84,551 million that are not allocated to the reportable segments.  
(3) The adjustment of increases in property, plant, and equipment and intangible assets of ¥4,836 million represents the amount of capital investment related to research and development expenses.
3. Segment profit or loss has been adjusted with an operating profit in the consolidated financial statements.

[Related information]

For the fiscal year ended March 31, 2022

1. Information by product and type

The information has been omitted because it is the same as the reportable segments.

2. Information by region

(1) Net sales

(Millions of yen)

Japan	China	Southeast Asia	Other regions	Total
246,781	39,443	47,651	41,845	375,720

(Notes) 1. Net sales are based on customers' locations and categorized by country or region.

2. Main countries and regions included in each category

Southeast Asia : South Korea, Taiwan, Malaysia, Indonesia, Thailand, etc.

Other regions : the U.S., Germany, Spain, Brazil, Saudi Arabia, etc.

(2) Property, plant and equipment

The information has been omitted because the balance of non-current assets in Japan accounts for over 90% of the total non-current assets.

3. Information by major customer

The information has been omitted because no single customer accounts for 10% or more of net sales in the consolidated statements of income.

For the fiscal year ended March 31, 2023

1. Information by product and type

The information has been omitted because it is the same as the reportable segments.

2. Information by region

(1) Net sales

(Millions of yen)

Japan	China	Southeast Asia	Other regions	Total
252,850	42,644	51,939	52,489	399,921

(Notes) 1. Net sales are based on customers' locations and categorized by country or region.

2. Main countries and regions included in each category

Southeast Asia : South Korea, Taiwan, Malaysia, Indonesia, Thailand, etc.

Other regions : the U.S., Germany, Spain, Brazil, Saudi Arabia, etc.

(2) Property, plant and equipment

The information has been omitted because the balance of non-current assets in Japan accounts for over 90% of the total non-current assets.

3. Information by major customer

The information has been omitted because no single customer accounts for 10% or more of net sales in the consolidated statements of income.

[Information on impairment loss on non-current assets by reportable segment]

For the fiscal year ended March 31, 2022

(Millions of yen)

	Films and Functional Materials	Mobility	Lifestyle and Environment	Life Science	Real Estate	Other	Total	Adjustment	Total
Impairment losses	2,227	—	2,600	4,535	—	—	9,362	—	9,362

For the fiscal year ended March 31, 2023

(Millions of yen)

	Films and Functional Materials	Mobility	Lifestyle and Environment	Life Science	Real Estate	Other	Total	Adjustment	Total
Impairment losses	213	555	8,285	741	—	—	9,794	—	9,794

[Information on amortization of goodwill and unamortized balances]

For the fiscal year ended March 31, 2022

Not applicable

For the fiscal year ended March 31, 2023

Not applicable

[Information on gain on negative goodwill by reportable segment]

For the fiscal year ended March 31, 2022

Not applicable

For the fiscal year ended March 31, 2023

Not applicable

[Related-party information]

For the fiscal year ended March 31, 2022

The information has been omitted because there have been no transactions with major related parties.

For the fiscal year ended March 31, 2023

The information has been omitted because there have been no transactions with major related parties.

(Special-purpose companies subject to disclosure)

1. Overview of special-purpose companies subject to disclosure and overview of transactions using special-purpose companies subject to disclosure

Not applicable

2. Transaction amounts, etc. with special-purpose companies

Not applicable

(Per-share information)

	For the fiscal year ended March 31, 2022	For the fiscal year ended March 31, 2023
Net assets per share	¥2,192.17	¥2,146.46
Net profit (loss) per share	¥144.75	¥(7.37)

Notes: 1. Diluted net profit per share is net loss per share, and is not presented as there are no potentially dilutive shares.

2. Basis for calculating net assets per share is as follows:

		For the fiscal year ended March 31, 2022	For the fiscal year ended March 31, 2023
Net assets per share			
Total net assets	(Millions of yen)	197,149	221,422
Deduction from total net assets	(Millions of yen)	2,273	31,834
[Non-controlling interests]	(Millions of yen)	[2,273]	[31,834]
Net assets at end of period pertaining to common shares	(Millions of yen)	194,876	189,588
Number of common shares at end of period used for calculating net assets per share	(Thousand shares)	88,896	88,325

3. The basis for calculating net profit per share or net loss per share is as follows:

		For the fiscal year ended March 31, 2022	For the fiscal year ended March 31, 2023
Net profit (loss) per share			
Profit (loss) attributable to owners of the parent	(Millions of yen)	12,865	(655)
Amount not attributable to common shareholders	(Millions of yen)	—	—
Profit (loss) attributable to owners of the parent pertaining to common shares	(Millions of yen)	12,865	(655)
Average number of common shares during the period	(Thousand shares)	88,876	88,885

(Significant subsequent events)

(Company split with Toyobo MC Corporation related to the Company's functional materials business)

At its meeting held on January 25, 2023, the Company's Board of Directors resolved to have the Company's functional materials business succeeded by Toyobo MC Corporation (hereinafter "the New Company"), which is a wholly-owned subsidiary established on September 5, 2022, through an absorption-type company split (hereinafter "the Split"), and the Company concluded an absorption-type company split agreement effective as of January 25, 2023 and implemented the Split effective as of April 1, 2023.

1. Background and purpose

The Company reached an agreement with Mitsubishi Corporation (head office: located in Chiyoda-ku, Tokyo; Representative Director and President: Katsuya Nakanishi; hereinafter "Mitsubishi Corporation") regarding a company split involving a spin-off toward the establishment of a joint venture as well as the investment Mitsubishi Corporation will make in the New Company (hereinafter "the Investment"), with the aim of sharpening the competitive edge of Toyobo's functional materials business and enabling the company to continue to provide solutions globally, and continued to deliberate on the implementation of the Split and the Investment. The Split was implemented as part of the procedures toward the conclusion of a shareholders agreement and the commencement of a joint venture by and between the Company and Mitsubishi Corporation.

2. Outline of the Split

(1) Schedule of the Split

Date of resolution of the Board of Directors	January 25, 2023
Date of the absorption-type company split agreement	January 25, 2023
Effective date of the Split	April 1, 2023

(Note) The Split was implemented without approval of the Company's General Meeting of Shareholders because it is a simple absorption-type company split provided for in the provisions of Article 784, paragraph (2), of the Companies Act.

(2) Method applied to the Split

Absorption-type company split (simple absorption-type company split) with the Company as the splitting company and the New Company as the succeeding company

(3) Allotment of shares associated with the Split

To implement the Split, the New Company newly issued 31,000 shares of common stock and allotted these shares to the Company as consideration for the Split.

(4) Handling of share acquisition rights and bonds with share acquisition rights associated with the Split

Not applicable

(5) Changes in share capital due to the Split

There is no change in the share capital of the splitting company (the Company).

(6) Rights and obligations succeeded by the succeeding company

The New Company has succeeded those assets, liabilities, contracts and other rights and obligations held by the Company regarding the functional materials business described in "4 Description of the businesses split or succeeded" and provided for in the absorption-type company split agreement.

(7) Prospect of the fulfillment of obligations

The Company considers that there is no issue with the prospect of the fulfillment of the obligations to be borne by the New Company on and after the effective date of the Split.



### 3. Overview of the parties to the company split (as of March 31, 2023)

	Splitting company	Succeeding company (New Company)
(i) Name	Toyobo Co., Ltd.	Toyobo MC Corporation
(ii) Location	1-13-1 Umeda, Kita-ku, Osaka, Japan	1-13-1 Umeda, Kita-ku, Osaka, Japan Osaka Umeda Twin Towers South
(iii) Positions and name of the representatives (Note)	Ikuo Takeuchi, President & Representative Director	Chikao Morishige, Director (Representative Director, Co-COO and CTO, the Company)
(iv) Description of business	Films and Functional Materials, Mobility, Lifestyle and Environment, and Life Science businesses	Planning, development, manufacturing, and sale of products related to functional materials
(v) Share capital	¥51,730 million	¥100 million
(vi) Date of establishment	June 26, 1914	September 5, 2022
(vii) End of fiscal year	March 31	March 31
(viii) Financial position and operating results for the most recent fiscal year (the fiscal year ended March 31, 2023)		
Net assets	¥221,422 million (consolidated)	¥30,134 million (non-consolidated)
Total assets	¥588,906 million (consolidated)	¥33,823 million (non-consolidated)
Net assets per share	¥2,146.46 (consolidated)	¥6,699.97 (non-consolidated)

(Note) After the Split, the representatives of the New Company are the two of Chikao Morishige, President & Representative Director CEO (Representative Director, Co-COO and CTO, the Company), and Juro Baba, Executive Vice-president & Representative Director, COO (Senior Vice President, Mitsubishi Corporation).

