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Annual Securities Report

164th term

From April 1, 2021
to March 31, 2022

TOYOBO CO., LTD.

E00525

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[Independent Auditors' Report]
[Confirmation Letter]
[Internal Control Report]

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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

		160th term	161st term	162nd term	163rd term	164th term
Fiscal year-end		March 2018	March 2019	March 2020	March 2021	March 2022
Net sales	(Millions of yen)	331,148	336,698	339,607	337,406	375,720
Ordinary profit	(Millions of yen)	20,415	17,788	18,035	20,706	23,092
Profit (loss) attributable to owners of parent	(Millions of yen)	13,044	(603)	13,774	4,202	12,865
Comprehensive income	(Millions of yen)	15,611	(467)	4,437	9,471	12,112
Net assets	(Millions of yen)	184,515	181,226	182,636	188,635	197,149
Total assets	(Millions of yen)	445,495	461,047	488,874	491,188	517,774
Net assets per share	(Yen)	2,034.04	1,989.29	2,003.01	2,090.47	2,192.17
Net profit (loss) per share	(Yen)	146.93	(6.80)	155.12	47.30	144.75
Diluted net profit per share	(Yen)	—	—	—	—	—
Equity ratio	(%)	40.5	38.3	36.4	37.8	37.6
Return on equity	(%)	7.5	(0.3)	7.8	2.3	6.8
Price-earnings ratio	(Times)	14.29	—	7.37	30.11	7.55
Net cash provided by (used in) operating activities	(Millions of yen)	22,353	7,838	44,255	35,028	17,097
Net cash provided by (used in) investing activities	(Millions of yen)	(1,174)	(24,286)	(39,216)	(31,678)	(24,608)
Net cash provided by (used in) financing activities	(Millions of yen)	(27,831)	12,608	(1,805)	5,340	(1,729)
Cash and cash equivalents at end of period	(Millions of yen)	25,857	22,167	25,084	34,526	26,433
Number of employees [Average number of temporary employees not included in the above numbers]	(People)	9,494 [1,425]	9,572 [1,337]	10,073 [1,399]	10,149 [1,107]	10,503 [1,326]

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

2. The Group implemented a 1-for-10 share consolidation, effective October 1, 2017. Accordingly, net assets per share and net profit per share are calculated on the assumption that the share consolidation took place at the beginning of the 159th term.

3. The price-earnings ratio for the 161st term is not presented because the Group recorded a loss attributable to the owners of the parent.

4. The Group has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and other standards effective from the beginning of the fiscal year ended March 31, 2022. Key financial data for the current fiscal year are figures after the application of the standards.

(2) Key financial data of reporting company

		160th term	161st term	162nd term	163rd term	164th term
Fiscal year-end		March 2018	March 2019	March 2020	March 2021	March 2022
Net sales	(Millions of yen)	202,877	199,322	199,086	197,251	241,749
Ordinary profit	(Millions of yen)	13,086	11,888	12,728	14,249	16,021
Profit (loss)	(Millions of yen)	10,296	(1,625)	10,489	(4,750)	6,174
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)	162,486	156,256	162,034	155,112	156,273
Total assets	(Millions of yen)	393,212	400,684	421,625	421,593	447,112
Net assets per share	(Yen)	1,830.42	1,760.29	1,824.48	1,745.86	1,757.92
Dividend per share [including interim dividend per share]	(Yen)	40.00 [−]	40.00 [−]	40.00 [−]	40.00 [−]	40.00 [−]
Net profit (loss) per share	(Yen)	115.98	(18.31)	118.12	(53.47)	69.47
Diluted net profit per share	(Yen)	−	−	−	−	−
Equity ratio	(%)	41.3	39.0	38.4	36.8	35.0
Return on equity	(%)	6.5	(1.0)	6.6	(3.0)	4.0
Price-earnings ratio	(Times)	18.10	−	9.68	−	15.73
Payout ratio	(%)	34.5	−	33.9	−	57.6
Number of employees [Average number of temporary employees not included in the above numbers]	(People)	3,080 [310]	3,108 [328]	3,181 [353]	3,365 [369]	3,831 [387]
Total shareholder return (Reference indicator: TOPIX Total Return Index)	(%) (%)	110.8 (115.9)	77.5 (110.0)	65.4 (99.6)	82.1 (141.5)	67.0 (144.3)
Highest share price	(Yen)	2,249 [218]	2,164	1,666	1,687	1,505
Lowest share price	(Yen)	1,900 [184]	1,386	954	1,033	1,046

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

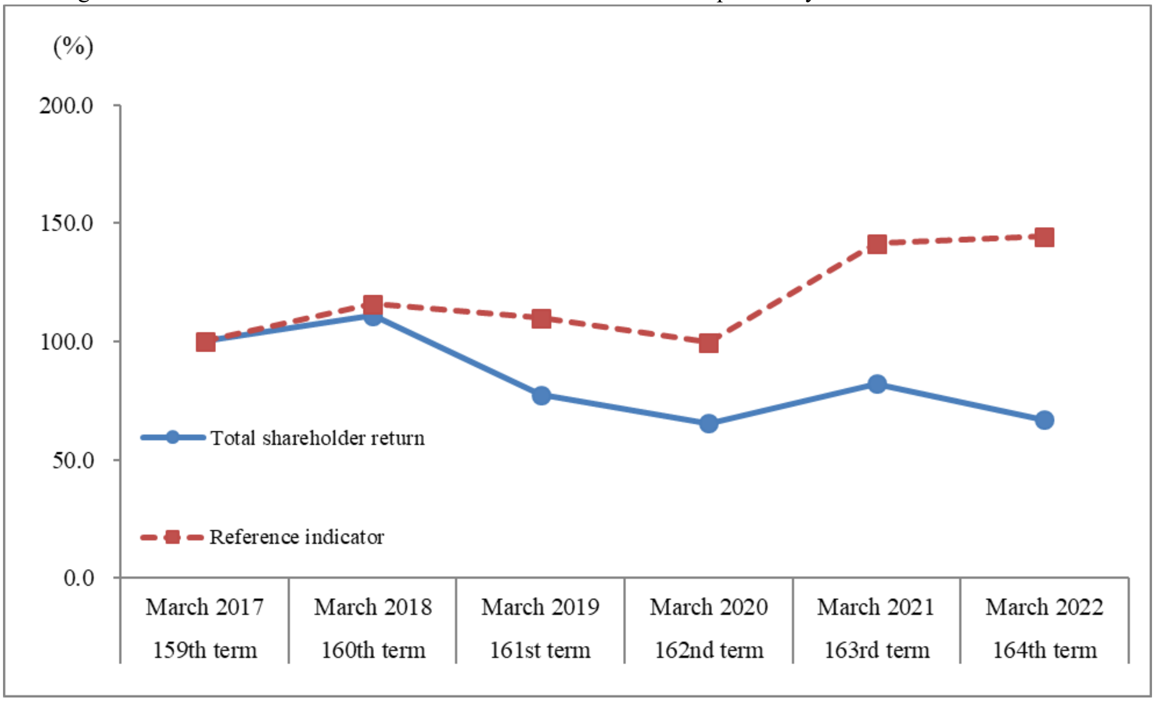
2. The Company implemented a 1-for-10 share consolidation, effective October 1, 2017. Accordingly, net assets per share and net profit per share are calculated on the assumption that the share consolidation took place at the beginning of the 159th term. Furthermore, highest and lowest share prices after the share consolidation are shown for the 160th term, with those before the share consolidation presented in square brackets.

3. The highest and lowest share prices are those recorded on the First Section of the Tokyo Stock Exchange.

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

5. 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 fiscal year ended March 31, 2022. Key financial data for the current fiscal year are figures after the application of the standards.

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



2. History

May 3, 1882	Establishes Osaka Boseki, a predecessor to the Company, 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	Launches Mie Boseki, a predecessor to the Company
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	Establishes Miyukikeori Co., Ltd. (currently a consolidated subsidiary)
May 1919	Establishes Kyoto Some-saisei Co., Ltd. (renamed Toyo Cloth Co., Ltd. in February 1926; currently a consolidated subsidiary)
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	Establishes Toyo Iou Kogyo Co., Ltd. (renamed Toyo Kasei Kogyo Co., Ltd. in December 1959, which merged with the Company in March 2010)
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	Establishes Brasilana Productos Texteils Ltda. (renamed Toyobo Do Brasil Ltda. in December 2001; currently a consolidated subsidiary)
May 1949	Listed on the Tokyo and Osaka Stock Exchanges
April 1955	Establishes Toyobo Do Brasil Industria Textil Ltda. (renamed Toyobo Do Brasil Participacoes Ltda. in December 2013; currently a consolidated subsidiary)
December 1955	Establishes Industrias Unidas, S.A. (currently a consolidated subsidiary)
September 1956	Establishes Japan Exlan Company, Limited (which started producing acrylic fibers in April 1958; currently a consolidated subsidiary)
April 1960	Establishes Ritto Seni (renamed Kureha Limited in July 1989; currently a consolidated subsidiary)
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 1964	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 1971	Establishes Toyobo Real Estate Co., Ltd. (currently a consolidated subsidiary)
December 1971	The Inuyama Plant starts producing biaxially oriented polyester films
July 1972	Establishes Toyobo Engineering Co., Ltd. (currently a consolidated subsidiary)
May 1975	Enters the active 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

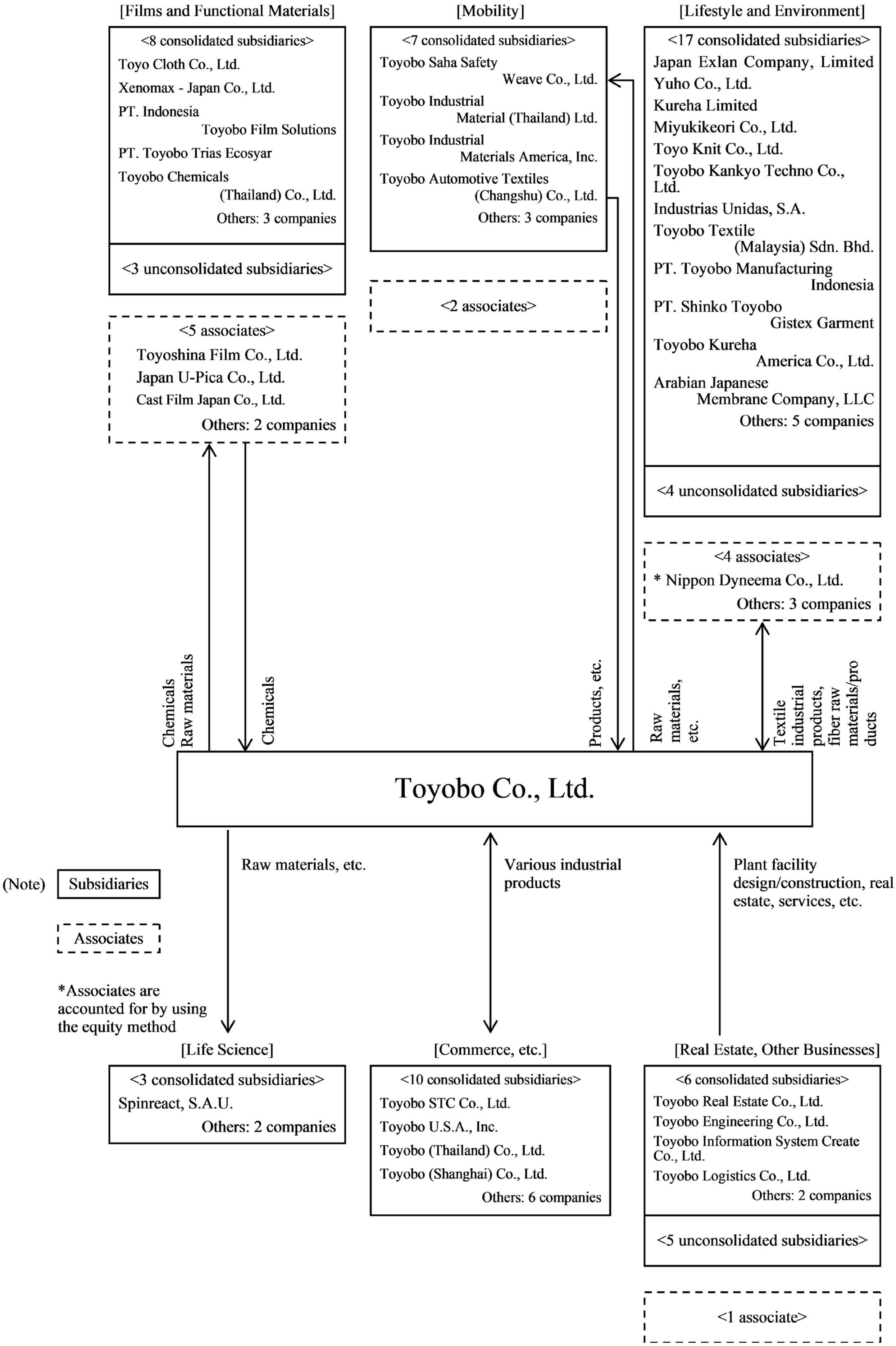
October 1977	Starts producing the “Printight” photosensitive water-wash nylon resin relief printing plate
November 1978	Launches the Tsuruga Enzyme Plant (currently the Tsuruga Biochemicals Plant)
May 1980	The Iwakuni Plant starts producing the “HOLLOSEP” reverse-osmosis membranes for seawater desalination (currently the Iwakuni Membrane Plant)
November 1983	Launches the Iwakuni Membrane Plant
May 1984	The Iwakuni Membrane Plant starts full-fledged production of artificial kidney hollow fiber
October 1985	Enters the pharmaceutical business
December 1985	Starts full-fledged production of engineering plastics
April 1989	Takes over the sales team for the acrylic fiber “Exlan” division from Diafibers Co., Ltd.
May 1990	Launches the Otsu Pharmaceuticals Plant
April 1991	Starts full-fledged production of the “Dyneema” ultra-high-strength polyethylene fiber
April 1992	Launches the Tsuruga Biochemicals Research Center
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 the “ZYLON” high-performance fibers with excellent durability and heat resistance
April 2001	Merges Nippon Magphane through absorption-type merger to form Tsuruga Films Plant
February 2002	Establishes 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)
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	Consolidated the Tsuruga Textile Plant into the Tsuruga Functional Materials Plant, and renamed 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 and 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	Changes the company name to Toyobo Co., Ltd.
April 2018	Establishes Xenomax - Japan Co., Ltd., which produces and sells “XENOMAX” high heat-resistant polyimide film
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.

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 eight 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 the Company.
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 the Company.
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 Company, Limited 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 production, processing and sale of the Company’s products. Seven 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 materials and other products. Three consolidated subsidiaries, including Spinreact, S.A.U., manufacture and sell diagnostic reagents and equipment.
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 two consolidated subsidiaries as well as six 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.


[Films and Functional Materials]
<8 consolidated subsidiaries>
Toyo Cloth Co., Ltd.
Xenomax - Japan Co., Ltd.
PT. Indonesia Toyobo Film Solutions
PT. Toyobo Trias Ecosyar
Toyobo Chemicals (Thailand) Co., Ltd.
Others: 3 companies
<3 unconsolidated subsidiaries>
<5 associates>
Toyoshina Film Co., Ltd.
Japan U-Pica Co., Ltd.
Cast Film Japan Co., Ltd.
Others: 2 companies
[Mobility]
<7 consolidated subsidiaries>
Toyobo Saha Safety Weave Co., Ltd.
Toyobo Industrial Material (Thailand) Ltd.
Toyobo Industrial Materials America, Inc.
Toyobo Automotive Textiles (Changshu) Co., Ltd.
Others: 3 companies
<2 associates>
[Lifestyle and Environment]
<17 consolidated subsidiaries>
Japan Exlan Company, Limited
Yuho Co., Ltd.
Kureha Limited
Miyukikeori Co., Ltd.
Toyo Knit Co., Ltd.
Toyobo Kankyo Techno Co., Ltd.
Industrias Unidas, S.A.
Toyobo Textile (Malaysia) Sdn. Bhd.
PT. Toyobo Manufacturing Indonesia
PT. Shinko Toyobo Gistex Garment
Toyobo Kureha America Co., Ltd.
Arabian Japanese Membrane Company, LLC
Others: 5 companies
<4 unconsolidated subsidiaries>
<4 associates>
* Nippon Dyneema Co., Ltd.
Others: 3 companies
Chemicals
Raw materials
Chemicals
Products, etc.
Raw materials, etc.
Textile industrial products, fiber raw materials/products
Toyobo Co., Ltd.
Raw materials, etc.
Various industrial products
Plant facility design/construction, real estate, services, etc.
(Note)
Subsidiaries
Associates
*Associates are accounted for by using the equity method
[Life Science]
<3 consolidated subsidiaries>
Spinreact, S.A.U.
Others: 2 companies
[Commerce, etc.]
<10 consolidated subsidiaries>
Toyobo STC Co., Ltd.
Toyobo U.S.A., Inc.
Toyobo (Thailand) Co., Ltd.
Toyobo (Shanghai) Co., Ltd.
Others: 6 companies
[Real Estate, Other Businesses]
<6 consolidated subsidiaries>
Toyobo Real Estate Co., Ltd.
Toyobo Engineering Co., Ltd.
Toyobo Information System Create Co., Ltd.
Toyobo Logistics Co., Ltd.
Others: 2 companies
<5 unconsolidated subsidiaries>
<1 associate>

4. Subsidiaries and Other Affiliates

Name	Location	Share capital (Millions of yen)	Description of principal business	Ratio of voting rights held (%)		Relationship
				Direct ownership	Indirect ownership	
(Consolidated subsidiaries)						
Japan Exlan Company, Limited	Kita-ku, Osaka	3,000	Lifestyle and Environment, etc.	80.0	—	Supplies acrylic fiber products to the Company. Leases land from the Company. Concurrent directorship: Yes
Toyobo STC Co., Ltd.	Kita-ku, Osaka	2,500	Films and Functional Materials, Mobility, Lifestyle and Environment	100.0	—	Purchases various products 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 Limited	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 Engineering Co., Ltd.	Kita-ku, Osaka	120	Other businesses	100.0	—	Engages in contract design/construction of buildings and machinery of 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 STC Co., Ltd. 99.9	Concurrent directorship: Yes
PT. Shinko Toyobo Gistex Garment	West Java Indonesia	5,000 thousand US$	Lifestyle and Environment	―	Toyobo STC Co., Ltd. 80.0	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 USA	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) Japan U-Pica Co., Ltd.	Chiyoda-ku, Tokyo	1,100	Films and Functional Materials	30.0	―	Concurrent directorship: Yes
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, 2022

Segment	Number of employees (People)
Films and Functional Materials	2,544 [196]
Mobility	743 [29]
Lifestyle and Environment	4,870 [759]
Life Science	1,101 [79]
Real Estate	50 [8]
Other businesses	668 [181]
Company-wide (shared)	527 [74]
Total	10,503 [1,326]

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 Reporting Company

As of March 31, 2022

Number of employees (People)	Average age	Average years of service	Average annual salary (Yen)
3,831 [387]	41.2	15.2	6,500,214

Segment	Number of employees (People)
Films and Functional Materials	1,770 [61]
Mobility	241 [13]
Lifestyle and Environment	650 [169]
Life Science	640 [70]
Real Estate	3 [−]
Other businesses	− [−]
Company-wide (shared)	527 [74]
Total	3,831 [387]

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.

II. Overview of Business

1. Management Policy, Business Environment, and Issues to be Addressed

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) Summary of the 2018 Medium-Term Management Plan (FY 3/19 – FY 3/22)

The Group has focused on the three growth fields of “films & coatings,” “mobility,” and “healthcare & wellness” under the 2018 Medium-Term Management Plan (FY 3/19 – FY 3/22). Some of the businesses in the growth fields steadily increased revenue, while others experienced delays in expansion. Operating profit for FY 3/22 was a mere ¥28.4 billion, falling short of the ¥30.0 billion target. The industrial film business moved forward with expanding sales of polarizer protective films for LCDs and mold releasing film for MLCC as planned. With respect to reagents for PCR testing, we responded to greater demand for PCR testing following the spread of COVID-19. However, we failed to achieve the target because raw material and fuel prices soared and the airbag fabrics business, the textile business and the contract manufacturing business of pharmaceuticals suffered a deterioration in or failed to improve profitability.

With regard to the financial position, the Group focuses on the D/E ratio from the perspective of maintaining and improving its debt rating and ensuring stability in financing, and has set a target D/E ratio of less than 1.0. The ratio remained range-bound near 1.0, indicating that the sound financial position was maintained.

During the 2018 Medium-Term Management Plan, two serious fire accidents and quality misconduct occurred, undermining the Group’s reliability. The Group takes the situation seriously, and has implemented countermeasures while giving the highest priority to reviewing the business foundation. In the 2025 Medium -Term Management Plan (FY 3/23 – FY 3/26) as well, we will position “thorough safety, disaster prevention, and quality assurance” as the top-priority measure that constitutes the basic policy, and establish unshakable confidence.

(2) Business environment

As for the business environment surrounding the Group, amid the recent repeated fluctuation in the number of people infected with COVID-19, economic activity is gradually recovering due to progress made with vaccinations and fiscal and monetary policies. However, due to the impact of the recent situation in Ukraine, inflationary pressure is increasing as there are signs of raw material and fuel prices rising more than they have thus far, and raw-material supplies are tightening. Furthermore, concerns are increasing about protraction of the semiconductor shortage and disruptions to the component supply chain in the automotive industry. The fall in automobile production due to the semiconductor shortage and the soaring and hovering of raw material and fuel prices are expected to impact the Group’s business.

The Group considers that decarbonization, transition to a circular economy and a shift to EVs, which are demanded by society, could present both risks and opportunities for the Group, which handles petroleum-derived products and automobile-related products.

(3) Sustainable Vision 2030

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 original starting point of the spirit of Eiichi Shibusawa and rearranged its “Jun-Ri-Soku-Yu (順理則裕)” corporate philosophy as the corporate philosophy system “TOYOBO PVVs.” The aim is 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.

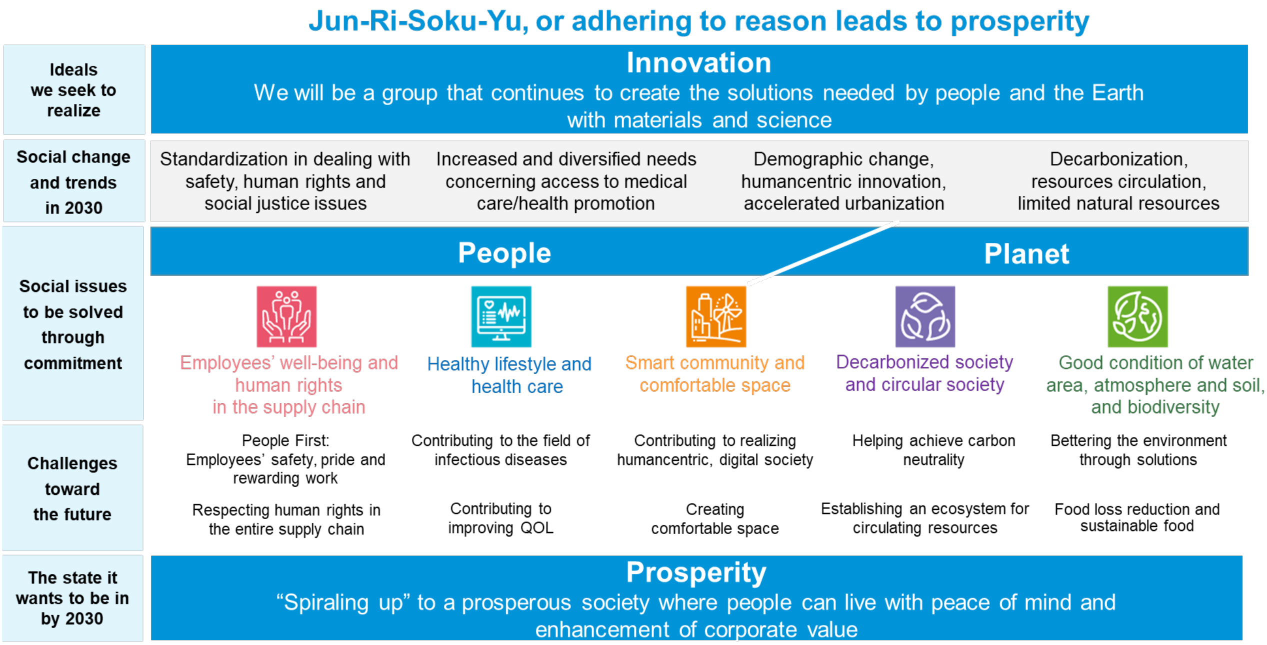
The Sustainable Vision 2030 projects changes in the future business environment and shows the Group’s ideal state to be realized by 2030, sustainability indices, and action plans based on “Jun-Ri-Soku-Yu (順理則裕).” This long-term vision is aimed at realizing “sustainable growth”— in other words, becoming a sustainable (growing) company that contributes to social sustainability.

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 humancentric 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.

The Group’s vision is “We will continue to create the solutions needed by people and the earth with our materials and science” as set forth in the TOYOBO PVVs. More specifically, the vision comprises (i) contributing to solving social issues through business operations; (ii) sustainable growth (solid foundation and track for future growth); and (iii) People First (safe workplaces where employees can work with peace of mind, pride and rewarding work, self-growth).

To realize this vision, we have anticipated social changes and trends around 2030 and identified five social issues that the Group will contribute to solving through business operations and other means. The five social issues are: “employees’ well-being and human rights in the supply chain”; “healthy lifestyle and health care”; “smart community and comfortable space”; “decarbonized and circular society”; and “good condition of water area, atmosphere and soil, and biodiversity.” The first three relate to “People,” while the last two relate to “Planet.” In taking on the challenge of helping to solve these social issues, we will move toward realizing our 2030 vision of “’spiraling up’ to a prosperous society where people can live with peace of mind and the enrichment of corporate value.”

<Entire Picture of Sustainable Vision 2030>



We have set quantitative and qualitative targets to realize the vision. The main sustainability indices for 2030 are as follows:

[Main sustainability indices]
- Serious incidents: Zero
- Employee engagement score: Over 70%
- GHG emission cut (vs. FY 3/14; Scope 1 and 2): 46% or more (Carbon neutrality in FY 3/51)
- Ratio of green materials in main business operation: 60% (assumed to be film business)

In response to two fire accidents that occurred during the previous medium-term management plan, we will implement thorough measures for safety and disaster prevention, and reaffirm our commitment to zero serious incidents.

The employee engagement score is used to ascertain the rate of affirmative answers with respect to each employee’s pride and rewarding work through an engagement survey and by other means. The employee engagement score for FY 3/21 stood at approximately 50%. We will consider this and take various measures going forward, with the aim of lifting this to over 70% in FY 3/31.

As for the GHG emission cut, the GHG emissions were about 900,000 tons in FY 3/21, a 26% decrease compared with FY 3/14. We will continue to promote energy-saving efforts, switching fuel and introducing renewable energy, and aim to cut our GHG emissions by 46% in FY 3/31 compared to FY 3/14 (Scope 1 and 2). Our goals for FY 3/51 are to achieve carbon neutrality (Scope 1 and 2), and to eliminate more GHG emissions using seawater desalination membranes, osmotic power and other technologies offered by the Company than emitted through the Group’s entire supply chain.

With regard to the ratio of green materials in main business operation, we will work on raising the ratio of green materials in the entire film business, which is currently less than 10%, to 60% by 2030. “Green materials” here refer to the use of biomass, recycled materials, or volume reduction.

Sustainability indices for 2030, including those other than what are stated above, are as follows:

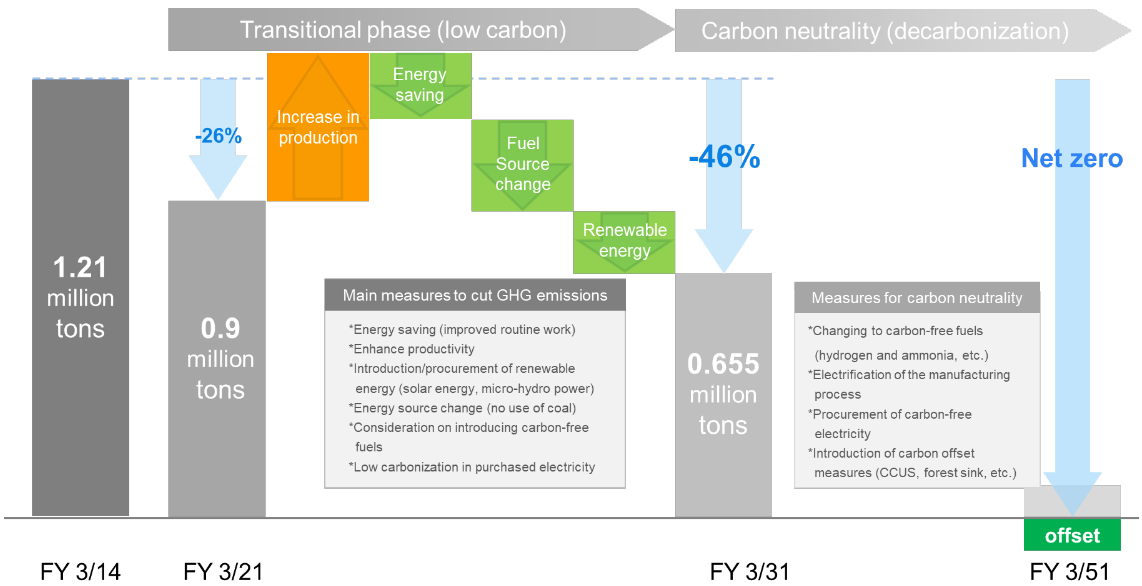
<Sustainability Indices> Roadmap for Carbon Neutrality

Main goals for 2030

People: Helping to solve social issues in a humancentric way			
Employees' well-being and human rights in the supply chain	**ZERO** industrial accidents in all workplaces	over **70**% in employee engagement score	Respect for human rights in the entire supply chain
Healthy lifestyle and health care	**10 million** annual tests conducted through the provision of diagnostics of infectious diseases	Number of dialysis patients provided with dialysis membranes: : **250,000**	Annual number of patients provided with regeneration inducers: **100,000**
Smart community and comfortable space	Sales volume of product groups supporting digital transformation increased **1.5** percent over FY 3/21	Total number of car cabin air filters sold: **1.2** 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			
Decarbonized society and circular society	Ratio of GHG emissions cut in Scope 1, 2: over **46** % compared with FY 3/14	Ratio of green films: **60**%	Osmotic power/wind power generation domains Entry into the market of electrode materials for large storage batteries
Good condition of water area, atmosphere, soils, and biodiversity	Air volume of volatile organic compounds treated by recovery equipment **7 billion** Nm³ per year	Desalination of sea water by membrane equivalent to the volume of tap water for **10 million people**	Sales volume of highly functional films that contribute to reducing food loss **Fourfold** increase over FY 3/21

The following is a roadmap for achieving carbon neutrality in FY 3/51.

<Roadmap for Carbon Neutrality>



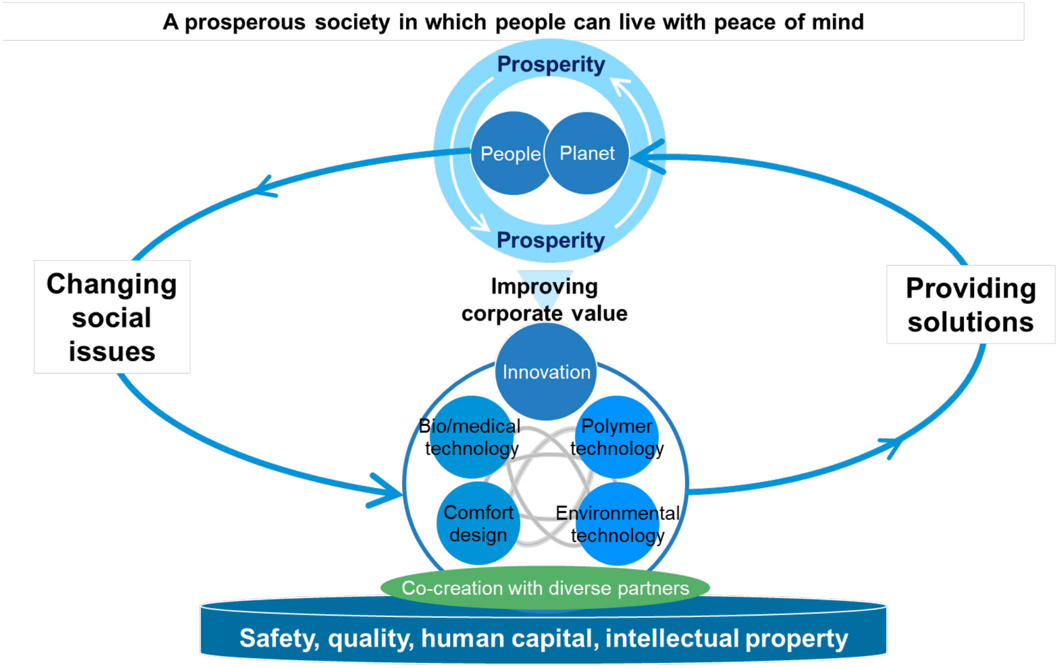
The Group will improve profitability with these targets for sustainability indices in mind. Financial indices for FY 3/31 and targets (projection) are as described on the right. We promote initiatives that increase economic value by expanding businesses conducive to solving social issues.