### 4. Description of the businesses split or succeeded

Businesses related to development, manufacturing, and sale of functional materials in Japan and overseas (the business related to polymerization, development, and sale, the business related to **VYLON** and **HARDLEN**, the businesses related to photo functional materials, the business related to fine chemicals, the business related to engineering plastics, the business related to water treatment membranes, the business related to environmental solution equipment, the business related to AC products, the business related to AC materials, the business related to spunbond, the business related to lifestyle goods, and the business related to high-performance fibers) and businesses incidental to or related to these businesses

### 5. Other material matters

After the Split, the Company's and Mitsubishi Corporation's shareholdings in the New Company have become 51% and 49%, respectively, as a result of the third-party allocation of the New Company's shares to Mitsubishi Corporation associated with the Investment. The details of the Investment are as follows:

(i) Payment date	April 1, 2023
(ii) Number of new shares issued	49,000 shares of common stock
(iii) Issue price	The issue price per share was ¥30,000,000,000 divided by 49,000 shares.
(iv) Amount of capital raised	¥30,000,000,000
(v) Method of offering or allocation	Third-party allocation 49,000 shares allocated to Mitsubishi Corporation

### 6. Overview of accounting procedures implemented

The Split was accounted for as a transaction under common control in accordance with the Accounting Standard for Business Combinations (ASBJ Statement No. 21, January 16, 2019) and the Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Guidance No. 10, January 16, 2019).

### 7. Matters regarding changes in the Company's shareholding related to a transactions with a non-controlling shareholder

#### (1) Major factor contributing to changes in capital surplus

Changes in the Company's shareholding due to the third-party allocation implemented by the Company associated with the Investment

#### (2) Increase in capital surplus due to a transaction with a non-controlling shareholder

Yet to be determined

(Merger with Toyobo Information System Create Co., Ltd.)

At its meeting held on December 26, 2022, the Company's Board of Directors resolved to approve the merger of the Company with Toyobo Information System Create Co., Ltd. (hereinafter "TISC"), a consolidated subsidiary, through an absorption-type merger effective as of December 26, 2022, and the Company implemented the absorption-type merger as of April 1, 2023. The merger was implemented without holding a General Meeting of Shareholders of the Company, or a General Meeting of Shareholders of TISC, for the approval of the merger agreement pursuant to Article 796, paragraph (2), and Article 784, paragraph (1), of the Companies Act, respectively.

The details of the merger are as follows:

#### 1. Outline of transaction

##### (1) Name and business of merged company

Name of merged company:	Toyobo Information System Create Co., Ltd.
Businesses	IT systems consulting, development, operation, and maintenance of IT systems, ERP solutions (GRANDIT, OracleEBS, and others), and network solutions

##### (2) Date of business combination

April 1, 2023

##### (3) Legal form of business combination

Absorption-type merger with the Company as the surviving company and TISC as the disappearing company

##### (4) Name of company after the merger

Toyobo Co., Ltd.

##### (5) Other matters related to overview of transaction

###### (i) Purpose of merger

In business activities, digital technology has grown increasingly important year by year and has become an essential element. In this situation, in order to integrate the Group's IT resources, establish a system that is able to respond swiftly to changes in the business environment associated with the development and spread of digital technology, and make it conducive to the transformation and growth of its businesses, the Company decided to merge with TISC through an absorption-type merger.

###### (ii) Allotment of shares related to merger

There was no issuance of new shares or payment of money with respect to the absorption-type merger.

###### (iii) Financial position and operating results of the merged company for the most recent fiscal years (the fiscal year ended March 31, 2023)

Assets	¥2,568 million
Liabilities	¥1,969 million
Net assets	¥599 million
Net sales	¥4,864 million
Loss	¥(11) million

#### 2. Overview of accounting procedures implemented

The Merger was accounted for as a transaction under common control in accordance with the Accounting Standard for Business Combinations (ASBJ Statement No. 21, January 16, 2019) and the Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Guidance No. 10, January 16, 2019).

(Issuance of unsecured straight bonds in the Japanese market)

At the meeting of the Board of Directors held on April 25, 2023, a comprehensive resolution regarding the issuance of unsecured straight bonds on the Japanese market was passed. The details of this resolution are as follows:

- (1) Issue amount                    ¥20,000 million or less.  
However, multiple issues within the scope of this amount have not been ruled out.
- (2) Issue price                    ¥100 for each bond with a par value of ¥100.
- (3) Interest rate                  Market yield of Japanese government bonds with the same maturities plus 1.0% or less
- (4) Payment dates:                From April 26, 2023 to March 31, 2024  
However, if the bonds are offered during this period, payments after this period will be accepted.
- (5) Term of redemption          5 years or more, to 10 years
- (6) Method of redemption        Full amount on maturity.  
However, a retirement-by-purchase clause may be included.
- (7) Uses of funds                  For redemption of bonds, repayment of borrowings, purchases of securities (includes acquisition of stock through mergers and acquisitions), working capital, and capital investment.
- (8) Special provisions            These bonds will include a negative pledge clause.
- (9) Other                            Decisions regarding matters covered in Article 676 of the Companies Act and all other items related to the issuance of bonds will be made within the scope stated above at the discretion of the Director in charge of the Finance Division.

(v) Consolidated supplementary schedules

[Schedule of bonds]

Company name	Stocks	Date of issuance	Balance at the beginning of the current fiscal year (Millions of yen)	Balance at the end of the current fiscal year (Millions of yen)	Interest rate (%)	Collateral	Maturity
Toyobo Co., Ltd. (The Company)	39th unsecured straight bonds	September 14, 2016	10,000	10,000 (10,000)	0.31	None	September 14, 2023
Toyobo Co., Ltd. (The Company)	40th unsecured straight bonds	August 30, 2018	10,000	10,000	0.29	None	August 29, 2025
Toyobo Co., Ltd. (The Company)	41st unsecured straight bonds	June 20, 2019	15,000	15,000	0.18	None	June 20, 2024
Toyobo Co., Ltd. (The Company)	42nd unsecured straight bonds	December 12, 2019	10,000	10,000	0.23	None	December 11, 2026
Toyobo Co., Ltd. (The Company)	43rd unsecured straight bonds	December 7, 2021	10,000	10,000	0.25	None	December 7, 2028
Toyobo Co., Ltd. (The Company)	44th unsecured straight bonds	March 9, 2023	—	20,000 (10,000)	0.63	None	March 9, 2028
Total	—	—	55,000	75,000 (10,000)	—	—	—

(Note) 1. The figures in parentheses represent the amounts of bonds to be redeemed within one year.

2. The redemption schedule of bonds for five years subsequent to the end of the current fiscal year is as follows:

(Millions of yen)

Within 1 year	Over 1 year and within 2 years	Over 2 years and within 3 years	Over 3 years and within 4 years	Over 4 years and within 5 years
10,000	15,000	10,000	10,000	20,000

[Schedule of borrowings]

Category	Balance at the beginning of the current fiscal year (Millions of yen)	Balance at the end of the current fiscal year (Millions of yen)	Average interest rate (%)	Maturity
Short-term borrowings	40,592	71,595	0.55%	—
Current portion of long-term borrowings	21,418	29,472	0.75%	—
Current portion of lease obligations	864	766	—	—
Long-term borrowings (excluding current portion)	70,681	49,099	0.76%	2024-2030
Lease obligations (excluding current portion)	2,693	2,043	—	2024-2040
Other interest-bearing debt				
Deposits received (scheduled to be repaid within one year)	—	1,430	0.97%	—
Total	136,249	154,405	—	—

(Notes) 1. The interest rate shows the weighted-average interest rate to the balance of borrowings at the end of the current fiscal year.