<Financial indices>

	FY3/31 projection	FY3/22
Consolidated net sales	¥600.0 billion	¥375.7 billion
Operating profit margin	8.3%	7.6%
ROE	≥9%	6.8%
ROIC	≥7%	5.1%

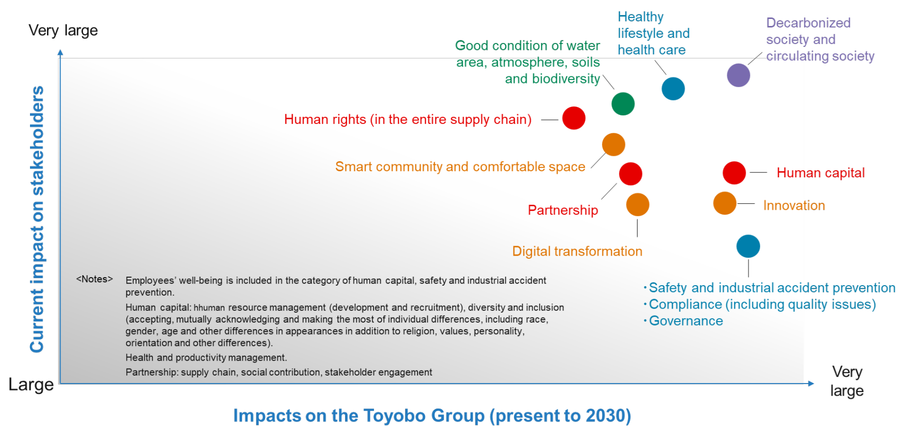
Sustainable growth essentially requires a solid foundation (safety, quality, human capital, intellectual property). In order to get on track for future growth on the foundation, the Company will take full advantage of its core technology to bring about innovation through value co-creation with diverse partners. By offering solutions to people and the Earth arising from innovation, we will help to achieve a prosperous society in which people can live with peace of mind and improve the Group's corporate value at the same time. We believe that sustained growth becomes possible by repeating the cycle of addressing ever-changing social issues through innovation and providing new solutions (see the diagram below).

<Sustainable Growth (Solid foundation and track for future growth)>



In formulating Sustainable Vision 2030, we reviewed and reorganized our materiality (key issues for being a sustainable company). The "ability to provide solutions (contribution through our business)," which was a part of the previous materiality, involved a variety of businesses that addressed different social issues. Therefore, we have broken it down into more specific issues. Whereas the previous materiality positioned "safety, disaster prevention, quality," "corporate governance" and "respect for human rights" as management base (basic preconditions for materiality), these items are now included in materiality itself. (See the diagram below)

Materiality: Key issues for being a sustainable company

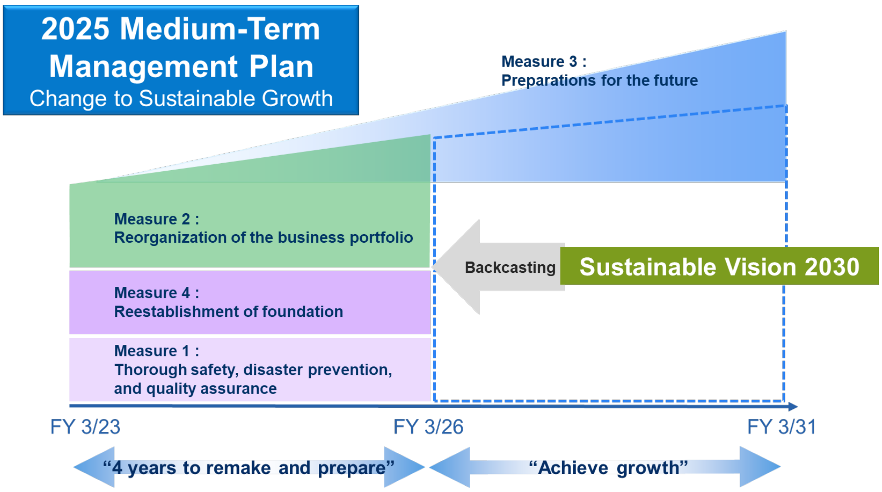


(4) 2025 Medium-Term Management Plan (FY 3/23 – FY 3/26)

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 "four measures" as a management policy, and strive to make a change to "sustainable growth."

Positioning of Sustainable Vision 2030 / 2025 Medium-Term Management Plan

Basic Policy and 4 Measures



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

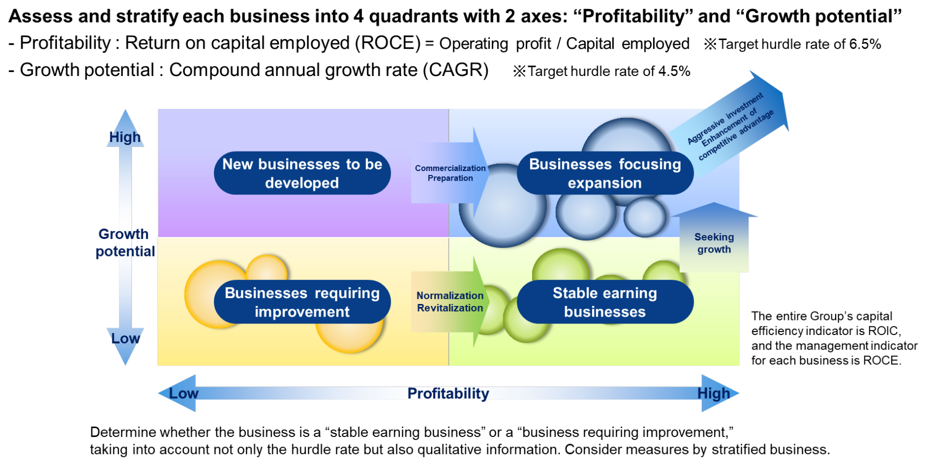
The Group will make a concerted effort to recover trust as the top-priority issue. As for disaster prevention, we will steadily implement a master plan that aims to create an "organizational culture that always puts priority on safety, thus attaining zero incidents." Regarding the quality assurance system, we will rebuild our quality management system, and focus our efforts on reforming the organizational culture and fostering a quality-first culture by strengthening compliance education so that employees are thoroughly aware of the importance of compliance. Furthermore, as part of reinforcing the risk management system, we will establish and run a Risk Management Committee to grasp, prevent, detect early, and take adequate steps to, risks.

(ii) Measure 2: Reorganization of the business portfolio

Based on the two criteria of profitability and growth potential, we classify our businesses into "businesses focusing expansion," "stable earnings businesses," "businesses requiring improvement" and "new businesses to be developed," and operate each business according to its classification. When assessing businesses classified as either "stable earnings businesses" or "businesses requiring improvement," the Group examines qualitative information in addition to their hurdle rates, and considers countermeasures.

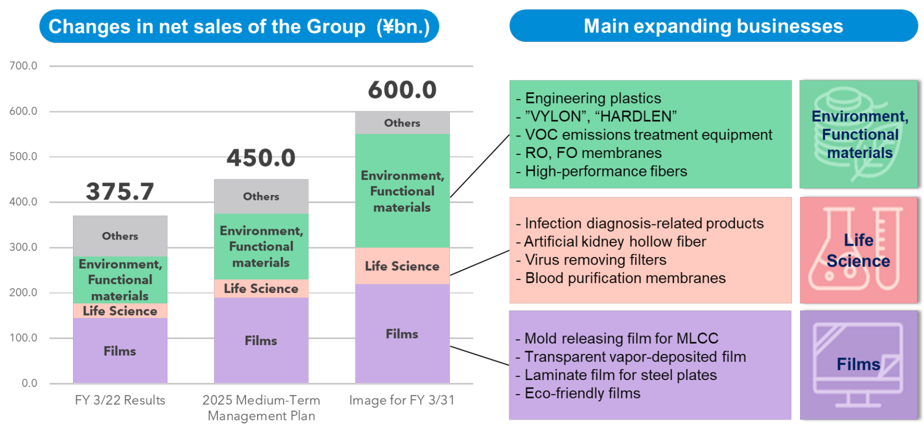
We will take steps to normalize the textile business, airbag fabrics business, and contract manufacturing business of pharmaceuticals, which are classified as "businesses requiring improvement." The textile business will continue implementing ongoing resource consolidation as planned. The airbag fabrics business will launch a yarn plant in a joint venture established together with Indorama Polyester Industries PCL, while the contract manufacturing business of pharmaceuticals will press on with upgrading its manufacturing facilities to respond to Good Manufacturing Practice (GMP). These are how we will normalize the businesses.

Measure 2: Reorganization of the Business Portfolio-Concept of Business Stratification



The film business and the life science business, positioned as "businesses focusing expansion," have advantages and operate in prospective markets with potential for expansion. We will continue to invest proactively in these businesses. The Group reassessed its businesses in the "environment, functional materials" field, previously classified as "stable earnings businesses," in terms of the potential of each product and the usefulness as a solutions business. As a result, the Group decided to proactively expand the businesses to make the field the "third pillar" of its business portfolio. Specifically, we intend to take on the challenge of creating business opportunities in new growth domains and fields through initiatives undertaken by a new joint venture that we have recently announced is to be established with Mitsubishi Corporation.

Measure 2: Reorganization of the Business Portfolio-Aggressive Expansion Measures in Three Fields



i) Film business

- We will accelerate the shift to environmentally friendly products, and seek to raise the ratio of green materials (biomass, recycling, volume reduction) to 60% by FY 3/31 and 100% by FY 3/51.
- Together with Anellotech Inc., a biochemical startup in the US, we will promote the research and development of eco-friendly, effective plastic recycling technology as a partner in R Plus Japan, Ltd. We aim to commercialize this technology in 2027 to help solve common global challenges associated with used plastics. This process will include collaboration across industries, such as with companies that sort collected plastics; producers of monomers, polymers, packaging films and containers; trading companies; and beverage makers.
- The "ECOSYAR" transparent vapor-deposited film boasts an excellent barrier property, which helps to extend shelf life of food and contributes to reducing food loss. Currently, the packaging film business conducts sales activities mainly in Japan, but it will begin full-fledged operation of an Indonesian plant in an effort to respond to global demand.
- As the markets for IT (information technology) and mobility (electrification) grow, the market for mold releasing film for MLCC is also keep growing. The Company will increase the sales volume by drawing on its strengths of the film formation technology that achieves excellent smoothness and integrated manufacturing that covers the processes from film formation to coating. Moreover, in FY 3/25 we will install a facility that enables high-end films to be manufactured in an in-line coating system. This scheduled installation is one example of the synergetic effects produced by the integration with the film business that we took over from Teijin Limited.

ii) Life science business

- The Company deals with a variety of products for genetic testing, including raw enzymes, reagents, diagnostic reagents, and diagnostic equipment. Our raw enzymes exhibit excellent accuracy and speed for gene amplification. Due to these advantages, sales of our products related to PCR testing jumped in FY 3/21, resulting in stronger presence in the infectious diseases field. Going forward, we will develop and expand solutions business for infectious disease diagnosis.
- Our artificial kidney hollow fibers are free of PVP and rarely cause allergy symptoms. The number of dialyzed patients is increasing globally. To meet the growing demand, we, together with Nipro Corporation, plan to start operating a plant in 2024 that produces hollow fibers and processes and productizes dialyzers in an integrated manner.
- We have started the sale of virus removal membrane that is used in separating antibodies from viruses when antibody drugs are manufactured. Our virus removal membrane has a hollow-fiber structure and feature large processing volumes. The antibody drug market is one of growth, and we are planning to increase production in line with demand.
- Our “Nerbridge” nerve regeneration conduit entered the US market in 2022. We will roughly triple the production capacity in 2025 to expand sales.
- We plan to start delivering the “Bonarc” bone regeneration inducing materials from June 2022. The materials are intended for use by medical institutions in Japan in the oral cavity field. “Bonarc” is to be used for implants first; we have filed an application for “Bonarc” to receive insurance coverage with respect to the treatment of alveolar clefts.

iii) Environment, functional materials business (new joint-venture business with Mitsubishi Corporation)

- Mitsubishi Corporation and the Company will establish a joint venture that plans, develops, manufactures, and sells functional materials, and is scheduled to commence operation in around January 2023. The Company has a 51% stake in the joint venture, while Mitsubishi Corporation holds the remaining 49%. The joint venture combines our technological expertise and Mitsubishi Corporation’s collective capabilities to capture growth in markets around the globe.
- Business divisions transferred to the new company include photo functional materials, VOC emissions treatment equipment, high-performance fibers, and engineering plastics.
- We will strengthen marketing and planning functions, expand global business, and take measures for inorganic growth so as to make the environment, functional materials business the “third pillar” following our mainstay film and life science businesses.

(iii) Measure 3: Preparations for the future

We will explore new businesses and technologies, and set and commercialize new themes in the environment, life science, digital society, and other fields. With regard to the environment, for example, we are working on commercializing chemical recycling in which waste plastic is turned into polyester raw materials by being decomposed only to BTX (benzene, toluene, and xylene) (initiative undertaken by the above-mentioned R Plus Japan, Ltd.) as well as polyethylene furanoate (PEF), which is 100% biomass plastic. As for life science, we will seek to make inroads into the acute blood purification market for cell-free and concentrated ascites reinfusion therapy (CART) and therapeutic instruments for sepsis from the chronic blood purification market where we offer hollow fibers for artificial kidneys. In the digital society field, we will proceed with research and development on materials for organic photovoltaics. We are working on developing a material that achieves the world's highest level of conversion efficiency in a dim room, to sell it for use in dispersed power systems.

The ratio of research and development expenses to net sales is expected to be 3.6%-3.8%. Therefore, as net sales increase, we will also spend more on research and development.

As part of our digital transformation, we will focus on initiatives for business innovation while developing an IT foundation.

As mentioned earlier, we aim to achieve carbon neutrality in 2050 and move forward based on the roadmap.

(iv) 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, and are striving to review the requirements for promotion as well as performance-based pay and base pay. Furthermore, as part of efforts to promote diversity, including women's empowerment, we will work to raise the ratio of women in managerial positions to 5.0% or higher in FY 3/26. At the company, women have comprised a share of new graduate recruitment at a level of around 40% in recent years. As women become more active in a wider range of fields, we are expected to come closer to the target ratio of women in managerial positions.

For the "governance / compliance" initiative, we will appoint one more Outside Director who has skills in general management, so that five out of ten Directors will be Outside Directors. By increasing the ratio of Outside Directors to 50%, we will receive more opinions on management from a third-party point of view, and maintain sound governance. 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 further ensure the transparency and fairness of procedures related to the election and dismissal of Directors and other officers.

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

As for the "change of the organizational culture" initiative, we will continue with cross-divisional efforts to translate small ideas into improvements and reforms by instilling "TOYOBO PVVs."

With regard to the "development of the business base" initiative, we will consider a concept for the entire company and office bases as well as make renewal investments and upgrade legacy systems.

(v) Financial targets

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 debt rating and ensuring stability in financing. We set and achieved a target of a D/E ratio of less than 1.0 in the previous medium-term management plan. 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 net the debt/EBITDA ratio as an indicator, and intend to manage our financial position in a stable manner.

Financial Targets

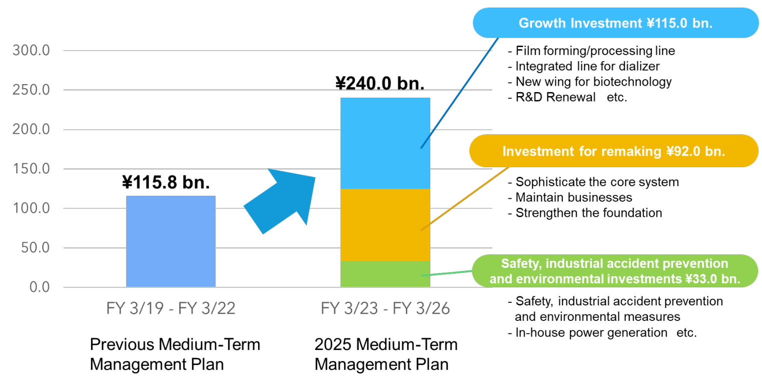
	FY 3/22 Results	FY 3/23 Forecasts	**FY 3/26 Targets**	FY 3/31 Image
Net sales (¥bn.)	375.7	410.0	**450.0**	600.0
Operating profit (¥bn.)	28.4	24.0	**35.0**	50.0
(Ratio to sales) (%)	7.6	5.9	**7.8**	8.3
EBITDA (¥bn.)	48.5	45.0	**63.0**	90.0
Profit attributable to owners of parent (¥bn.)	12.9	13.0	**15.0**	23.0
ROE (%)	6.8	6.6	**≧7.0**	≧9.0
ROIC (%) *	5.1	4.1	**≧5.0**	≧7.0
D / E ratio	0.98	1.05	**< 1.20**	< 1.00
Net Debt / EBITDA ratio	3.4	4.0	**< 5.0**	< 4.0

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

The Group plans to more than double the capital expenditures compared to the previous medium-term management plan and spend ¥240.0 billion (four-year total) to increase investments in sustainable growth. Of the capital expenditures, ¥115.0 billion is scheduled for allocation to growth investments. These include a film forming/processing line, an integrated production plant for dialyzers, and a new wing for biotechnology. In addition, we plan to spend ¥92.0 billion on “investment for remaking,” such as maintaining businesses and upgrading core systems, and ¥33.0 billion on “safety, industrial accident prevention, and environmental investments” such as in-house power generation.

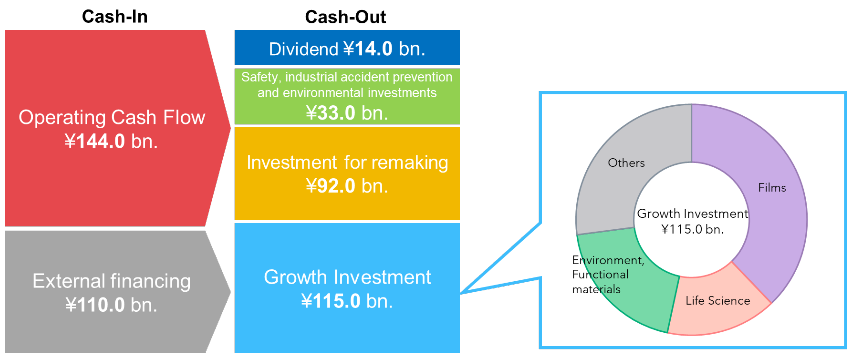
Increased capital expenditures will result in more financing from external sources. Other than capital expenditures, we plan a cash outflow of dividends in the amount of ¥14.0 billion (four-year total).

Capital Expenditure



Capital Policy : Cash Flow allocation (FY 3/23 - FY 3/26)

- Give first priority to safety, disaster prevention and environmental responses, and at the same time, make aggressive investment in growing businesses
- Financial management: External financing within the range of D/E ratio of less than 1.2 times, and Net Debt / EBITDA ratio of the 4 times level



(vi) 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. Risk Factors

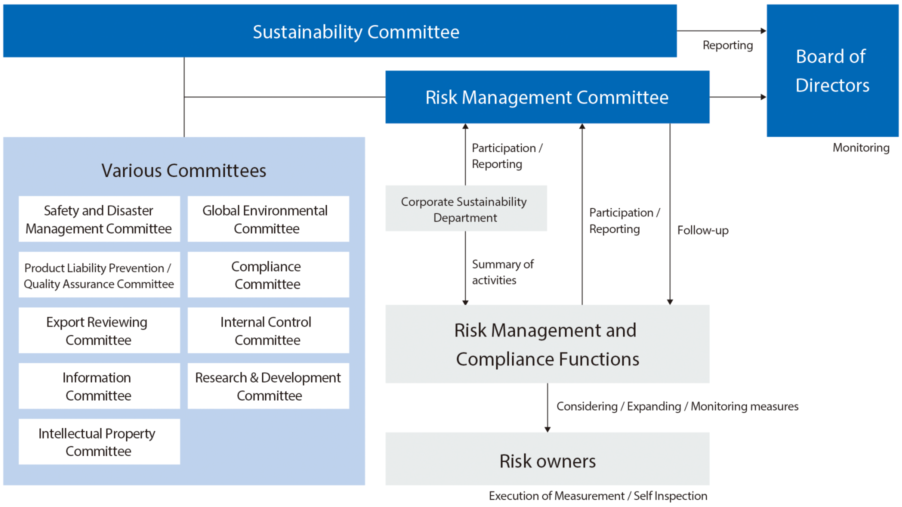
The Group is exposed to the following risks that may affect its operating results and financial status. However, risks described below do not cover all the risks associated with the Group.

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

The Group established a Risk Management Committee chaired by its President and Chief Operating Officer on April 1, 2021, to uniformly manage risks facing the entire Group. The Committee comprises members of the Board of Managing Executive Officers and Controlling Supervisors and other members appointed by the chair, and met four times in FY 3/22, the first fiscal year of its establishment.

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 so as to strengthen the risk management system.

Management structures and processes



The Group has formulated the 2025 Medium-Term Management Plan to become a sustainable company that contributes to solving social issues through business operations, offers working environment where employees can work with pride and rewarding work, and grows continually. As stated in "1. Management Policy, Business Environment, and Issues to be Addressed," the 2025 Medium-Term Management Plan begins in FY 3/23 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. Amid multiple waves of COVID-19 and the unpredictable situation in Ukraine, however, the business environment is becoming increasingly uncertain, as exemplified by soaring raw material and fuel prices and trends in foreign exchanges. 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.

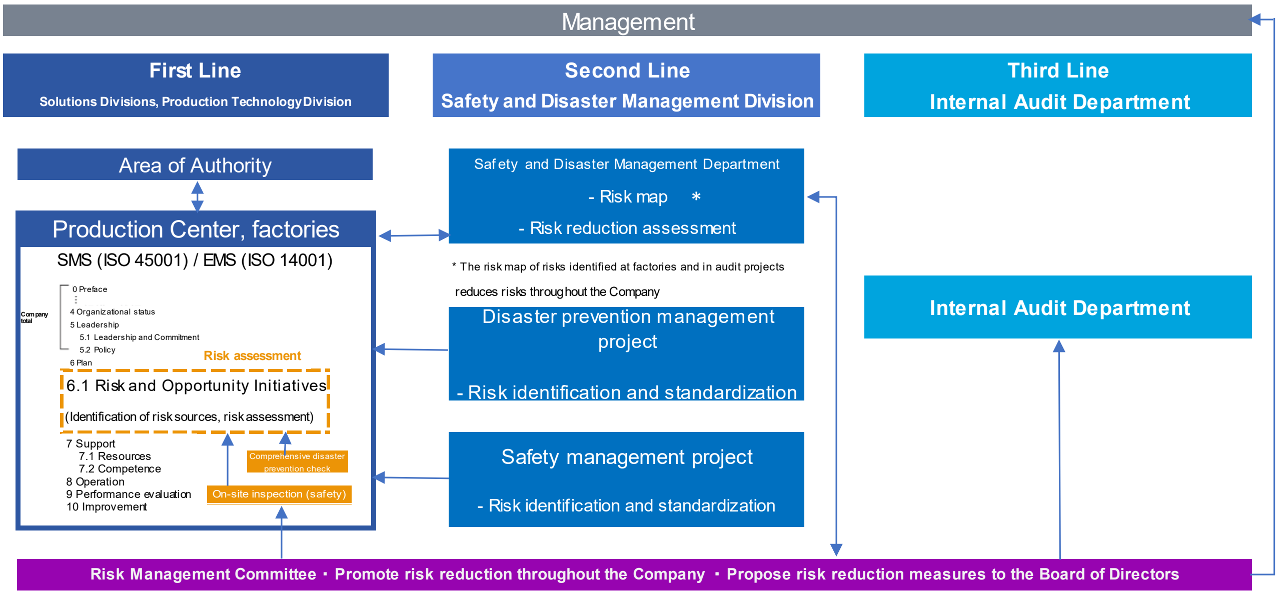
<Incurred or highly probable risks>

(1) Occurrence of disasters, accidents and infectious diseases

The Group conducts production and other corporate activities in 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, 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, snow, an accident such as fire, or infection with COVID-19 or a new type of influenza, etc. occurs, or the case where any similar damage from a disaster happens to a business partner, this could seriously affect the Group's businesses and others, through considerable difficulties affecting its production activities, etc.

Following the fire accident that occurred at our Inuyama Plant in September 2020, the Group reviewed the system, education, and other matters related to safety, and disaster prevention. In December 2020, the Safety and Disaster Management Division was established under the direct control of the President. The Division had the Disaster Management Department and the Occupational Safety Department as subordinate departments. Subsequently, due to the increase in significance of environmental risks, in April 2022 the Safety and Disaster Management Division was reorganized into the Safety and Disaster Management Division, which has the Safety and Disaster Management Department and the Environmental Management Department under its umbrella. The Division takes the lead in implementing the PDCA cycle for safety and disaster prevention. We started a disaster prevention management project that incorporates a third-party point of view in January 2021, and have strengthened activities to reduce the risk of fire and explosions. 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 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. The Committee also submits various recommendations on reducing risk to the Board of Directors, etc.

Three-lines-of-defense structure



Amid the repeated waves of COVID-19 infection, the Group’s textile business has been particularly affected. Meanwhile, we will endeavor to keep providing reagents for PCR testing and genetic testing equipment in line with demand for PCR testing, even after COVID-19 subsides.

(2) Further worsening of the political & economic situation

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. Political turmoil or a serious economic recession in the countries in which our production bases are located or in major markets could reduce our production and sales, and if the impact 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.

For sales, the Group conducts credit sales transactions. Accordingly, the Group assumes credit risks in which a loss occurs if a customer's credit deteriorates and its business fails. The Group has made allowances for doubtful accounts based on past default ratios to prepare for credit loss. 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. Therefore, the Group strives to minimize its credit risk under its credit management regulations by setting credit limits for each customer, assessing the credit status of major customers in each fiscal period, and other means.

The Group is concerned about a slowdown in the Chinese economy due to wider travel restrictions in response to the spread of COVID-19 in the country. Exports to China and net sales in China account for approximately 10% of our consolidated net sales. If the Chinese economy deteriorates, sales by the acrylic fiber business, engineering plastics business, etc., will be affected. Considering such concerns, we are taking necessary measures, such as reviewing the supply chain and developing other applications.

The Company is also deeply concerned about the situation in Ukraine. The Group only has immaterial amounts of transactions with Russia and Ukraine for the current fiscal year, and the direct impact is negligible. However, the situation in Russia and Ukraine has led to surging fuel prices, and therefore we will take necessary steps such as examining an optimal procurement method.

(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.

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 ISO9001 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. At the same time, the scope of certification of departments that have obtained multisite (integrated) certification included in the range of ISO9001 certification was temporarily suspended. Thereinafter, the temporary suspension was withdrawn on June 9, 2021.

The Company takes these inappropriate incidents seriously. We will formulate effective measures to prevent recurrence and steadily implement them, primarily based on investigations that have already been conducted by third parties. The Quality Assurance Division was newly established on April 1, 2021 as one of the measures to prevent recurrence. Through transferring the Quality Assurance Management Department and the Quality Assurance Department, which were previously established in the Sales and Marketing Division (solutions division), to the new Quality Assurance Division, we will ensure the independence of the quality assurance section and strengthen the mutual checking function with the Sales and Marketing Division. 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 Toyobo Group (including contract and dispatch employees) in Japan and abroad. There has been no grave misconduct over quality confirmed as of the date of filing the Annual Securities Report. We will make every effort to recover trust by rebuilding appropriate quality control systems and improving governance.

Going forward, if orders decrease due to the fall in trust related to inappropriate acts or losses such as compensation costs to customers, etc., occur, the Group's business performance, etc., may be significantly affected.

<Medium- to long-term risk>

(4) Purchase of raw materials

The Group purchases raw materials from various suppliers in order to produce its wide range of products in the fields of films and functional materials, mobility, lifestyle and environment, and life science. Major raw materials mainly include polyester, nylon and polyolefin resin, all of which are petrochemical products. Although these materials are provided by a number of suppliers due in part to risk management considerations, there remains a risk that we may not be able to purchase a sufficient volume of raw materials in the case of natural disasters, disease, strikes, problems in transportation, suppliers' failure or withdrawal from business, shrinkage, accidents, etc. In addition, the spread of COVID-19 variants and the situation in Russia and Ukraine may cause supply chain disruptions and difficulties in obtaining raw materials, and affect Group's production and sales. Moreover, in the event of a city-wide lockdown or restriction on outings, turmoil might also arise in logistics networks, leading to difficulty in procuring necessary raw materials. Furthermore, even if raw materials are secured, the purchase prices could soar due largely to a rise in crude oil prices and balance of supply and demand of the raw materials. In such cases, the Group's production could decrease, or costs could rise.

The Group has established an appropriate trading policy and conducts procurement/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, the Group aims to realize procurement and logistics based on its "CSR Procurement Guidelines."

(5) Product defects

The Group produces a variety of products related to films and functional materials, mobility, lifestyle and environment, life science, etc., while preventing the risk of product defects and other risks and conducting specified quality assurance. However, we cannot guarantee that all of our current products are free from all defects or that there will be no defective products in the future. In particular, 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 business of pharmaceuticals 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, we cannot guarantee that ultimate compensatory payments will be fully covered by insurance. Therefore, if material product defects do occur, our group businesses, etc., could be seriously affected by large amounts of compensation for damages or loss of trust.

The Group has established the Product Liability Prevention / Quality Assurance Committee as a standing committee that oversees product liability (PL) and quality assurance (QA). The controlling supervisor of the Quality Assurance Division chairs the committee, which comprises people in charge from each business and people in charge (executives) from the corporate department. Ordinary committee meetings take place twice a year in principle, and the promotion committee meetings joined by general managers are held six times a year. The committee met eight times in FY 3/22.

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 and 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.

(6) Securing of human resources

The Group considers human resources 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 a decrease in 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.

In addition, we hold "Japan-based training" for selected local employees from overseas business sites every year as well as "short-term training in overseas work," in which we offer training sessions at overseas business sites from Japan, with the aim of improving the organizational power of employees with different work styles, careers, gender, nationality, race and beliefs to mutually respect each other and realize value creation. (These trainings could not be held during the current fiscal year due to COVID-19).

(7) 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 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 recommendations by the Task Force on Climate-related Financial Disclosure (TCFD) in January 2020, and began analyzing risks and opportunities that could arise from climate change and affect the Group’s business. This time, we selected the films business as the subject of analysis, as it is our mainstay business and the impact of climate change on the business is expected to be relatively large. We analyzed the impact based on two scenarios, and considered countermeasures.

In the scenario where the global average temperature increases by less than 2°C from pre-industrial levels (mainly transition risk), the business may be affected by societal changes associated with the transition to a decarbonized society (e.g., introduction of a carbon tax and resulting increase in raw-material prices, as well as expansion of renewable energy). In response, we will start considering streamlining the manufacturing process, switching to renewable energy, and introducing CO_2-free fuel such as hydrogen and ammonia.

In the scenario where the global average temperature increases by 4°C from pre-industrial levels (mainly physical risk), the business may be affected by increasingly severe storms and floods that damage production facilities and lead to the suspension of raw-material supply. In response, we will consider strengthening BCP drills, reviewing inventory levels and sourcing raw materials from multiple suppliers. At the same time, the analysis has revealed that we may find new opportunities for business growth by ensuring that our technologies and products meet the growing demand from customers for low-carbon products.