2. The average interest rate for lease obligations has been omitted. This is because lease obligations are recorded on the consolidated balance sheets in the amount of total leasing fees including the interest amount.

3. Scheduled repayment amounts of long-term borrowings and lease obligations (excluding current portion) within five years after the consolidated fiscal year-end are as follows:

	(Millions of yen)			
	More than 1 year but within 2 years	More than 2 years but within 3 years	More than 3 years but within 4 years	More than 4 years but within 5 years
Long-term borrowings	9,799	6,639	9,191	12,972
Lease obligations	620	415	244	173

[Schedule of asset retirement obligations]

The schedule of asset retirement obligations has been omitted pursuant to Article 92-2 of the Regulation on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements, because the amounts of asset retirement obligations at the beginning and end of the current fiscal year account for 1% or less of the total of liabilities and net assets as of the beginning and end of the current fiscal year.

(2) Others

(i) Quarterly financial information for the current fiscal year

	Three months ended June 30, 2022	Six months ended September 30, 2022	Nine months ended December 31, 2022	Current fiscal year
Net sales (Millions of yen)	101,048	201,123	298,738	399,921
Profit before income taxes (Millions of yen)	10,875	14,841	14,235	612
Profit (loss) attributable to owners of the parent (Millions of yen)	7,797	10,970	9,759	(655)
Net profit (loss) per share (Yen)	87.71	123.35	109.72	(7.37)

	Three months ended June 30, 2022	Three months ended September 30, 2022	Three months ended December 31, 2022	Three months ended March 31, 2023
Net profit (loss) per share (Yen)	87.71	35.67	(13.61)	(117.33)

(ii) Status after the fiscal year-end

There are no matters to note.

## 2. Non-consolidated Financial Statements, etc.

### (1) Non-consolidated Financial Statements

#### (i) Non-consolidated Balance Sheets

(Millions of yen)

	Previous fiscal year (As of March 31, 2022)	Current fiscal year (As of March 31, 2023)
<b>Assets</b>		
Current assets		
Cash and deposits	*1 12,155	*1 8,642
Notes receivable - trade	*3 3,107	2,243
Accounts receivable - trade	*3 65,139	*3 62,879
Electronically recorded monetary claims - operating	4,525	*3 4,788
Finished goods	42,124	58,173
Work in process	8,093	8,891
Raw materials and supplies	13,860	19,026
Prepaid expenses	149	154
Short-term loans receivable	*3 6,870	*3 17,062
Other	*3 8,993	*3 10,154
Total current assets	165,016	192,012
Non-current assets		
Property, plant and equipment		
Buildings	33,475	33,739
Structures	5,727	5,847
Machinery and equipment	41,881	36,493
Vehicles	113	135
Tools, furniture, and fixtures	4,140	4,154
Land	81,812	80,629
Leased assets	120	96
Construction in progress	19,577	37,629
Total property, plant, and equipment	186,845	198,722
Intangible assets		
Software	1,965	1,740
Other	1,284	1,289
Total intangible assets	3,249	3,029
Investments and other assets		
Investment securities	3,976	3,529
Shares of subsidiaries and associates	60,305	60,082
Capital investments by subsidiaries and associates	10,653	11,474
Long-term loans receivable	*3 5,681	*3 6,231
Deferred tax assets	7,795	9,775
Other	*3 4,251	*3 5,601
Allowance for doubtful accounts	(659)	(616)
Total investments and other assets	92,002	96,075
Total non-current assets	282,096	297,826
Total assets	447,112	489,838

(Millions of yen)

	Previous fiscal year (As of March 31, 2022)	Current fiscal year (As of March 31, 2023)
<b>Liabilities</b>		
Current liabilities		
Accounts payable - trade	*3 30,641	*3 36,849
Electronically recorded monetary obligations - operating	*3 1,051	*3 935
Short-term borrowings	34,492	65,710
Current portion of bonds payable	—	10,000
Current portion of long-term borrowings	20,766	25,840
Lease obligations	71	63
Accounts payable - other	*3 14,849	*3 13,570
Accrued expenses	*3 2,759	*3 2,620
Income taxes payable	1,496	459
Advances received	*3 365	654
Deposits received	*3 26,166	*3 32,609
Provision for bonuses	2,898	2,943
Other	2,022	1,814
Total current liabilities	137,577	194,066
Non-current liabilities		
Bonds payable	55,000	65,000
Long-term borrowings	65,670	47,600
Lease obligations	115	63
Deferred tax liabilities for land revaluation	18,140	18,140
Provision for retirement benefits	12,354	12,865
Provision for loss on guarantees	849	972
Other	*3 1,134	*3 1,058
Total non-current liabilities	153,262	145,699
Total liabilities	290,839	339,765
<b>Net assets</b>		
Shareholders' equity		
Share capital	51,730	51,730
Capital surplus		
Legal capital surplus	19,224	19,224
Other capital surplus	13,338	13,301
Total capital surplus	32,562	32,525
Retained earnings		
Other retained earnings		
Retained earnings brought forward	32,927	27,352
Total retained earnings	32,927	27,352
Treasury shares	(221)	(781)
Total shareholders' equity	116,999	110,827
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	780	672
Deferred gains or losses on hedges	(13)	67
Revaluation reserve for land	38,508	38,508
Total valuation and translation adjustments	39,274	39,246
Total net assets	156,273	150,073
Total liabilities and net assets	447,112	489,838

## (ii) Non-consolidated Statements of Income

(Millions of yen)

	Previous fiscal year (From April 1, 2021 to March 31, 2022)	Current fiscal year (From April 1, 2022 to March 31, 2023)
Net sales	*4 241,749	*4 253,604
Cost of sales	*4 176,358	*4 197,128
Gross profit	65,391	56,476
Selling, general and administrative expenses	*1 45,208	*1 51,955
Operating profit	20,183	4,521
Non-operating income		
Interest and dividend income	*4 1,952	*4 2,508
Other	*4 1,080	*4 981
Total non-operating income	3,033	3,489
Non-operating expenses		
Interest expenses	*4 887	*4 928
Other	*4 6,308	*4 5,142
Total non-operating expenses	7,195	6,070
Ordinary profit	16,021	1,940
Extraordinary income		
Gain on sale of investment securities	1,990	224
Gain on sale of shares of subsidiaries and associates	—	2,019
Gain on extinguishment of tie-in shares	2,484	—
Insurance claim income	—	*2 5,607
Other	—	791
Total extraordinary income	4,474	8,641
Extraordinary losses		
Impairment losses	7,135	9,296
Loss on disposal of non-current assets	*3 4,112	*3 3,433
Loss on valuation of shares of subsidiaries and associates	2,264	1,004
Other	944	668
Total extraordinary losses	14,455	14,401
Profit (loss) before income taxes	6,039	(3,821)
Income taxes - current	1,923	211
Income taxes - deferred	(2,057)	(2,012)
Total income taxes	(135)	(1,801)
Profit (loss)	6,174	(2,019)



## (iii) Non-consolidated Statements of Changes in Net Assets

For the fiscal year ended March 31, 2022

(Millions of yen)

	Shareholders' equity						
	Share capital	Capital surplus			Retained earnings	Treasury shares	Total shareholders' equity
		Legal capital surplus	Other capital surplus	Total capital surplus	Other retained earnings Retained earnings brought forward		
Balance at the beginning of the current fiscal year	51,730	19,224	13,347	32,571	29,272	(294)	113,278
Cumulative effects of changes in accounting policies					(111)		(111)
Restated balance	51,730	19,224	13,347	32,571	29,161	(294)	113,167
Changes during period							
Dividends of surplus					(3,554)		(3,554)
Profit					6,174		6,174
Reversal of revaluation reserve for land					1,146		1,146
Purchase of treasury shares						(2)	(2)
Disposal of treasury shares			(9)	(9)		76	68
Net changes in items other than shareholders' equity							
Total changes during period	—	—	(9)	(9)	3,766	74	3,832
Balance at the end of the current fiscal year	51,730	19,224	13,338	32,562	32,927	(221)	116,999