The Group recognizes the risks and opportunities posed by global warming and climate change on our business, which is why we have set the goals of reducing greenhouse gas emissions by 46% (Scope 1 and 2, compared with FY 3/14) in FY 3/31 and achieving carbon neutrality or net-zero emissions by FY 3/51. We will push forward with substantial reduction of greenhouse gas emissions from our business activities. For example, our Iwakuni Production Center is upgrading an in-house thermal power plant that is scheduled to commence operation in October 2023, and promoting energy-saving efforts through fuel conversion (moving away from coal) and installation of a highly efficient facility. To achieve carbon neutrality, we will introduce renewable energy, promote the electrification of production processes, and switch to carbon-free fuel such as hydrogen and ammonia, with the aim of reaching net-zero emissions by FY 3/51 through carbon dioxide capture utilization and storage (CCUS), and forest absorption. In addition, we will make efforts to reduce greenhouse gas emissions in the entire value chain through actions such as reducing product weight, reviewing raw materials and promoting green logistics. Also, we will expand contributed greenhouse gas reductions using solutions based on the Group’s unique products and technologies. Specifically, we are developing an RO hollow-fiber membrane that contributes to energy saving in seawater desalination plants, and reducing the weight of engineering plastics improve fuel efficiency in automobiles. We are also providing films and FO membranes used in wind-power generation and osmotic-power generation, and developing organic film solar cells boasting the world’s highest power generation efficiency under indoor lighting. Furthermore, we are developing carbon recycling technology that separates and captures CO_2, in addition to other activities.

In April 2021, the Company established the Carbon-Neutral Strategies Council and the Carbon-Neutral Strategies Cross-Functional Team to formulate and promote strategies to achieve carbon neutrality. The Council consists of Corporate Executive Officers and Controlling Supervisors, and formulates strategies to pursue and milestones to reach in order to diligently make efforts to achieve carbon neutrality company-wide. The Cross-Functional Team consists of members from throughout the company. It has formulated a greenhouse gas emission-reduction scenario as part of its activities for FY 3/22. Going forward, we will respond in line with this scenario. The team is also working on formulating greenhouse gas emissions by product. In addition, it will study and implement substantive measures, such as encouraging innovation, promoting alliances, accelerating research and development, and creating solution businesses from a long-term perspective.

The Company introduced in April 1, 2022 an internal carbon pricing system in which we convert CO_2 emissions into hypothetical expenses based on internal standards, and examine capital investment projects with reference to the expenses. By using the system as a standard for investment decisions going forward, the Company will accelerate investments that contribute to reducing CO_2 emissions, such as an investment in facility development aimed at further reducing CO_2 emissions, in addition to investments in low-carbon/decarbonized facilities and energy-saving initiatives.

(8) Environmental burden

In recent years, marine pollution issues stemming from plastic waste in the ocean have been common challenges around the world. 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 plastic waste at a global level could seriously affect the Group's businesses, etc. through a decline in demand for plastic products and a decrease in its sales.

The Group has proactively developed products and technologies that mitigate environmental burdens. For our mainstay plastic products, we are working to use more recycled resins and biomass (plant-derived) raw materials, and commercialize biomass plastics that feature 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 August 2019, the Group joined the European consortium Circular Economy for Flexible Packaging (CEFLEX). We will put our energy into developing and offering technologies and products while grasping information and trends concerning recovery systems and regulations. We have also participated from the beginning in the Japan Clean Ocean Material Alliance (CLOMA), an organization established in 2019 in Japan to reduce marine plastic waste. Through collaboration with other CLOMA members, which includes manufacturers, processors and users of packaging and other materials, we will work to develop and promote the use of alternative materials. The Group is also a member of the Japan BioPlastics Association and Petcore Europe.

(9) Information security

The Group manages a lot of important information such as customer information and confidential information related to conducting business. To handle this information, the Group has put in place security measures. 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 drawn up an “Information Security Policy” and has established various regulations to properly manage and utilize all information assets.

In addition, the Group set up a Cyber Security Committee and is proceeding with not only technical and expert measures but also the improvement of employees' level of awareness and the development of in-house experts, among others. Going forward, the Group will promote strengthening of the ability to respond to incidents.

(10) 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” (Adhering to reason leads to prosperity), as the core of its compliance activities, and is promoting 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 38 companies, including 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 thereinafter.

(11) 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 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 addition, the Group has paid taxes appropriately in compliance with each country's tax law and also gives close attention to international tax risks such as applicable transfer price taxation for each country. However, differences of views with tax authorities could result in additional tax levies.

(12) Litigation

No major lawsuit that could have a material effect was filed against the Group in the fiscal year ended March 31, 2022. 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.

<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 export volume of products and the import volume of 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 the yen in the preparation of consolidated financial statements, 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)." At the end of the current fiscal year, the D/E ratio was 0.98.

(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 pension asset 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 or not to continue to hold the stock. The Company and its subsidiaries sold a portion of their investment securities, and posted a gain on sale in the amount of ¥6.5 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 and conducts 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.

An impairment loss of ¥9.4 billion was recorded in the current fiscal year, mainly on business assets for the contract manufacturing business of pharmaceuticals.

3. Management's Discussion and Analysis

(1) Analysis of Operating Results

As for the business environment surrounding the Group in the fiscal year ended March 31, 2022 (hereinafter "this fiscal year"), amid the repeated fluctuation in the number of people infected by COVID-19, economic activity gradually recovered due to the progression of vaccinations and fiscal and monetary policies. However, due to the impact of the recent situation in Ukraine, the pressure of inflation is increasing as there are signs of raw-material and fuel prices rising more than they have thus far, and of material supply tightening. In Japan, although the number of people infected with COVID-19 variants surpassed the peak through the end of this fiscal year, concerns are increasing with regard to raw-material and fuel prices continuing to hover at high levels, the semiconductor shortage in the automotive industry, and disruptions to the component supply chain.

In this business environment, "COSMOSHINE SRF" polarizer protective films for LCDs saw growth in sales due to the new line starting operation, and sales of raw materials and reagents for PCR testing performed strongly. On the other hand, packaging films, engineering plastics, airbag fabrics, polyester staple fibers, spunbond, etc. were affected by rising raw-material prices.

Furthermore, financially, the Group recorded ¥6.5 billion in extraordinary income due to the partial disposal of investment securities held by the Group, in order to increase the efficiency of assets and improve financial position. On the other hand, impairment loss of a total of ¥9.4 billion was recorded as extraordinary losses on business assets for the contract manufacturing business of pharmaceuticals, assets the Group will stop using for the textile business, and business assets for the Company's subsidiary (Xenomax - Japan Co., Ltd.) that manufactures and sells high heat-resistant polyimide film.

As a result, net sales in this fiscal year increased 11.4% from the previous one to ¥375.7 billion, operating profit increased 6.6% from the previous fiscal year to ¥28.4 billion, ordinary profit increased 11.5% from the previous fiscal year to ¥23.1 billion, and profit attributable to owners of the parent increased 206.2% from the previous fiscal year to ¥12.9 billion.

Results by business segment were as follows:

Films and Functional Materials

In this segment, sales and operating profit increased due to the strong performance of the industrial films business.

In the films business, despite the continuation of demand from people staying at home, the packaging film business faced challenges as a result of the decrease in sales because of the fire accident in the previous fiscal year as well as the impact of rising raw-material prices. In the industrial film business, sales of "COSMOSHINE SRF" polarizer protective films for LCDs achieved growth due to the new line starting operation. Although the "COSMOPEEL" mold releasing film for MLCC performed strongly in the first half of this fiscal year due to the new line starting operation, sales were sluggish owing to changes in the market environment in the second half of this fiscal year.

Although sales of "VYLON" industrial adhesives for electronics applications were strong, the functional materials business was affected by rising raw-material prices. Furthermore, regarding the photo functional materials for photosensitive water-wash flexo printing plate, sales of products in China, North America and Europe grew.

As a result, net sales in this segment increased ¥17.5 billion (11.4%) from the previous fiscal year to ¥170.3 billion, and operating profit decreased ¥0.1 billion (0.7%) to ¥19.9 billion.

Mobility

In this segment, sales increased but operating profit decreased as a result of the impact of the rise in raw-material prices and the curtailment in automobile production due to the semiconductor shortage and other factors, despite sales recovering from the previous fiscal year.

Overseas, sales prices of engineering plastics were revised due to rising raw-material prices, and sales of engineering plastics performed strongly in China, the United States and Thailand. On the other hand, in Japan, engineering plastics were affected by the impact of the curtailment in automobile production in the second half of this fiscal year as sales price revisions have not been able to keep up.

Airbag fabrics faced challenges as sales price revisions have not been able to keep up with rising raw-material prices.

As a result, net sales in this segment increased ¥8.1 billion (22.3%) from the previous fiscal year to ¥44.7 billion, with an operating loss of ¥1.8 billion. (Compared with operating loss of ¥1.6 billion for the previous fiscal year.)

Lifestyle and Environment

In this segment, sales increased and operating profit decreased as a result of the strong impact of rising raw-material prices despite a portion of demand recovering due to the recovery of economic activity.

In the environmental solutions business, although volatile organic compound (VOC) emission treatment equipment was on a recovery trend due to expansion of the lithium-ion battery market, there were challenges due to a drop in orders resulting from the stagnation of operating activities overseas in the previous fiscal year.

In the nonwoven fabrics business, sales of spunbond were affected by the curtailment in automobile production and rising raw-material prices despite recovering for building materials. Sales of functional filters for masks decreased.

In the functional fiber materials business, with regard to high-performance fibers, "IZANAS" was strong for use in fishing line and ropes, and sales of "ZYLON" grew due to the recovery of demand for use in bicycle tires and firefighter uniforms. On the other hand, polyester staple fibers and "BREATHAIR" functional cushion material were affected by rising raw-material prices.

In the textile business, although export costs for traditional Arabic fabric improved due to the yen's depreciation, and market conditions recovered for underwear, store sales for sports did not flourish, and sales for uniforms were sluggish in those used for business uniforms.

As a result, net sales in this segment increased ¥5.1 billion (4.7%) from the previous fiscal year to ¥114.3 billion, and operating profit decreased ¥0.9 billion (21.1%) to ¥3.5 billion.

Life Science

In this segment, sales and operating profit increased as demand for PCR testing remained firm.

In the biotechnology business, sales of raw materials and reagents for PCR testing, as well as for genetic testing equipment and diagnostic reagents, grew.

The contract manufacturing business of pharmaceuticals was sluggish due to the impact of the reduced operations in response to suggestions from the FDA.

In the medical products business, sales of artificial kidney hollow fiber and virus-removing filters trended strong.

As a result, net sales in this segment increased ¥7.9 billion (29.2%) from the previous fiscal year to ¥35.0 billion, and operating profit increased ¥4.1 billion (91.6%) to ¥8.7 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 decreased ¥0.4 billion (3.2%) from the previous fiscal year to ¥11.4 billion, and operating profit decreased ¥0.1 billion (3.7%) to ¥2.2 billion.

(ii) Analysis of cash flows

Cash flows from operating activities

Net cash provided by operating activities amounted to ¥17.1 billion, a decrease of ¥17.9 billion from the previous fiscal year. This was due mainly to a cash increase from depreciation of ¥20.1 billion and profit before income taxes of ¥14.8 billion, and a cash reduction of ¥18.2 billion from an increase in inventories.

Cash flows from investing activities

Net cash used in investing activities amounted to ¥24.6 billion, a decrease of ¥7.1 billion from the previous fiscal year. This was due mainly to purchases of property, plant and equipment and intangible assets of ¥29.1 billion and proceeds from sales of investment securities of ¥11.5 billion.

Cash flows from financing activities

Net cash used in financing activities amounted to ¥1.7 billion (¥5.3 billion provided in the previous fiscal year). This was due mainly to proceeds from long-term borrowings of ¥15.0 billion, repayments of long-term borrowings of ¥10.4 billion, proceeds from issuance of bonds of ¥10.0 billion, redemption of bonds of ¥10.0 billion and dividends paid of ¥3.6 billion.

As a result, the balance of cash and cash equivalents at the end of this fiscal year (March 31, 2022) stood at ¥26.4 billion, a decrease of ¥8.1 billion from the end of the previous fiscal year (March 31, 2021).

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

(a) Production results

Production results by segment for the fiscal year ended March 31, 2022 are as follows:

Segment name	Amount (Millions of yen)	YoY change (%)
Films and Functional Materials	176,684	14.8
Mobility	47,299	24.6
Lifestyle and Environment	117,911	8.1
Life Science	37,616	33.4
Real Estate	—	—
Other Businesses (of which, manufacturing)	23,047	16.6
Total	402,558	15.4

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, 2022 are as follows:

Segment name	Amount (Millions of yen)	YoY change (%)
Films and Functional Materials	170,326	11.4
Mobility	44,721	22.3
Lifestyle and Environment	114,295	4.7
Life Science	35,003	29.2
Real Estate	3,957	(0.1)
Other Businesses	7,419	(4.9)
Total	375,720	11.4

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, (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

Total assets increased ¥26.6 billion (5.4%) from the end of the previous fiscal year, to ¥517.8 billion. This was mainly due to an increase in inventories.

Total liabilities increased ¥18.1 billion (6.0%) from the end of the previous fiscal year, to ¥320.6 billion. This was mainly due to an increase in notes and accounts payable - trade and borrowings.

Net assets increased ¥8.5 billion (4.5%) from the end of the previous fiscal year, to ¥197.1 billion mainly due to an increase in retained earnings.

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

		160th term	161st term	162nd term	163rd term	164th term
Fiscal year-end		March 2018	March 2019	March 2020	March 2021	March 2022
Equity ratio	(%)	40.5	38.3	36.4	37.8	37.6
Equity ratio, based on market value	(%)	41.8	27.2	20.8	25.8	18.8
Return on equity	(%)	7.5	(0.3)	7.8	2.3	6.8
Interest-bearing debt to cash flow ratio	(Years)	6.5	21.0	4.0	5.3	11.2
Interest coverage ratio	(Times)	16.9	6.0	32.2	28.0	14.0
Ratio of interest-bearing debt to equity (D/E ratio)	(Times)	0.81	0.93	0.98	1.01	0.98

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 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 0.98.

(b) Analysis of operating results

It was concerned at the beginning of the current fiscal year that it would take time for the global economy, including the economy of Japan, to normalize due to a shortage of semiconductors and price increase of raw materials and fuel, in addition to the resurgence of COVID-19. In the meantime, the Group planned net sales of ¥360.0 billion and operating profit of ¥27.0 billion based on a scheduled increase in industrial film production, and has conducted business activities while striving to provide reagents for PCR testing and genetic testing equipment to meet the demand for PCR testing. As a result, net sales and operating profit exceeded the plans at ¥375.7 billion and ¥28.4 billion, respectively, as sales of industrial films and raw materials and reagents for PCR testing remained steady, despite an impact from the price increase of raw materials and fuel.

With regard to net sales, the sales volume remained stable as the new line (Unit 3) for “COSMOSHINE SRF” polarizer protective films for LCDs had been operating for one year since its commencement of commercial production in July 2020, and the price increase of raw materials was progressively passed on to each product. As a result, the Group is now presumed to hold more than 50% of share in the market for protective films for LCDs. The Group has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and other standards effective from the beginning from the fiscal year ended March 31, 2022. The impact of this application on the consolidated financial statements is immaterial. As a result, the Group achieved its target for net sales.

Operating profit also exceeded the initial plan, with the return on assets (ROA) at 5.5%. This was because sales increased significantly for raw materials and reagents for PCR testing, genetic testing equipment and diagnostic reagents, in addition to increased net sales.

Regarding profit attributable to owners of the parent, the Group recorded ¥6.5 billion in extraordinary income due to the partial disposal of investment securities held by the Company and its subsidiaries. This was in order to increase the efficiency of assets and improve the financial position. On the other hand, a total of ¥14.8 billion was recorded as extraordinary losses, including impairment loss of ¥9.4 billion on business assets for the contract manufacturing business of pharmaceuticals, assets the Group will stop using for the textile business, and business assets for the Company’s subsidiary Xenomax - Japan Co., Ltd. For these reasons, profit attributable to owners of the parent was ¥12.9 billion. As a result, return on equity (ROE) stood at 6.8%.