	Valuation and translation adjustments				Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Total valuation and translation adjustments	
Balance at the beginning of the current fiscal year	2,183	(3)	39,654	41,834	155,112
Cumulative effects of changes in accounting policies					(111)
Restated balance	2,183	(3)	39,654	41,834	155,001
Changes during period					
Dividends of surplus					(3,554)
Profit					6,174
Reversal of revaluation reserve for land					1,146
Purchase of treasury shares					(2)
Disposal of treasury shares					68
Net changes in items other than shareholders' equity	(1,404)	(10)	(1,146)	(2,559)	(2,559)
Total changes during period	(1,404)	(10)	(1,146)	(2,559)	1,272
Balance at the end of the current fiscal year	780	(13)	38,508	39,274	156,273

For the fiscal year ended March 31, 2023

(Millions of yen)

	Shareholders' equity						
	Share capital	Capital surplus			Retained earnings	Treasury shares	Total shareholders' equity
		Legal capital surplus	Other capital surplus	Total capital surplus	Other retained earnings		
					Retained earnings brought forward		
Balance at the beginning of the current fiscal year	51,730	19,224	13,338	32,562	32,927	(221)	116,999
Cumulative effects of changes in accounting policies							—
Restated balance	51,730	19,224	13,338	32,562	32,927	(221)	116,999
Changes during period							
Dividends of surplus					(3,556)		(3,556)
Loss					(2,019)		(2,019)
Reversal of revaluation reserve for land							—
Purchase of treasury shares						(684)	(684)
Disposal of treasury shares			(37)	(37)		124	87
Net changes in items other than shareholders' equity							
Total changes during period	—	—	(37)	(37)	(5,575)	(560)	(6,172)
Balance at the end of the current fiscal year	51,730	19,224	13,301	32,525	27,352	(781)	110,827

	Valuation and translation adjustments				Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Total valuation and translation adjustments	
Balance at the beginning of the current fiscal year	780	(13)	38,508	39,274	156,273
Cumulative effects of changes in accounting policies					—
Restated balance	780	(13)	38,508	39,274	156,273
Changes during period					
Dividends of surplus					(3,556)
Loss					(2,019)
Reversal of revaluation reserve for land					—
Purchase of treasury shares					(684)
Disposal of treasury shares					87
Net changes in items other than shareholders' equity	(107)	80		(28)	(28)
Total changes during period	(107)	80	—	(28)	(6,200)
Balance at the end of the current fiscal year	672	67	38,508	39,246	150,073

## Notes to Consolidated Financial Statements

### (Significant accounting policies)

#### 1. Evaluation standards and methods for assets

##### (1) Evaluation standards and methods for securities

Held-to-maturity securities	: Stated at amortized cost (straight-line method).
Shares of subsidiaries and associates	: Stated at cost using the moving-average method.
Available-for-sale securities	
Other than shares, etc. with no market price	: Stated at fair value (Unrealized gains and losses on valuation are reported, net of applicable income taxes, as a separate component of net assets; cost of sales is calculated using the moving-average method).
Shares, etc. with no market price	: Stated at cost using the moving-average method.

##### (2) Evaluation standards and methods for inventories

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

#### 2. Method of depreciating non-current assets

##### (1) Property, plant and equipment (excluding lease assets)

Depreciated using the straight-line method.

##### (2) Intangible assets (excluding lease assets)

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

##### (3) Lease assets

Leased assets concerning finance lease transactions that transfer ownership

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

Leased assets concerning finance lease transactions that do not transfer ownership

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

#### 3. Standards for recording provisions

##### (1) Allowance for doubtful accounts

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

##### (2) Provision for bonuses

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

##### (3) Provision for retirement benefits

To prepare for retirement benefits for employees, provision for retirement benefits is recorded based on estimated amounts of retirement benefit obligations and plan assets at the end of the current fiscal year. However, under the corporate pension plan of the Company, provision for retirement benefits is recorded as prepaid pension costs because estimated plan assets exceed the estimated amount of retirement benefit obligations after reflecting unrecognized prior service cost and unrecognized actuarial differences.

###### (i) Attribution method for estimated amounts of retirement benefits

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

###### (ii) Amortization of actuarial differences and prior service costs

Prior service costs are amortized using the straight-line method over a certain period within the average remaining

years of service of the eligible employees (ten years) at the time of recognition.

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

(4) Provision for environmental measures

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

(5) Provision for loss on guarantees

To prepare for a loss related to guarantee of obligations for subsidiaries, etc., provision for loss on guarantees is recorded in the necessary amount in consideration for the financial position, etc. of the subsidiaries.

#### 4. Standards for recognizing revenue and expenses

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

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

Step 2: Identify the performance obligations in the contract.

Step 3: Determine the transaction price.

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

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

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

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

#### 5. Other significant matters for the preparation of non-consolidated financial statements

##### (1) Accounting treatment for deferred assets

Charged to expenses in full at the time of payment.

##### (2) Treatment of hedge accounting

###### (i) Method of hedge accounting

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

###### (ii) Hedging instruments and hedged items

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

###### (iii) Hedging policy

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

###### (iv) Method for evaluating hedging effectiveness

Hedging effectiveness is evaluated by comparing the requirements for applying the special treatment to interest rate swaps and hedged items with total market fluctuations or cash flows of respective hedging instruments.

However, the evaluation of effectiveness of interest rate swaps to which the special treatment is applied, is omitted if the application requirements are satisfied.

##### (3) Accounting treatment of defined benefit plans

The accounting treatment of unrecognized prior-service cost and unrecognized actuarial differences is different from that in the consolidated financial statements.

(Significant accounting estimates)

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

(Millions of yen)

	Previous fiscal year	Current fiscal year
Property, plant and equipment	186,845	198,722

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

The method of calculating accounting estimates is the same as that described in “1. Consolidated Financial Statements, etc., (1) Consolidated Financial Statements, (Significant accounting estimates), 2. Information on the nature of significant accounting estimates for identified items, (1) Property, plant, and equipment.”

(Non-consolidated balance sheets)

\*1. Assets pledged as collateral and collateralized debt obligations

Assets pledged as collateral are as follows:

	As of March 31, 2022	As of March 31, 2023
Cash and deposits	¥2 million	¥2 million
Total	¥2 million	¥2 million

\*2. Guarantee obligations

The amounts of guarantee of obligations for borrowings from financial institutions by subsidiaries and associates are as follows:

	As of March 31, 2022		As of March 31, 2023
TOYOBO SAHA SAFETY WEAVE CO.,LTD.	¥3,255 million	Toyobo Indorama Advanced Fibers Co.,Ltd.	¥3,502 million
PT. TRIAS TOYOBO ASTRIA	2,098	TOYOBO SAHA SAFETY WEAVE Co., LTD.	2,585
PT. TOYOBO TRIAS ECOSYAR	1,777	PT. TRIAS TOYOBO ASTRIA	1,665
Toyobo Indorama Advanced Fibers Co.,Ltd.	1,178	PT. TOYOBO TRIAS ECOSYAR	1,481
PHP Fibers GmbH (Note)	957	Indorama Ventures Mobility Obernburg GmbH (Note)	962
TOYOBO	817	TOYOBO	927
CHEMICALS(Thailand) Co., Ltd.		CHEMICALS(Thailand) Co., Ltd.	
PT. INDONESIA TOYOBO FILM SOLUTIONS	771	Toyobo Automotive Textiles (CHANGSHU) CO., LTD.	871
Toyobo Automotive Textiles (CHANGSHU) CO., LTD.	718	Cast Film Japan Co., Ltd.	675
Cast Film Japan Co., Ltd.	675	Arabian Japanese Membrane Company, LLC	338
Nippon Dyneema Co., Ltd.	344	PT. INDONESIA TOYOBO FILM SOLUTIONS	134
Employee housing loans (1 case)	1	Nippon Dyneema Co., Ltd.	86
		Employee housing loans (1 case)	0
Total	¥12,592 million	Total	¥13,224 million

(Note) PHP Fibers GmbH changed its trade name to Indorama Ventures Mobility Obernburg GmbH in the current fiscal year.

\*3. Monetary claims and obligations related to subsidiaries and associates are as follows:

	As of March 31, 2022	As of March 31, 2023
Short-term monetary claims	¥26,358 million	¥37,365 million
Long-term monetary claims	5,664	6,226
Short-term monetary obligations	38,579	40,665
Long-term monetary obligations	82	82

\*4. Other

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

	As of March 31, 2022	As of March 31, 2023
Total amount of committed lines of credit	¥17,500 million	¥17,500 million
Executed loan balance	—	—
Unexecuted loan balance	¥17,500 million	¥17,500 million

(Non-consolidated statements of income)

\*1. Major items and amounts of selling, general, and administrative expenses are as follows:

	For the fiscal year ended March 31, 2022	For the fiscal year ended March 31, 2023
Transport and storage costs	¥9,838 million	¥10,185 million
Salaries and bonuses	7,895	8,222
Provision for bonuses	964	1,357
Retirement benefit expenses	501	516
Depreciation	1,399	974
Research and development expenses	13,140	13,970
Outsourcing expenses	5,749	5,732

Selling expenses accounted for approximately 47% and 51% for the fiscal years ended March 31, 2022 and 2023, respectively, while general and administrative expenses accounted for approximately 53% and 49% for the fiscal years ended March 31, 2022 and 2023, respectively.

\*2. Insurance claim income

For the fiscal year ended March 31, 2023

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

\*3. Main details of loss on disposal of non-current assets are as follows:

	For the fiscal year ended March 31, 2022		For the fiscal year ended March 31, 2023
Buildings	¥2,008 million	Buildings	¥1,550 million
Structures	178	Structures	573
Machinery and equipment	1,900	Machinery and equipment	1,275

\*4. Transactions with subsidiaries and associates

	For the fiscal year ended March 31, 2022	For the fiscal year ended March 31, 2023
Transaction amounts through sales transactions		
Net sales	¥58,179 million	¥59,568 million
Purchases	33,420	38,820
Transaction amounts through transactions other than sales transactions	14,613	14,610

(Securities)

Shares of subsidiaries and associates

As of March 31, 2022

Shares, etc. with no market price

	Carrying amount (Millions of yen)
Shares of subsidiaries	57,055
Shares of associates	3,251
Total	60,305

As of March 31, 2023

Shares, etc. with no market price

	Carrying amount (Millions of yen)
Shares of subsidiaries	56,825
Shares of associates	3,257
Total	60,082



(Tax-effect accounting)

1. Breakdown of major factors that resulted in deferred tax assets and liabilities

	As of March 31, 2022	As of March 31, 2023
Deferred tax assets		
Provision for bonuses	¥1,077 million	¥1,127 million
Write-off of inventories	419	865
Provision for retirement benefits	4,633	4,383
Allowance for doubtful accounts	438	492
Impairment losses	2,230	4,921
Write-off of investment securities	4,781	4,986
Depreciation in excess	909	687
Asset retirement obligations	500	261
Loss on fire	245	167
Other	1,537	1,317
Subtotal deferred tax assets	16,769	19,206
Valuation allowance	(5,774)	(6,347)
Total deferred tax assets	10,995	12,859
Deferred tax liabilities		
Qualified post-formation acquisition	(2,269)	(2,269)
Valuation difference on available-for-sale securities	(290)	(287)
Other	(640)	(528)
Total deferred tax liabilities	(3,200)	(3,084)
Net deferred tax assets	¥7,795 million	¥9,775 million

In addition to the above, deferred tax liabilities for land revaluation were recorded in non-current liabilities in the amount of ¥18,140 million for the fiscal years ended March 31, 2022 and 2023.

2. Breakdown of items which caused the difference, if any, between the normal statutory tax rate and the effective tax rate after adoption of tax-effect accounting

	As of March 31, 2022	As of March 31, 2023
Effective interest rate	31.0%	Notes have been omitted for the current fiscal year because the Company posted a loss before income taxes in the current fiscal year.
(Reconciliation)		
Entertainment and other expenses excluded from deductible expenses	0.3	
Dividend and other income excluded from taxable income	(7.9)	
Effects of merger	(37.1)	
Valuation allowance	23.7	
Reversal of revaluation reserve for land	(8.5)	
Foreign taxes	1.9	
Resident tax on a per-capita basis	0.8	
Tax credit	(7.8)	
Other	1.4	
Actual effective tax rate	(2.2%)	

(Business combinations)

Not applicable

(Revenue recognition)

Information useful for understanding revenue from contracts with customers has been omitted because the same content is presented in “1. Consolidated Financial Statements, etc., (1) Consolidated Financial Statements, (Revenue recognition).”

(Significant subsequent events)

(Company split with Toyobo MC Corporation related to the Company’s functional materials business)

At its meeting held on January 25, 2023, the Company’s Board of Directors resolved to have the Company’s functional materials business succeeded by Toyobo MC Corporation, which is a wholly-owned subsidiary established on September 5, 2022, through an absorption-type company split (hereinafter “the Split”), and the Company concluded an absorption-type company split agreement effective as of January 25, 2023 and implemented the Split effective as of April 1, 2023. Details are as described in “1. Consolidated Financial Statements, etc., (1) Consolidated Financial Statements, (Significant subsequent events).”

(Merger with Toyobo Information System Create Co., Ltd.)

At its meeting held on December 26, 2022, the Company’s Board of Directors resolved to approve the merger of the Company with Toyobo Information System Create Co., Ltd., a consolidated subsidiary, through an absorption-type merger, and the Company concluded a merger agreement effective as of December 26, 2022 and implemented the absorption-type merger effective as of April 1, 2023. Details are as described in “1. Consolidated Financial Statements, etc., (1) Consolidated Financial Statements, (Significant subsequent events).”

(Issuance of unsecured straight bonds in the Japanese market)

At the meeting of the Board of Directors held on April 25, 2023, a comprehensive resolution regarding the issuance of unsecured straight bonds on the Japanese market was passed. Details are as described in “1. Consolidated Financial Statements, etc., (1) Consolidated Financial Statements, (Significant subsequent events).”

## (iv) Supplementary schedules

[Schedule of property, plant and equipment, etc.]

(Millions of yen)

Category	Type of assets	Balance at the beginning of the current fiscal year	Increase during the current fiscal year	Decrease during the current fiscal year	Depreciation during the current fiscal year	Balance at the end of the current fiscal year	Accumulated depreciation
Property, plant and equipment	Buildings	33,475	5,539	3,165 [2,428]	2,111	33,739	54,965
	Structures	5,727	723	77 [27]	526	5,847	12,510
	Machinery and equipment	41,881	9,940	5,716 [5,655]	9,612	36,493	253,856
	Vehicles	113	95	14 [14]	57	135	880
	Tools, furniture, and fixtures	4,140	1,877	460 [390]	1,404	4,154	14,757
	Land	81,812 (56,648)	4	1,187	—	80,629 (56,648)	—
	Leased assets	120	14	—	38	96	1,460
	Construction in progress	19,577	37,010	18,957 [690]	—	37,629	—
	Total	186,845	55,202	29,576 [9,204]	13,748	198,722	338,429
Intangible assets	Software	1,965	590	92 [92]	723	1,740	—
	Other	1,284	684	590 [0]	89	1,289	—
	Total	3,249	1,274	682 [92]	812	3,029	—

(Notes) 1. The figures in brackets in the “Decrease during the current fiscal year” column represent the amounts of impairment losses included in the total figures in the column.

2. The figures in parentheses represent the revaluation reserve for land in accordance with the Act on Revaluation of Land (Act No. 34 published on March 31, 1998).