(Billions of yen)

	FY 3/22 (Plan*)	FY 3/22 (Results)	Change (Results - Plan)
Net sales	360.0	375.7	15.7
Operating profit	27.0	28.4	1.4
Profit attributable to owners of the parent	11.5	12.9	1.4

* Planned values at the beginning of the fiscal year

In the 2018 Medium-Term Management Plan that spanned from the fiscal year ended March 31, 2019 to the fiscal year ended March 31, 2022, the Group focused on operating profit, return on assets (ROA), and return on equity (ROE) as management indices. The numerical targets were operating profit amounting to no less than ¥30.0 billion, ROA of at least 7%, and ROE of at least 8%. The current fiscal year was the final fiscal year of the 2018 Medium-Term Management Plan, and the results compared with the targets were as follows:

[2018 Medium-Term Management Plan (FY 3/19 – FY 3/22)]

Management indices		FY 3/19 Results	FY 3/20 Results	FY 3/21 Results	FY 3/22 Results	FY 3/22 Targets
Net sales	(¥bn.)	336.7	339.6	337.4	375.7	375.0
Overseas sales ratio	(%)	30.5	32.3	33.0	34.3	35.0
Operating profit	(¥bn.)	21.7	22.8	26.7	28.4	30.0
Operating profit margin	(%)	6.5	6.7	7.9	7.6	8.0
Profit (loss) attributable to owners of the parent	(¥bn.)	(0.6)	13.8	4.2	12.9	16.0
ROE	(%)	—	7.8	2.3	6.8	≥8.0
ROA	(%)	4.7	4.7	5.4	5.5	≥7.0
D/E ratio	(Times)	0.93	0.98	1.01	0.98	<1.0

- ROE = Profit attributable to owners of the parent / Average balance of equity at beginning and end of period
- ROA = Operating profit / Total assets

What have been achieved, what have not been achieved, and new issues identified during the 2018 Medium-Term Management Plan are as follows:

(What have been achieved)

- Corporate philosophy system “TOYOBO PVVs” organized
- Expanded the industrial film business
- Expanded the biotechnology and the medical materials business
- Maintained a sound financial structure

(What have not been achieved, and new issues)

- Damage to reliability: large-scale fire accidents, the quality misconduct incident
- Delay in business expansion targeting growth
- Delay in the normalization of challenging projects

The Group will continue to give top priority to recovering trust, and make a concerted effort to improve corporate value toward sustained growth.

(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, 2. Risk Factors.” In particular, we will regard “safety and disaster prevention” and “quality assurance” as the most important issues, and are improving them to recover trust that was damaged due to a number of fire accidents and misconduct concerning quality. The Group considers it necessary to closely monitor how the Chinese economy is affected by wider travel restrictions due to the spread of COVID-19 and the impact of a shortage of semiconductors on the numbers of automobiles produced, as well as to closely watch price trends for raw materials and fuel, and foreign exchange fluctuations.

(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, 2022 is as follows:

	Payment due (Millions of yen)				
Contract liabilities	Total	Within 1 year	Over 1 year and within 3 years	Over 3 years and within 5 years	Over 5 years
Short-term borrowings	40,592	40,592	—	—	—
Long-term borrowings	92,100	21,418	38,807	15,207	16,668
Lease obligations	3,557	864	1,287	531	875

In the above table, long-term borrowings include 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 of guaranteed borrowings, etc. during the guarantee period, the Group is obliged to repay the debt. The amount of loan guarantees was ¥5,253 million as of March 31, 2022.

c. Fiscal policy

In the 2025 Medium-Term Management Plan (FY 3/23 – FY 3/26), the Group gives first priority to safety, disaster prevention, and environmental responses, and at the same time will invest aggressively in growing businesses. Under this policy, it plans a total of ¥240.0 billion worth of investment, comprising growth investment (¥115.0 billion), investment for remaking (¥92.0 billion) and investment in safety, disaster prevention and environmental responses (¥33.0 billion).

Necessary funds will be sourced internally or externally. Both direct and indirect finance will be used for external financing, which will be managed within the D/E ratio range of less than 1.2 times, and Net Debt / EBITDA ratio of 4 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).

4. 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 emissions treatment using "K-FILTER"	(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) Agreement reached with Mitsubishi Corporation on Toyobo's company split (simple absorption-type company split) and establishment of a joint venture

Based on the resolution made at the Board of Directors meeting held on March 24, 2022, the Company reached an agreement on the same day with Mitsubishi Corporation (referred to as "MC" hereinafter) regarding a company split involving a spin-off toward the establishment of a joint venture (referred to as "the New Company" hereinafter) as well as the investment MC will make in the New Company. This move is aimed at sharpening the competitive edge of Toyobo's functional materials business and enabling the company to continue to provide solutions at the global level.

5. 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 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 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 expanded for environmental products in the field of packaging film. With respect to thickness reduction (plastic volume reduction), “SPACECLEAN” highly durable shrinkable polyester films, and highly heat-resistant, highly rigid polypropylene films were used for wider applications. Products using polyester films, nylon films and sealants offered under the “BIOPRANA” name, which contain biomass materials, were increasingly adopted. Furthermore, the “CYCLE CLEAN” polyester films that use recycled raw materials were also adopted for more products. As part of new development, we developed the “Lesire” laser-printable film for exterior labels for food and cosmetics, and started offering samples. We will work on application development according to customer requests.

In terms of industrial film, we are 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. We are also focusing on environmental response by thinning down and recycling the “COSMOPEEL” mold releasing film for MLCC, which is expanding in the electronic information and communication field and the automotive field. Moreover, we are actively developing new products that enable thinner layers for the “COSMOSHINE SRF” super retarder film that is optimal for LCDs. The Group is also developing the “TEONEX” polyethylene naphthalate film, which has excellent dynamic and thermal properties, and apply it to the energy field.

“TOYOBO GS Catalyst,” a polyester polymerization catalyst that is environmentally friendly with no heavy metals, is finding wider applications thanks to its outstanding recyclability and is contributing to a circular economy. The GS catalyst license business is expanding commercial production at a major overseas PET manufacturer. Further, we successfully developed an environmentally friendly, bio-derived resin with superior barrier properties and polymerized a bio PET resin that uses 100% plant-based raw materials. We are aiming for a society that co-exists with plastics and accelerating the shift to renewable materials.

The “VYLON” high-functionality copolymerized polyester, “VYLOMAX” heat-resistant polymer with imide and amide bonding, and “HARDLEN” compatibilizer for polyolefin, are being developed for use in electric and electronic equipment, coatings for automotive interiors/exteriors, 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, which has a weak adhesive property, 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” and “low-temperature curing” to address environmental problems in North America, Europe, and China.

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 electric and electronic parts amid this once-in-a-century period of transformation of the automotive industry. Specific needs include heat conduction, electromagnetic shielding, low dielectric constant, high heat conduction, high CTI and soundproofness, and realizable seeds include counterpressure foam molding, a combination of organic/inorganic composite materials and new polymer polymerization. Through these seeds, we make new product proposals. Furthermore, materials that help achieve carbon neutrality to reduce environmental load are being considered for use in new applications. 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 fabrics business field, the Group is continually expanding its global production and sales system. One particular example is a new yarn plant that is being built together with Indorama Ventures. The new plant is planned to start full-fledged production next year. We will strengthen the system that covers materials from yarns to fabrics, and offer our lineup that includes new products on a global scale.

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

Lifestyle and Environment

Regarding the "IZANAS" high-performance fibers, the Group is proceeding with the development of a yarn that features high creep resistance, intended for use as long-term mooring line for floating offshore wind-power generation facilities, and considering production technology development for scale-up. For "Tsunooga," we are pushing forward with research and development of a multicolored yarn to expand applications.

We are working on manufacturing environmentally friendly products for the ester staple fiber, the "BREATHAIR" three-dimensional cushion material, and spunbond, and developing products conducive to reducing environmental load.

We are striving to make filter materials, centered on our mainstay "ELITOLON" electret air filter, highly functional and highly durable. Product development for environmental responses is also underway.

As for water treatment membranes, the Group is developing hollow-fiber RO/FO membranes, making modules with higher performance, and conducting applied research on and commercializing energy-saving seawater desalination, osmotic power generation, and wastewater treatment using brine concentration (BC) technologies.

In the VOC exhaust gas treatment field, the Group increased the solvent processing capacity of the equipment for recovering solvents in response to market needs, and developed technology to reduce CO_2 through energy-saving.

With respect to textiles, we developed the "Scrumtech" high-density knit fabric. The fabric has achieved high stretchability by densely weaving together our proprietary special highly crimped yarn and high-elasticity yarn, and is also equipped with the excellent ability to retain its shape. "Scrumtech" features a fine texture and is clearly distinct from traditional fabrics and knits. The high-density knit fabric has been well rated for use not only in sportswear, but for a broader range of applications such as shirts, jackets, and matching clothes.

For the "COCOMI" stretchable conductive film, we started selling cycling shirts with a heart-rate monitoring function to general consumers. We also considered entering the animal-related field, such as heart-rate monitoring belts for livestock and into the healthcare-related field by offering smart textiles. In addition, we began proposing and considering services that use biometric information, as exemplified by "ANAIM," an indicator map for automatic nerve activities measured by the high-precision heart-rate monitoring function, and "BREASsist," a system to help optimize breathing using the technology that measures the heart rate and respiration rate simultaneously.

In the industrial materials field, we pushed forward with application development and sales expansion of thermal insulation sheets and fireproof sheets as energy-saving and safety materials. In the masks field, we delivered medical-grade nonwoven face masks to the Ministry of Health, Labour and Welfare.

In the functional materials field, we launched and expanded sales of products in the areas of environmental hygiene and living, such as alcohol antiseptic cottons and special protective suits provided in collaboration with overseas business sites.

The research and development expenses for the Lifestyle and Environment segment were ¥1.8 billion.

Life Science

In the diagnostic materials field, we engaged in joint research with the University of Toyama, and succeeded in developing an antibody to SARS-CoV-2 and began selling it. In the area of diagnostic devices, we succeeded in developing a diagnostic reagent to test for SARS-CoV-2 antigens and started selling it, supported by the company-wide Corporate Research Center. As for research reagents, we engaged in joint research with RIKEN, and succeeded in developing a reverse transcription system that can analyze gene expression using mRNA from a single cell, and started selling it.

In the medical equipment field, we started a full-scale launch of the "Nerbridge" nerve regeneration conduit, which had obtained 510(k) U.S. pharmaceutical approval, in the U.S. market in October 2021. Furthermore, we are preparing for sale of the "Bonarc" bone regeneration-inducing material, which is scheduled for launch in FY 3/23.

We proceeded with the development of artificial kidney hollow-fiber products that efficiently remove body waste while reducing the burden for dialysis patients. Moreover, we worked on developing hollow fibers used in the purification process for pharmaceuticals.

The research and development expenses for the Life Science segment were ¥1.6 billion.

Company total

The Innovation Division set and accelerated value-provision domains and key themes based on company-wide growth strategies (solution-oriented).

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 research infrastructure that supports research and development in general through various analysis/evaluation work, as well as analysis work using computer simulations and other digital technologies. Last fiscal year, the DX Promotion Office, which directly reports to the General Manager of the Research Center, shared materials informatics (MI) technology applications within the Research Center, and established systems in some research and technology centers that help researchers undertake research activities autonomously.

As a specific example of our research and development activities, the Corporate Research Center, the Renewable Resources Business Development Department, and the Films and Functional Materials Solutions Division succeeded in polymerizing a 100% bio PET resin used in trial production of 100% plant-based PET bottles jointly developed by the Suntory Group and a U.S. biochemical startup Anellotech, Inc. In this and other ways, we are continuing to consider making our raw materials sustainable.

In addition, the Corporate Research Center applied its immunochromatography technology, for which it undertook basic study, to SARS-CoV-2 antigen testing together with the Life Science Solutions Division, contributing to fast development of diagnostic reagents.

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.

For example, the Group conducted joint research on organic photodiodes with Commissariat à L'Energie Atomique et aux Energies Alternatives, a French government energy research institute, and succeeded in the trial production of the world’s top-tier high sensitivity module.

Another such example is the JMTC Chemical & Materials Fund launched by the Group and four materials manufacturers to expand investments in startups. The fund provides support for materials startups, whose business takes time to commercialize. We also invested in DMC Biotechnologies Inc., a biochemical startup in the U.S. In addition, the Group is investing in other several startups and gradually launching joint research.

The research and development expenses for the company-wide corporate research were ¥3.7 billion.

III. Information about Facilities

1. Overview of Capital Expenditures

The Group made capital expenditures of ¥33.6 billion in total (including intangible assets) during the current fiscal year, such as 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 ¥17.9 billion on capital expenditures, including ¥17.0 billion used for reinforcing the Company's film production facilities.

Mobility

The Mobility segment spend a total of ¥1.1 billion on capital expenditures, including reinforcement of airbag fabric production facilities at the Company's consolidated subsidiary Toyobo Automotive Textiles (Changshu) Co., Ltd.

Lifestyle and Environment

The Lifestyle and Environment segment spent a total of ¥7.3 billion on capital expenditures, including ¥5.1 billion used for reinforcing the Company's nonwoven fabric production facilities.

Life Science

The Life Science segment spent a total of ¥3.8 billion on capital expenditures, including ¥3.2 billion used for reinforcing the Company's production facilities for COVID-19-related products.

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 ¥0.2 billion on capital expenditures.

2. Major Facilities

Major facilities of the Group are as follows:

(1) Reporting company

As of March 31, 2022

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)	Lease 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)	7,611	6,312	25,217 (727,000 m^2)	22	1,487	40,649	394 [16]
[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)	5,510	4,772	11,849 (476,000 m^2)	2	1,462	23,596	296 [8]
Inuyama Plant (Inuyama, Aichi)	Films and Functional Materials	Film production facility	6,932	12,202	8,878 (227,000 m^2)	4	9,611	37,628	380 [8]
[Tsuruga Research and Production Center] Tsuruga Films Plant (Tsuruga, Fukui)	Films and Functional Materials	Film production facility	4,010	6,673	491 (18,000 m^2)	24	2,396	13,594	226 [2]

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)	Lease assets	Other	Total	
[Tsuruga Research and Production Center] Tsuruga Biochemicals Plant (Tsuruga, Fukui)	Life Science	Enzyme production facility	1,694	2,194	195 (7,000 m^2)	—	884	4,967	197 [21]
[Iwakuni Production Center] Iwakuni Membrane Plant (Iwakuni, Yamaguchi)	Lifestyle and Environment, Life Science	Functional membrane production facility	1,191	2,068	393 (15,000 m^2)	—	363	4,015	119 [4]
[Toyama Production Center] Shogawa Plant (Imizu, Toyama) Other 2 plants	Lifestyle and Environment	Yarn and fabric production facilities and facilities for dyeing and sorting	1,426	1,263	6,517 (408,000 m^2)	—	170	9,377	148 [144]
Takasago Plant (Takasago, Hyogo)	Films and Functional Materials	Chemical production facility	1,477	1,753	220 (67,000 m^2)	—	1,560	5,010	143 [8]
Utsunomiya Plant (Utsunomiya, Tochigi)	Films and Functional Materials	Film production facility	1,455	1,436	— (—)	2	1,890	4,783	243 [8]
Fujita Toyobo Building (Kita-ku, Osaka) Three other facilities	Real Estate, sales business	Rental buildings and other facilities	1,319	—	2,870 (3,000 m^2)	—	1	4,190	24 [4]
Research Center (Otsu, Shiga)	Company-wide research and development business	Research and development facilities, etc.	3,721	1,709	5 (226,000 m^2)	65	1,772	7,273	588 [60]

(2) Domestic subsidiaries

As of March 31, 2022

Company name	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)	Lease assets	Other	Total	
Toyo Cloth Co., Ltd.	Head office, Tarui Production Center (Sennan, Osaka)	Films and Functional Materials	Cloth and film production facilities	999	665	1,159 (36,000 m^2)	—	145	2,968	228 [52]
Kureha Limited	Head office (Ritto, Shiga)	Lifestyle and Environment	Nonwoven fabric production facilities (Note 4)	641	421	240 (42,000 m^2)	—	8	1,310	199 [14]
Japan Exlan Company, Limited	Saidaiji Plant (Higashi-ku, Okayama)	Lifestyle and Environment	Chemical production facility	174	342	3,879 (299,000 m^2)	—	62	4,457	302 [32]
Miyukikeori Co., Ltd.	Head office (Nishi-ku, Nagoya)	Real Estate, sales business	Rental buildings and other facilities	827	—	2,031 (26,000 m^2)	—	11	2,869	32 [18]
	Miyuki Mall (Nishi-ku, Nagoya)	Real Estate	Rental stores and rental housing	1,387	—	1,221 (11,000 m^2)	—	7	2,615	— [—]

(3) Foreign subsidiaries

As of March 31, 2022

Company name	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)	Lease assets	Other	Total	
Toyobo Saha Safety Weave Co., Ltd.	Head office plant (Samutprakarn Thailand)	Mobility	Airbag fabric production facilities	2,368	1,993	— (—)	—	696	5,056	237 [—]
PT. Toyobo Trias Ecosyar	Head office plant (Sidoarjo Indonesia)	Films and Functional Materials	Film processing facility	358	3,100	— (—)	23	75	3,556	54 [—]

(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^2) 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 show 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)		Commence-ment	Completion	
The Company Utsunomiya Plant	Utsunomiya, Tochigi	Films and Functional Materials	- Industrial film production facilities	20,000	1,569	Own funds, borrowings and bond issuance funds	October 2021	April 2025	20,000 tons/year
The Company Inuyama Plant	Inuyama, Aichi	Films and Functional Materials	- Food packaging film production facilities	7,000	4,341	Own funds, borrowings and bond issuance funds	October 2018	October 2022	— (Note)

(Note) Increased capacity after completion is not presented, as the addition is aimed at enhancing productivity and increasing added value.