3. Main factors for the decrease in buildings during the current fiscal year includes the impairment of the nonwoven fabric materials business.

4. Main factors for the decrease in machinery and equipment during the current fiscal year includes the impairment of the nonwoven fabric materials business.

5. The decrease in land during the current fiscal year is due to sale of Sakaisuji Honmachi TF Building.

6. Main factors for the increase in construction in progress during the current fiscal year include construction of industrial film production facilities and a new building at the Tsuruga Biochemicals Plant.

[Schedule of allowances]

(Millions of yen)

Account item	Balance at the beginning of the current fiscal year	Increase during the current fiscal year	Decrease during the current fiscal year	Balance at the end of the current fiscal year
Allowance for doubtful accounts	659	1	44	616
Provision for bonuses	2,898	2,943	2,898	2,943
Provision for loss on guarantees	849	123	—	972

## (2) Details of Major Assets and Liabilities

This information has been omitted because the Company has prepared the consolidated financial statements.

## (3) Others

Not applicable

## VI. Outline of Share-related Administration of the Reporting Company

Fiscal year	From April 1 to March 31
Annual General Meeting of Shareholders	In June
Record date	March 31
Record date for dividends of surplus	September 30 March 31
Number of shares constituting one unit	100 shares
Purchase and sale of shares in amounts less than one unit	
Handling office	(Special account) 4-5-33, Kitahama, Chuo-ku, Osaka Stock Transfer Agency Business Planning Department, Sumitomo Mitsui Trust Bank, Limited
Shareholder registry administrator	(Special account) 1-4-1, Marunouchi, Chiyoda-ku, Tokyo Sumitomo Mitsui Trust Bank, Limited
Transfer agent	_____
Purchasing/selling fee	Free of charge
Method of public notice	The Company's method of public notice is through electronic public notice. However, if the above-mentioned method of public notice is not possible due to an accident or for other unavoidable reasons, then the <i>Nihon Keizai Shimbun</i> newspaper will be adopted as its medium. Public notice URL: <a href="https://www.toyobo-global.com/">https://www.toyobo-global.com/</a>
Shareholder benefits	Not applicable

## VII. Reference Information on the Reporting Company

### 1. Information about the Parent of the Reporting Company

The Company has no parent company, etc.

### 2. Other Reference Information

The Company submitted the following documents during the period from the starting date of the current fiscal year to the date on which the Annual Securities Report was submitted.

#### (1) Annual Securities Report and documents attached thereto, and Confirmation Letter thereof

The Annual Securities Report for the 164th fiscal year (from April 1, 2021, to March 31, 2022) and documents attached thereto, and Confirmation Letter thereof, were submitted to the Director-General of the Kanto Local Finance Bureau on June 24, 2022.

#### (2) Internal Control Report and documents attached thereto

The Internal Control Report for the 164th fiscal year (from April 1, 2021, to March 31, 2022) thereto was submitted to the Director-General of the Kanto Local Finance Bureau on June 24, 2022.

#### (3) Quarterly Securities Report and Confirmation Letter thereof

The Quarterly Securities Report for the first quarter of the 165th fiscal year (from April 1, 2022, to June 30, 2022) and documents attached thereto were submitted to the Director-General of the Kanto Local Finance Bureau on August 12, 2022.

The Quarterly Securities Report for the second quarter of the 165th fiscal year (from July 1, 2022, to September 30, 2022) and documents attached thereto were submitted to the Director-General of the Kanto Local Finance Bureau on November 14, 2022.

The Quarterly Securities Report for the third quarter of the 165th fiscal year (from October 1, 2022, to December 31, 2022) and documents attached thereto were submitted to the Director-General of the Kanto Local Finance Bureau on February 14, 2023.

#### (4) Extraordinary Report

The Extraordinary Report, which pertains to the provisions of Article 24-5, paragraph 4 of the Financial Instruments and Exchange Act and Article 19, paragraph 2, item 9-2 (matters for resolution) of the Cabinet Office Order on Disclosure of Corporate Affairs, was submitted to the Director-General of the Kanto Local Finance Bureau on June 28, 2022.

The Extraordinary Report, which pertains to the provisions of Article 24-5, paragraph 4 of the Financial Instruments and Exchange Act and Article 19, paragraph 2, items 12 and 19 (events which may have serious effects on the financial position, operating results and cash flow status) of the Cabinet Office Order on Disclosure of Corporate Affairs, was submitted to the Director-General of the Kanto Local Finance Bureau on May 11, 2023.

#### (5) Shelf Registration Statement and documents attached thereto

Submitted to the Director-General of the Kanto Local Finance Bureau on April 1, 2022.

The submission pertains to the shelf registration concerning the offering of corporate bonds.

#### (6) Corrections to the Shelf Registration Statement

Submitted to the Director-General of the Kanto Local Finance Bureau on May 12, 2022.

Submitted to the Director-General of the Kanto Local Finance Bureau on June 28, 2022.

Submitted to the Director-General of the Kanto Local Finance Bureau on August 25, 2022.

Submitted to the Director-General of the Kanto Local Finance Bureau on January 25, 2023.

Submitted to the Director-General of the Kanto Local Finance Bureau on February 10, 2023.

Submitted to the Director-General of the Kanto Local Finance Bureau on May 11, 2023.

#### (7) Securities Registration Statement and documents attached thereto

Submitted to the Director-General of the Kanto Local Finance Bureau on June 24, 2022.

The securities registration statement pertains to restricted share compensation.

#### (8) Correction of Securities Registration Statement

Submitted to the Director-General of the Kanto Local Finance Bureau on June 28, 2022.

The correction pertains to the Securities Registration Statement submitted on June 24, 2022.

#### (9) Correction Confirmation Letter Regarding the Confirmation Letter

Submitted to the Director-General of the Kanto Local Finance Bureau on June 24, 2022.

The Correction Confirmation Letter pertains to the Confirmation Letter for the 164th term (from April 1, 2021, to March 31, 2022).

(10) Supplementary Documents to the Shelf Registration Statement and documents attached thereto

Submitted to the Director-General of the Kinki Local Finance Bureau on March 3, 2023.

(11) Report on the State of Purchase of Treasury Shares

The report for the reporting period from February 9, 2023, to February 28, 2023, and documents attached thereto were submitted to the Director-General of the Kanto Local Finance Bureau on March 7, 2023.

The report for the reporting period from March 1, 2023, to March 31, 2023, and documents attached thereto were submitted to the Director-General of the Kanto Local Finance Bureau on April 7, 2023.

The report for the reporting period from April 1, 2023, to April 30, 2023, and documents attached thereto were submitted to the Director-General of the Kanto Local Finance Bureau on May 9, 2023.

Part II Information about the Reporting Company's Guarantor, etc.

Not applicable

## Independent Auditor’s Report on the Financial Statements and Internal Control on Financial Reporting

June 28, 2023

To the Board of Directors of Toyobo Co., Ltd.:

KPMG AZSA LLC

Osaka Office, Japan

Designated Limited Liability Partner Engagement Partner	Certified Public Accountant	Yoshihide Takehisa
Designated Limited Liability Partner Engagement Partner	Certified Public Accountant	Tetsuo Yamada
Designated Limited Liability Partner Engagement Partner	Certified Public Accountant	Seiko Ohashi

### **Report on the Audit of the Consolidated Financial Statements**

#### **Opinion**

We have audited the accompanying consolidated financial statements of Toyobo Co., Ltd. (“the Company”) and its consolidated subsidiaries (collectively referred to as “the Group”) provided in the “Financial Information” section of Toyobo’s Annual Securities Report (“Yukashoken Hokokusho”), which comprise the consolidated balance sheets as at March 31, 2023 and the consolidated statements of income, the consolidated statements of comprehensive income, the consolidated statements of changes in net assets, and the consolidated statements of cash flows for the year then ended, as well as a summary of significant accounting policies and other explanatory information and supplementary schedules, in accordance with Article 193-2(1) of the Financial Instruments and Exchange Act of Japan.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2023 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

#### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were the most significant in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



Validity of an impairment loss recognized on non-current assets held by the nonwoven fabrics business and the engineering plastics business	
The key audit matter	How the matter was addressed in our audit
<p>An impairment loss of ¥8,178 million on the non-current assets held by the nonwoven fabrics business and the engineering plastics business was recognized in the Company's Consolidated Statements of Income. These two businesses continue to post operating losses due, among other reasons, to product price revisions failing to compensate for the effect of increases in raw-material and fuel prices.</p> <p>While non-current assets are depreciated in a systematic manner, they need to be tested for impairment whenever there is any indication of impairment. The impairment test is performed by comparing the undiscounted future cash flows that are expected to be generated from the related asset group with their carrying amounts. If the recognition of an impairment loss is deemed necessary, the carrying amount is reduced to the recoverable amount, and the resulting decrease in the carrying amount is recognized as an impairment loss.</p> <p>The business plan prepared by management that served as the basis for calculating the recoverable amount included estimates of increases in sales volumes and of product price revisions to be made in response to rises in raw-material and fuel prices. Those forecasts involved a high degree of uncertainty, and management's judgment thereon had a significant effect on the estimated future cash flows. In addition, the discount rate used for calculating the recoverable amount had a significant effect on the amount of impairment loss.</p> <p>Therefore, we determined that our assessment of the validity of an impairment loss recognized on non-current assets held by the nonwoven fabrics business and the engineering plastics business was the most significant in our audit of the consolidated financial statements for this fiscal year, and accordingly, a key audit matter.</p>	<p>In order to assess the validity of an impairment loss recognized on non-current assets held by the nonwoven fabrics business and the engineering plastics business, we mainly performed the following audit procedures.</p> <p><b>(1) Internal control testing</b></p> <p>Test of the design and operating effectiveness of internal controls relevant to recognizing an impairment loss on the non-current assets.</p> <p><b>(2) Assessment of the reasonableness of the estimated future cash flows</b></p> <p>Assessment of the appropriateness of the key assumptions included in the business plan used to estimate future cash flows by making inquiries to management regarding the basis on which those assumptions were developed, as well as by performing the following procedures:</p> <ul style="list-style-type: none"> <li>- With respect to increases in sales volumes, inquiries to responsible managers and comparison with external information on historical actual sales volume data and future demand projections; and</li> <li>- With respect to estimates of product price revisions to be made in response to increases in raw-material and fuel prices, inquiries to responsible managers regarding the status of negotiations with customers and comparison with external information regarding historical price revision data and future raw-material and fuel price projections.</li> </ul> <p><b>(3) Assessment of the reasonableness of the discount rate</b></p> <p>Assessment of whether the valuation method was appropriate in view of the requirements of the accounting standards, and comparison of the input data used for the calculations with market data published by external organizations.</p>

## Other Information

The other information comprises the information included in the Annual Securities Report, but does not include the consolidated financial statements, the financial statements, and the independent auditor's reports thereon. Management is responsible for the preparation and presentation of other information. Corporate auditors and the board of corporate auditors are responsible for overseeing the directors' performance of their duties with regard to the design, implementation, and maintenance of the reporting process for the other information.

Our opinion on the consolidated financial statements does not cover the other information, and we do not express any form of conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

## **Responsibilities of Management and Corporate Auditors and the Board of Corporate Auditors for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to a going concern in accordance with accounting principles generally accepted in Japan.

Corporate auditors and the board of corporate auditors are responsible for overseeing the directors' performance of their duties including the design, implementation, and maintenance of the Group's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these consolidated financial statements.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the overriding of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude whether it is appropriate that management uses the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures in the consolidated financial statements are in accordance with accounting standards generally accepted in Japan and the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information on the entities or business activities within the Group in order to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with corporate auditors and the board of corporate auditors regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide corporate auditors and the board of corporate auditors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with corporate auditors and the board of corporate auditors, we determine those that were most significant in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless laws or regulations preclude public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public-interest benefits of such communication.

## **Report on the Audit of the Internal Control Report**

### **Opinion**

We have also audited the accompanying internal control report of Toyobo Co., Ltd. as at March 31, 2023, in accordance with Article 193-2(2) of the Financial Instruments and Exchange Act of Japan.

In our opinion, the accompanying internal control report, which states that the internal control over financial reporting was effective as at March 31, 2023, presents fairly, in all material respects, the results of the assessments of internal control on financial reporting in accordance with assessment standards for internal controls over financial reporting generally accepted in Japan.

### **Basis for Opinion**

We conducted our audit of the internal control report in accordance with auditing standards for internal control on financial reporting generally accepted in Japan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Internal Control Report* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the internal control report in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Responsibilities of Management and Corporate Auditors and the Board of Corporate Auditors for the Internal Control Report**

Management is responsible for the design and operation of internal control over financial reporting and for the preparation and fair presentation of the internal control report in accordance with assessment standards for internal control on financial reporting generally accepted in Japan.

Corporate auditors and the board of corporate auditors are responsible for overseeing and examining the design and operation of internal control on financial reporting.

Internal control on financial reporting may not completely prevent or detect financial statement misstatements.

### **Auditor's Responsibilities for the Audit of the Internal Control Report**

Our objectives are to obtain reasonable assurance about whether the internal control report is free from material misstatement and to issue an auditor's report that includes our opinion.

As part of our audit in accordance with auditing standards for internal control on financial reporting generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Perform procedures to obtain audit evidence about the results of the assessments of internal control on financial reporting in the internal control report. The procedures for the audit of the internal control report are selected and performed, depending on the auditor's judgment, based on the significance of the effect on the reliability of financial reporting.
- Evaluate the overall presentation of the internal control report, including the appropriateness of the scope, procedures, and results of the assessments that management presents.
- Obtain sufficient appropriate audit evidence about the results of the assessments of internal control on financial reporting in the internal control report. We are responsible for the direction, supervision and performance of the audit of the internal control report. We remain solely responsible for our audit opinion.

We report to the corporate auditors and the board of corporate auditors regarding, among other matters, the planned scope and timing of our audit of the internal control report, the results thereof, material weaknesses in any internal control identified during our audit of the internal control report, and those that were remediated, and other matters required under internal control auditing standards.

We also provide corporate auditors and the board of corporate auditors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

### **Interest required to be disclosed by the Certified Public Accountants Act of Japan**

We do not have any interest in the Group that is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

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The original copy of the above Independent Auditor's Report is kept separately by the Company (the reporting company).  
XBRL data are outside the scope of audit.

## Independent Auditor's Report on the Financial Statements

June 28, 2023

To the Board of Directors of Toyobo Co., Ltd.:

KPMG AZSA LLC

Osaka Office, Japan

Designated Limited Liability Partner Engagement Partner	Certified Public Accountant	Yoshihide Takehisa
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Designated Limited Liability Partner Engagement Partner	Certified Public Accountant	Tetsuo Yamada
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Designated Limited Liability Partner Engagement Partner	Certified Public Accountant	Seiko Ohashi
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### **Opinion**

We have audited the non-consolidated financial statements of Toyobo Co., Ltd. (“the Company”) provided in the “Financial Information” section of Toyobo’s Annual Securities Report (“Yukashoken Hokokusho”), which comprise the non-consolidated balance sheets as at March 31, 2023, and the non-consolidated statements of income and the non-consolidated statements of changes in net assets for the 165th year ended March 31, 2023, and a summary of significant accounting policies, other explanatory information, and supplementary schedules, in accordance with Article 193-2(1) of the Financial Instruments and Exchange Act of Japan.

In our opinion, the non-consolidated financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2023 and its financial performance for the year then ended in accordance with accounting principles generally accepted in Japan.

### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Non-consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the non-consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Emphasis of matter**

As described in the note “(Significant subsequent events),” the Company split its businesses related to functional materials to Toyobo MC Corporation through a adsorption-type company split on April 1, 2023.

### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were the most significant in our audit of the non-consolidated financial statements for the current period. These matters were addressed in the context of our audit of the non-consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Validity of an impairment loss recognized on non-current assets held by the nonwoven fabrics business and the engineering plastics business

The “validity of an impairment loss recognized on non-current assets held by the nonwoven fabrics business and the engineering plastics business,” the key audit matter to be noted in the independent auditor’s report for the non-consolidated financial statements, is virtually identical to the “validity of an impairment loss recognized on non-current assets held by the nonwoven fabrics business and the engineering plastics business” noted in the independent auditor’s report for the consolidated financial statements. Therefore, the details of the key audit matter are omitted here.

### **Other Information**

The other information comprises the information included in the Annual Securities Report, but does not include the consolidated financial statements, the financial statements, and the independent auditor’s reports thereon. Management is responsible for the preparation and presentation of other information. Corporate auditors and the board of corporate auditors are responsible for overseeing the directors’ performance of their duties with regard to the design, implementation, and maintenance of the reporting process for the other information.

Our opinion on the non-consolidated financial statements does not cover the other information, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the non-consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the non-consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

### **Responsibilities of Management and Corporate Auditors and the Board of Corporate Auditors for the Non-consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the non-consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines necessary to enable the preparation of non-consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the non-consolidated financial statements, management is responsible for assessing the Company’s ability to continue as a going concern, disclosing, as applicable, matters related to a going concern in accordance with accounting principles generally accepted in Japan.

Corporate auditors and the board of corporate auditors are responsible for overseeing the directors’ performance of their duties including the design, implementation, and maintenance of the Group’s financial reporting process.

## **Auditor's Responsibilities for the Audit of the Non-consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the non-consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these non-consolidated financial statements.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the overriding of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the non-consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures in the non-consolidated financial statements are in accordance with accounting standards generally accepted in Japan and the overall presentation, structure and content of the non-consolidated financial statements, including the disclosures, and the non-consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with corporate auditors and the board of corporate auditors regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide corporate auditors and the board of corporate auditors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with corporate auditors and the board of corporate auditors, we determine those matters that were most significant in the audit of the non-consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless laws or regulations preclude public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public-interest benefits of such communication.

## **Interest required to be disclosed by the Certified Public Accountants Act of Japan**

We do not have any interest in the Company that is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

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The original copy of the above Independent Auditor's Report is kept separately by the Company (the reporting company). XBRL data are outside the scope of audit.

[Cover Page]

[Document title]	Confirmation Letter
[Stipulating clause]	Article 24-4-2, Paragraph 1 of the Financial Instruments and Exchange Act of Japan
[Place where filed]	Director-General of the Kanto Local Finance Bureau
[Filing date]	June 28, 2023
[Company name]	Toyobo Co., Ltd.
[Company name in English]	Toyobo Co., Ltd.
[Title and name of representative]	Ikuo Takeuchi, President & Representative Director
[Title and name of the chief financial officer]	Hiroshi Otsuki, Representative Director and Senior Managing Executive Officer
[Address of registered headquarters]	1-13-1 Umeda, Kita-ku, Osaka, Japan
[Place for public inspection]	Tokyo Branch, Toyobo Co., Ltd. (17-10, Kyobashi 1-chome, Chuo-ku, Tokyo, Japan) Nagoya Branch, Toyobo Co., Ltd. (390 Ichibagi-cho, Nishi-ku, Nagoya, Japan) Tokyo Stock Exchange, Inc. (2-1 Nihombashi Kabutocho, Chuo-ku, Tokyo, Japan)



1 [Appropriateness of the information contained in the Annual Securities Report]

Ikuo Takeuchi, President & Representative Director of the Company, and Hiroshi Otsuki, Chief Financial Officer of the Company, confirmed that the information contained in the Company's Annual Securities Report for the 165th term (from April 1, 2022 to March 31, 2023) is described appropriately in accordance with the Financial Instruments and Exchange Act.

2 [Other information for special attention]

Not applicable

[Cover Page]

[Document title]	Internal Control Report
[Stipulating clause]	Article 24-4-4, Paragraph 1 of the Financial Instruments and Exchange Act of Japan
[Place where filed]	Director-General of the Kanto Local Finance Bureau
[Filing date]	June 28, 2023
[Company name]	Toyobo Co., Ltd.
[Company name in English]	Toyobo Co., Ltd.
[Title and name of representative]	Ikuo Takeuchi, President & Representative Director
[Title and name of the chief financial officer]	Hiroshi Otsuki, Representative Director and Senior Managing Executive Officer
[Address of registered headquarters]	1-13-1 Umeda, Kita-ku, Osaka, Japan
[Place for public inspection]	Tokyo Branch, Toyobo Co., Ltd. (17-10, Kyobashi 1-chome, Chuo-ku, Tokyo, Japan) Nagoya Branch, Toyobo Co., Ltd. (390 Ichibagi-cho, Nishi-ku, Nagoya, Japan) Tokyo Stock Exchange, Inc. (2-1 Nihombashi Kabutocho, Chuo-ku, Tokyo, Japan)

## 1 [Basic framework of internal control related to financial reporting]

Ikuo Takeuchi, President & Representative Director of the Company, and Hiroshi Otsuki, Chief Financial Officer of the Company, are responsible for overseeing and examining the design and operation of the Company's internal controls on financial reporting. They have designed and operated the Company's internal controls on financial reporting in compliance with the basic framework of internal control set out in the recommendations on standards for evaluation and audit of internal controls on financial reporting and on the setting of the standards for evaluating and auditing internal controls on financial reporting published by the Business Accounting Council.

Internal controls are intended to achieve their purpose to a reasonable extent by ensuring that basic elements of internal controls combine organically and function in an integrated manner. Accordingly, internal controls on financial reporting may not completely prevent or detect financial statement misstatements.

## 2 [Scope, date, and procedures for evaluation]

The evaluation of the Company's internal controls on financial reporting was conducted, with the last day of the current fiscal year, March 31, 2023, set as the record date, following generally accepted standards for the evaluation of internal control over financial reporting.

In the evaluation, the Company's internal controls (company-wide internal controls) that have material impacts on the entire consolidated financial reporting were evaluated. Then, based on the results, certain work processes were selected as the evaluation targets. In the work process evaluation, the selected work processes were analyzed to identify major issues with the Company's internal controls that have material impacts on the reliability of financial reporting. Following that, the design and operation of internal controls were evaluated with respect to the identified major issues to assess the effectiveness of the Company's internal controls.

The scope of the evaluation of the Company's internal controls on financial reporting included the Company, and the internal controls of its consolidated subsidiaries and its associates accounted for using the equity method that were determined in view of the materiality of impacts on the reliability of financial reporting. The materiality of impacts on the reliability of financial reporting is determined by considering the materiality of financial impacts and qualitative impacts. The scope of the evaluation of internal controls on work processes was determined rationally, based on the results of the evaluation of the company-wide internal controls in which the Company and 27 consolidated subsidiaries were assessed. Other than the above entities, twenty five consolidated subsidiaries and five associates accounted for using the equity method were excluded from the scope of the evaluation of the company-wide internal controls because their materiality was considered only limited in financial and qualitative terms.

As for the scope of the evaluation of internal controls on work processes, three business entities were selected as material business entities. These were the three largest among the entities included in the scope of the evaluation in terms of net sales (after eliminating transactions between consolidated entities) for the previous fiscal year, and they accounted for approximately two-thirds of the Group's consolidated net sales for the previous fiscal year. The targets of the evaluation include the work processes in these selected material business entities that lead to net sales, accounts receivable - trade, and inventories, which are account items significantly related to the purpose of their business. Moreover, the work processes that carry high risks of material false statements occurring and are related to material account items that involve estimation or projection or to a business or operation that engages in high-risk transactions were considered material work processes and included in the evaluation targets. This was in view of their impacts on financial reporting, regardless of whether they belong to the selected material business entities or the other business entities.

## 3 [Result of evaluation]

As a result of the above evaluation, the Company's internal controls on financial reporting were considered effective as of the last day of the current fiscal year.

## 4 [Supplementary information]

Not applicable

## 5 [Other information for special attention]

Not applicable