IV. Information about 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, 2022)	Number of issued shares at the filing date (Shares) (June 24, 2022)	Name of stock exchange on which the Company is listed or names of authorized financial instruments trade associations	Details
Common shares	89,048,792	89,048,792	Tokyo Stock Exchange First Section (as of the end of the current fiscal year) Prime Market (as of the filing date)	The number of shares per one 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, 2022

Category	Status of shares (One unit equals 100 shares)								Status of shares in amounts 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	64	50	571	213	52	50,060	51,012	—
Number of shares held (Units)	14	362,461	20,560	39,860	175,778	2,821	285,210	886,704	378,392
Ratio of shares held (%)	0.00	40.88	2.32	4.50	19.82	0.32	32.16	100.00	—

(Notes) 1. Of the Company's 152,550 treasury shares, 1,525 units are presented in "Other individuals" and 50 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, 2022

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	15,613	17.56
Custody Bank of Japan, Ltd.	1-8-12, Harumi, Chuo-ku, Tokyo	7,401	8.33
National Mutual Insurance Federation of Agricultural Cooperatives	2-7-9, Hirakawa-cho, Chiyoda-ku, Tokyo	3,558	4.00
Toyobo Employees Stockholders' Association	2-2-8, Dojimahama, Kita-ku, Osaka	2,049	2.31
Toyukai	2-2-8, Dojimahama, Kita-ku, Osaka	1,861	2.09
NIPPON LIFE INSURANCE COMPANY	1-6-6, Marunouchi, Chiyoda-ku, Tokyo	1,750	1.97
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)	1,436	1.62
Meiji Yasuda Life Insurance Company	2-1-1, Marunouchi, Chiyoda-ku, Tokyo	1,402	1.58
JP Morgan Chase Bank 385781 (Standing proxy: Mizuho Bank, Ltd.)	25 Bank St, Canary Wharf, London, E14 5JP, United Kingdom (2-15-1, Konan, Minato-ku, Tokyo)	1,203	1.35
STATE STREET LONDON CARE OF STATE STREET BANK AND TRUST, BOSTON SSBTC A/C UK LONDON BRANCH CLIENTS- UNITED KINGDOM (Standing proxy: The Hongkong and Shanghai Banking Corporation Limited, Tokyo Branch)	1 Lincoln St, Boston, MA USA 02111 (3-11-1, Nihombashi, Chuo-ku, Tokyo)	1,115	1.26
Total	—	37,392	42.06

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

2. Mizuho Bank, Ltd. submitted a Report of Possession of Large Volume (Change Report) on March 7, 2022, with Mizuho 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, 2022, 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 (%)
Mizuho Securities Co., Ltd. and two other shareholders	1-5-1, Otemachi, Chiyoda-ku, Tokyo, etc.	6,548	7.35

(7) Voting Rights

(i) Issued shares

As of March 31, 2022

Category	Number of shares (Shares)		Number of voting rights	Details
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	152,500	—	—
Shares with full voting rights (other)	Common shares	88,517,900	885,179	—
Shares less than one unit	Common shares	378,392	—	—
Total number of issued shares		89,048,792	—	—
Voting rights of all shareholders		—	885,179	—

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

(ii) Treasury shares

As of March 31, 2022

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.	2-2-8, Dojimahama, Kita-ku, Osaka	152,500	—	152,500	0.17
Total	—	152,500	—	152,500	0.17

(Note) The "Owner's address" relocated from the above to 1-13-1, Umeda, Kita-ku, Osaka on April 1, 2022.

2. Acquisition, etc. of Treasury Shares

[Class of shares, etc.] Acquisition of common shares that fall under Article 155, paragraph (7) 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
Not applicable

(3) Acquisition not based on resolution of the General Meeting of Shareholders or the Board of Directors
Acquisition pursuant to Article 155, paragraph (7) of the Companies Act

Category	Number of shares (Shares)	Total amount (Yen)
Treasury shares acquired during the current fiscal year	1,824	2,442,042
Treasury shares acquired during the current period	157	169,434

(Note) Treasury shares acquired during the current period exclude shares in amounts less than one unit purchased from June 1, 2022 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	－	－	－	－
Acquired treasury shares transferred due to merger, share exchange, share issuance and company split	－	－	－	－
Other (Disposal in the form of restricted share compensation)	52,624	76,201,131	－	－
Other (Sale of shares in amounts less than one unit)	－	－	57	82,460
Number of treasury shares held	152,550	－	152,650	－

(Notes) 1. Treasury shares disposed of during the current period exclude shares in amounts less than one unit sold from June 1, 2022 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, 2022 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 a 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 24, 2022 Resolution by the Annual General Meeting of Shareholders	3,556	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” (Adhering to reason leads to prosperity), the Company believes that its purpose is to contribute to solving social issues through its proprietary technologies after ascertaining these issues from a long-term perspective.

The Company, to respond to the changing times and enhance sustainable corporate value in the future as well, has established the policies of: (1) ensuring timeliness and accuracy in decision-making; (2) ensuring transparency in management; and (3) emphasizing fairness. 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. In order to establish a balanced system as a whole, which maintains the expertise and skills required for appropriate choices of a strategic course and important decisions on the execution of business and the independence required to strengthen management supervision, and secures diversity in terms of career history, gender, and age, etc., the Board of Directors is composed of the Chair of the Board, Outside Directors, and Directors who concurrently serve as Executive Officers. The ratio of Outside Directors is one-third or 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.

(b) Business execution

There are 24 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, in which Managing Executive Officers and Controlling Supervisors participate, deliberates in advance on matters to be resolved by the Board of Directors, and determines matters related to business execution that 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

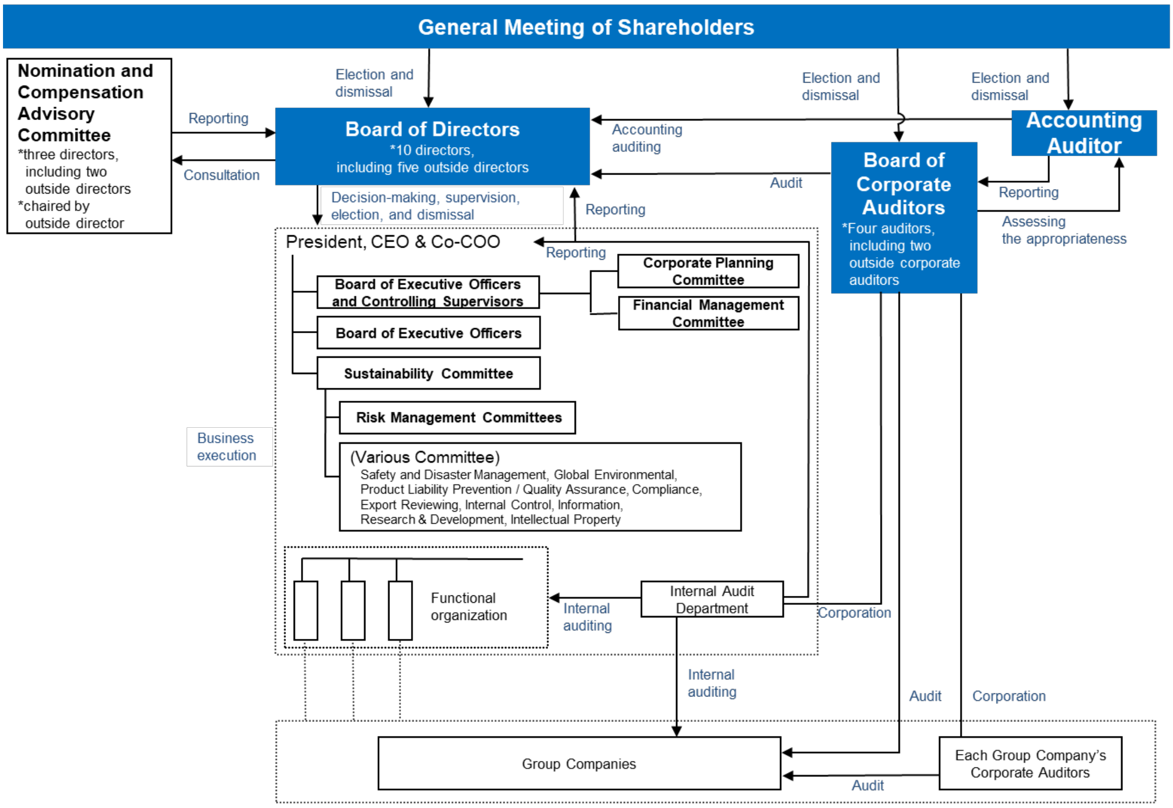
To ensure transparency in the election and dismissal of Directors, etc. and decisions on officer compensation, the Company has established a Nomination and Compensation Advisory Committee as an advisory body to the Board of Directors. A majority of members of the Committee are Outside Directors. The 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 officer compensation. The Board of Directors makes decisions based on the reports. The composition of members of the Nomination and Committee Advisory Committee is as follows:

Composition of Nomination and Compensation Advisory Committee

Chairperson	Masaru Nakamura,	Outside Director
Committee Member	Kimie Sakuragi,	Outside Director
Committee Member	Seiji Narahara,	Chairman and Director
Observer	Hiroyuki Sugimoto,	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. 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.

(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 Company establishes a “Sustainability Committee” and “Risk Management Committee” chaired by the President, to focus on efforts to help solve global social and environmental issues, as well as to enhance the risk management systems supporting the entire Group’s management foundation.

(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 of the Company or the Corporate Business Management Dept. of Subsidiaries and Affiliates, depending on the business content of the group company.

Regarding governance, the Corporate Business Management Dept. of each Subsidiaries and Affiliate collaborates with responsible departments and the Corporate Planning Department to offer support for developing a risk management system.

The Company ensures the propriety of operations by clarifying the scope in which the Company can be involved in the important decision-making matters of group companies in accordance with the Companies Act based on the Board of Directors Regulations, the Board of Managing Executive Officers and Controlling Supervisors Regulations, the guidelines for management of subsidiaries and associates, 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 “Risk Management Committee.”

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 thereinafter 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" (Adhering to reason leads to prosperity), the Company has established an appropriate corporate governance system according to 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

13 men, 1 woman (ratio of female officers: 7.1%)

Title	Name	Date of birth	Career summary		Term of office	Number of shares held (Hundred shares)
Chairman and Director	Seiji Narahara	October 17, 1956	January 1988 April 2009 April 2010 June 2011 April 2014 April 2021	Joined the Company Deputy Director, General Manager, Finance Department Executive Officer Director and Executive Officer Director, President and Chief Operating Officer Chairman and Director (current position)	(Note) 3	355
Director, President and Chief Operating Officer (Representative Director) Controlling Supervisor, Corporate Sustainability Division, Internal Audit Department, and KAERU Department	Ikuo Takeuchi	October 15, 1962	April 1985 October 2015 April 2018 April 2020 June 2020 April 2021	Joined the Company Deputy Director, General Manager, Corporate Planning Office Executive Officer Managing Executive Officer Director and Managing Executive Officer Director, President and Chief Operating Officer (current position)	(Note) 3	188
Vice President and Director and Co-COO (Representative Director) Assistant to the president, Controlling Supervisor, New Company Establishment Office, Head, Films and Functional Materials Solutions Division	Chikao Morishige	April 19, 1960	April 1983 April 2014 June 2014 April 2017 April 2019 April 2020 June 2021 April 2022	Joined the Company Deputy Director, General Manager, Films Development Department Deputy Director, Senior General Manager, Plastic Production Technology Department Executive Officer Managing Executive Officer Senior Managing Executive Officer Director and Senior Managing Executive Officer Vice President and Director and Co-COO (current position)	(Note) 3	111
Director and Senior Managing Executive Officer (Representative Director) Controlling Supervisor, Management and Administration Division, Supervisor, KAERU Department	Hiroshi Otsuki	February 19, 1961	November 1987 October 2014 April 2017 June 2020 April 2021 April 2022	Joined the Company Deputy Director, General Manager, Plastics Planning and Management Office, and Manager, Film Business Management Office Executive Officer Director and Executive Officer Director and Managing Executive Officer Director and Senior Managing Executive Officer (current position)	(Note) 3	107
Director and Managing Executive Officer Head, Life Science Solutions Division	Yutaka Ouchi	July 17, 1956	May 1980 June 2009 March 2012 April 2019 April 2020 June 2021	Joined Kyowa Hakko Kogyo Co., Ltd. (currently Kyowa Kirin Co., Ltd.) Director, Kyowa Hakko Bio Co., Ltd. Managing Executive Officer, Kyowa Hakko Kirin Co., Ltd. (currently Kyowa Kirin Co., Ltd.) Joined the Company Managing Executive Officer Director and Managing Executive Officer (current position)	(Note) 3	53
Director (Outside Director)	Masaru Nakamura	September 3, 1953	April 1977 April 2006 April 2008 April 2010 April 2012 April 2016 June 2017	Joined Sumitomo Corporation Corporate Officer Executive Officer Managing Executive Officer Senior Managing Executive Officer Adviser 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)	Takafumi Isogai	April 4, 1949	January 1987 April 1996 April 2002 October 2003 April 2013 April 2018 June 2018	Assistant Professor, Faculty of Liberal Arts, Osaka University Assistant Professor, Graduate School of Engineering Science, Osaka University Professor, Faculty of Mercantile Marine, Kobe University of Mercantile Marine Professor, Faculty of Maritime Sciences, Kobe University Professor, School of Commerce, University of Marketing and Distribution Sciences Part Time Lecturer, University of Marketing and Distribution Sciences Director, the Company (current position)	(Note) 3	—
Director (Outside Director)	Kimie Sakuragi	September 6, 1958	March 1981 January 2003 June 2003 April 2007 June 2019 June 2021 June 2021	Joined Fukutake Publishing Co., Ltd. (currently Benesse Holdings, Inc.) Manager, Business Ethics and Compliance Office Standing Audit & Supervisory Board member Adjunct Professor, the University of Aizu Graduate School (current position) Director, the Company (current position) Outside Director of the Board (Audit and Supervisory Committee Member), Isuzu Motors Limited (current position) Outside Director, Kumagai Gumi Co., Ltd. (current position)	(Note) 3	—
Director (Outside Director)	Masaaki Harima	December 9, 1950	April 1977 April 1980 May 1981 September 1987 April 2010 June 2011 March 2014 June 2014 November 2018 October 2019 June 2020 April 2021	Assistant Judge, Osaka District Court Fukushima District / Family Court Assistant Judge, Fukushima Summary Court Judge Registered as an attorney at law (Osaka Bar Association) Founded Harima Law Office (currently Fushimimachi Lawyer's Office) Chairman, Osaka City Fair Work Committee Outside Corporate Auditor, Ishihara Sangyo Kaisha, Ltd. (current position) Chairman, Osaka Prefecture Labor Relations Board Independence Committee, the Company Member, Osaka Prefecture Pollution Examination Committee Sakai City Audit Committee Member (current position) Director, the Company (current position) Chairperson, Osaka Prefecture Pollution Examination Committee (current position)	(Note) 3	—

Title	Name	Date of birth	Career summary	Term of office	Number of shares held (Hundred shares)
Director (Outside Director)	Hiroshi Fukushi	April 25, 1958	April 1984 Joined Ajinomoto Co., Inc. June 2011 Corporate Executive Officer June 2013 Member of the Board & Corporate Vice President June 2013 General Manager, Bioscience Products & Fine Chemicals Division June 2015 Member of the Board & Corporate Senior Vice President June 2017 Representative Director June 2019 Director, Corporate Executive Deputy President June 2019 Chief Digital Officer May 2021 Chairman, Japan Food Additives Association (current position) May 2021 Vice Chairman, Japan Food Hygiene Association (current position) June 2021 Representative Executive Officer & Executive Vice President, Ajinomoto Co., Ltd. July 2021 Outside Director, Marketing Applications, Inc. (current position) April 2022 Member of the Board, Executive Officer, Ajinomoto Co., Inc. June 2022 Senior Corporate Advisor (current position) June 2022 Director, the Company (current position)	(Note) 3	—
Corporate Auditor (Full-time)	Yasuhiro Iizuka	July 1, 1958	April 1981 Joined the Company April 2011 Deputy Director, General Manager, AC Operating Department April 2015 Executive Officer April 2018 Advisor June 2018 Corporate Auditor (current position)	(Note) 4	36
Corporate Auditor (Full-time)	Takayuki Tabo	February 5, 1961	April 1983 Joined the Company March 2010 General Manager, Accounting Department October 2013 Deputy Director, General Manager, Accounting Department April 2017 Executive Officer April 2020 President and Chief Operating Officer, Toyobo STC Co., Ltd. June 2021 Corporate Auditor (current position)	(Note) 4	57

Title	Name	Date of birth	Career summary		Term of office	Number of shares held (Hundred shares)
Corporate Auditor (Outside Corporate Auditor)	Hiroyuki Sugimoto	February 24, 1953	November 1975	Joined Asahi & Co. (currently KPMG AZSA LLC)	(Note) 4	10
			September 1979	Registered as certified public accountant		
			May 2000	Representative Partner, Asahi & Co. (currently KPMZ AZSA LLC)		
			June 2008	Board Member, KPMG AZSA & Co. (currently KPMZ AZSA LLC)		
			August 2010	Retired KPMG AZSA LLC		
			September 2010	Established Sugimoto Certified Public Accountant Office; Representative (current position)		
			March 2016	External Audit & Supervisory Board Member, SAKATA INX CORPORATION (current position)		
			June 2017	Corporate Auditor, the Company (current position)		
Corporate Auditor (Outside Corporate Auditor)	Akihiko Irie	September 18, 1956	April 1980	Joined Osaka Gas Co., Ltd.	(Note) 4	—
			June 2009	Corporate Officer		
			April 2012	Executive Officer		
			April 2015	Deputy Director		
			June 2015	Audit & Supervisory Board Member		
			June 2019	Outside Audit & Supervisory Board Member, Osaka Gas Urban Development Co., Ltd. (current position)		
			June 2021	Corporate Auditor, the Company (current position)		
Total						921

(Notes) 1. Directors Masaru Nakamura, Takafumi Isogai, Kimie Sakuragi, Masaaki Harima, and Hiroshi Fukushi are Outside Directors.
2. Corporate Auditors Hiroyuki Sugimoto and Akihiko Irie are Outside Corporate Auditors.
3. The term of office of Directors expires at the conclusion of the Annual General Meeting of Shareholders for the last fiscal year ending within one year after election.
4. The term of office of Corporate Auditors expires at the conclusion of the Annual General Meeting of Shareholders for the last fiscal year ending within four years after election.
5. The Company has elected one Substitute Corporate Auditor as stipulated in Article 329, paragraph (3) of the Companies Act to be ready to fill a vacant position should the number of Corporate Auditors fall below the number required by laws and regulations. Career summary for the Substitute Corporate Auditor (Outside Corporate Auditor) is as follows:

Name	Date of birth	Career summary		Number of shares held (Hundred shares)
Yoshinori Satoi	December 10, 1962	April 1996	Registered as attorney at law Joined Takagi Motaichi Law Office	—
		February 2006	Outside Corporate Auditor, Zojirushi Corporation	
		June 2015	Outside Corporate Auditor, NCS&A CO., LTD. Outside Corporate Auditor, the Company	
		December 2016	Joined Yasaka Law Office	
		June 2019	Substitute Corporate Auditor, the Company (current position)	

(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 24 Executive Officers. Executive Officers who do not serve concurrently as Directors are as follows:

Title	Name
Senior Managing Executive Officer Head, Lifestyle and Environmental Solutions Division	Shigeo Nishiyama
Managing Executive Officer Head, Mobility Solutions Division	Shigeo Takenaka
Managing Executive Officer Controlling Supervisor, Innovation Division	Yasuo Ota
Managing Executive Officer Controlling Supervisor, Corporate Planning Division; General Manager, Tokyo Branch	Ichiro Takai
Managing Executive Officer Head, Quality Assurance Division	Yoshio Araki
Managing Executive Officer Controlling Supervisor, HR, Administration and Legal Division	Masakatsu Shirai
Executive Officer Head, Corporate Sustainability Division; General Manager, Procurement and Logistics Department	Nobuya Fujiwara
Executive Officer General Manager, Corporate Business Management Dept. of Subsidiaries and Affiliates	Seiji Yamazoe
Executive Officer Executive Assistant to Head, Films and Functional Materials Solutions Division; General Manager, Films and Functional Materials Management Department; General Manager, Films and Functional Materials Marketing Strategy Operating Department	Yoshihiro Nomi
Executive Officer Head, Safety and Disaster Management Division; Controlling Supervisor, Production Technology Division	Taichi Sakai
Executive Officer Supervisor of New JV Preparatory Office	Naoki Fujii
Executive Officer Executive Assistant to Head, Lifestyle and Environmental Solutions Division	Eiichi Shimizu
Executive Officer General Manager, Medical Materials Operating Department	Takahito Sagara
Executive Officer Deputy Head, Films and Functional Materials Solutions Division; General Manager, Films Production and Technology Operating Department	Muneo Hirooka
Executive Officer Executive Assistant to Head, Lifestyle and Environmental Solutions Division; General Manager, Nonwoven Materials Operating Department	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, and High Performance Fibers Operating Department	Tadao Kuroki

(ii) Outside officers

The Company has five Outside Directors and two Outside Corporate Auditors. There is no special interest 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 Masaru Nakamura	The Company elected Masaru Nakamura so that his extensive experience and wide-ranging knowledge as a manager can be leveraged to provide advice and supervision to the Company's management from an objective and professional viewpoint. Masaru Nakamura worked for Sumitomo Corporation, a business partner of the Company. Sales from transactions with Sumitomo Corporation make up less than 1% of the Company's sales on average for the past three years.
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, CSR, 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	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.
Outside Corporate Auditor Hiroyuki Sugimoto	The Company elected Hiroyuki Sugimoto so that his extensive experience and insight in audits gained as a certified public accountant are reflected in audits of the Company. The Company has concluded an audit contract with and pays audit fees to KPMG AZSA LLC, to which Hiroyuki Sugimoto belonged. He resigned from the audit corporation in 2010. He has 1,000 shares in the Company.
Outside Corporate Auditor Akihiko Irie	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. Akihiko Irie worked for Osaka Gas Co., Ltd., a business partner of the Company. Purchases from Osaka Gas Co., Ltd. make up less than 1% of Osaka Gas's sales on average for the past three years.

(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 is over 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 is over 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 over 2% of the Company's total assets)

f. An individual who obtains over ¥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 over ¥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%)	19/19 (100%)
Full-time Corporate Auditor	Takayuki Tabo	10/10 (100%)	15/15 (100%)
Part-time Corporate Auditor (Outside)	Hiroyuki Sugimoto	15/15 (100%)	18/19 (95%)
Part-time Corporate Auditor (Outside)	Akihiko Irie	10/10 (100%)	15/15 (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 75 minutes.

Status of attendance for Takayuki Tabo and Akihiko Irie represents that after their appointment as Corporate Auditors at the Annual General Meeting of Shareholders held on June 24, 2021. Prior to their appointment, former Corporate Auditors Taneaki Nagata and Shiro Takenaka attended all meetings (five meetings of the Board of Corporate Auditors and four meetings of the Board of Directors).

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: Corporate Auditors performed operational audits primarily on 1) measures for the 2025 Medium-Term Management Plan, 2) safety, disaster prevention, quality and other risk management efforts and 3) organizations, human resources and other governance matters, among other items covered by the FY 3/22 audit policy, "Toward the recovery of trust and corporate value improvement (verifying the effectiveness of measures for thorough safety, disaster prevention, and quality assurance and reestablishment of the foundation)."

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 and 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.

<Impact of COVID-19>

Due to COVID-19, audits on foreign associates, some domestic associates, production centers, and plants were performed using online conference systems.

The Company has confirmed that the Accounting Auditor used online conference systems in auditing business sites outside Japan instead of visiting the sites, with no significant changes made to the audit plan and no delays occurring.

Going forward, the Company will continue to utilize online conference systems and other alternative methods if the impact of COVID-19 persists, to ensure proper audits.

(ii) Internal audits

The Company has an “Internal Control Committee,” which is chaired by the officer in charge of internal auditing. In addition, the Internal Audit Department has been set up with 15 members to conduct internal audits, including at group companies, and conducts monitoring activities to evaluate the effectiveness of internal controls.

The Internal Audit Department explains the status of activities, including internal audit plans, exchanges opinions with Corporate Auditors, and reports internal audit results and internal control evaluation status related to financial reports. It also regularly exchanges opinions with the Accounting Auditor.

(iii) Accounting audits

a. Name of audit corporation

KPMG AZSA LLC

b. Continuous audit period

53 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 relating to the accounting audit of the Company was 29: 12 certified public accountants and 17 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	5	87	11
Consolidated subsidiaries	52	5	37	4
Total	139	10	124	15

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 services for the application of revenue recognition standards.

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 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.

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	—	62	—	88
Consolidated subsidiaries	26	6	26	9
Total	26	69	26	97

Fees for non-audit services paid by the Company to 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 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 February 25, 2021.

(Details of the Determination Policy)

(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) Compensation by position for directors (Representative Director, Director)

ii) Compensation by position for Directors also serving as Executive Officers

b. The details of the above-mentioned compensation by position for Directors also serving as Executive Officers are as follows:

i) Comprises a set amount by position and the short-term incentive reflecting the previous fiscal year company-wide evaluation and performance evaluation of the overseen department.

ii) The performance indicator (KPI) for the company-wide performance evaluation is the consolidated operating profit, given that this is a major management indicator. The specific amount shall be determined in accordance with this by the Board of Directors based upon advice from the Nomination and Compensation Advisory Committee.

iii) Performance evaluations of overseen departments will be determined by a comprehensive overview of its performance taking into account improvements in operating profit and ROA.

iv) Compensation is calculated individually using formulas determined by the Nomination and Compensation Advisory Committee, and based upon company-wide performance evaluations and the performance evaluation of the overseen department, and decided upon by the Board of Directors.

v) Compensation for the Chairman and Director is the same as the CEO and Co-COO, taking into account their duties.

(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 also serving as Executive Officers is designed to appropriately increase incentives to increase corporate value, and the ratio of the fixed portion, short-term incentive portion, and the non-monetary compensation is 7:2:1 (when 100% of KPI is achieved).

(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, comprising a majority of Outside Directors as members, has been established as an advisory body to the Board of Directors to ensure the transparency and objectivity of decisions regarding compensation. The Nomination and Compensation Advisory Committee receives a request for advice from the Board of Directors and deliberates on the system, level, and calculation method of compensation, in addition to the targets set for the company-wide performance evaluations forming 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>

The Board of Directors has partially revised the compensation system based on discussions about social trends for compensation, appropriate incentives for performance improvement, and other matters.

Details of the partial revision, which will come into effect in July 2022, are as follows:

(1) Composition ratio of compensation

(i) Lower the ratio of basic compensation by position, and raise the ratio of the short-term incentive compensation.

(ii) After the revision, the ratio of basic compensation by position, short-term incentive compensation, and long-term incentive compensation (restricted share compensation) will be approximately 6:3:1.

(2) Composition ratio of short-term incentive compensation

The ratio of company-wide performance and performance of the overseen department will be as follows:

Representative Directors and Directors with titles:	Solely company-wide performance
Directors:	Company-wide performance : overseen department performance = 2:1
Executive Officers (full-time)	Company-wide performance : overseen department performance = 1:2

(3) Performance indicators for short-term incentive compensation

Change the performance indicator used for company-wide performance evaluation from 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)	381	269	82	30	8
Corporate Auditors (excluding Outside Corporate Auditors)	51	51	—	—	3
Outside officers	59	59	—	—	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 2022 at its meeting held on May 24, 2022, 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	53	1,690
Shares other than unlisted shares	12	1,966

(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
Unlisted shares	3	519	Judged that capital participation will contribute to medium- to long-term improvement of the Company's corporate value.
Shares other than unlisted shares	2	4	The issuers are key customers of the Company's Films and Functional Materials segment, and the Company holds their shares to maintain stable relationships.

(Stocks that decreased during the current fiscal year)

	Number of stocks (Stock)	Total selling prices for the decrease in stocks (Millions of yen)
Shares other than unlisted shares	23	5,173

(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, 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.	273,900	322,292	The issuer is one of the Company's a main suppliers, and the Company holds its shares to maintain a stable relationship.	Yes
	570	875		
Toppan Inc.	183,886	183,496	The issuer is a key customer of the Company's Films and Functional Materials segment, and the Company holds its shares to maintain a stable relationship. The increase in shares held is due to the Shareholding Association.	Yes
	398	343		
Taisei Lamick Co., Ltd.	107,114	105,985	The issuer is a key customer of the Company's Films and Functional Materials segment, and the Company holds its shares to maintain a stable relationship. The increase in shares held is due to the Shareholding Association.	No
	287	303		
Stanley Electric Co., Ltd.	100,000	100,000	The issuer is a key customer of the Company's Mobility segment, and the Company holds its shares to maintain a stable relationship.	No
	232	330		
Yagi & Co., Ltd.	142,900	142,900	The issuer is a key customer of the Company's Lifestyle and Environment segment, and the Company holds its shares to maintain a stable relationship.	Yes
	179	206		
France Bed Holdings Co., Ltd.	99,600	99,600	The issuer is a key customer of the Company's Lifestyle and Environment segment, and the Company holds its shares to maintain a stable relationship.	Yes
	86	97		
Hisamitsu Pharmaceutical Co., Inc.	20,000	40,000	The issuer is a key customer of the Company's Films and Functional Materials segment, and the Company holds its shares to maintain a stable relationship.	No
	73	288		
Nakamoto Packs Co., Ltd.	40,000	60,000	The issuer is a key customer of the Company's Films and Functional Materials segment, and the Company holds its shares to maintain a stable relationship.	No
	63	100		
Nippon Shokubai Co., Ltd.	8,000	16,105	The issuer is one of the Company's a main suppliers, and the Company holds its shares to maintain a stable relationship.	Yes
	43	102		
Sun A Kaken Co., Ltd.	35,000	35,000	The issuer is a key customer of the Company's Films and Functional Materials segment, and the Company holds its shares to maintain a stable relationship.	No
	19	19		
Maruto Sangyo Co., Ltd.	4,575	4,575	The issuer is a key customer of the Company's Films and Functional Materials segment, and the Company holds its shares to maintain a stable relationship.	No
	9	10		

Stocks	Current fiscal year Number of shares (Shares) Carrying amount (Millions of yen)	Previous fiscal year Number of shares (Shares) Carrying amount (Millions of yen)	Purpose of holding, quantitative effects from holdings, and reason for share increase	Shares held in the Company
Kaneka Corporation	2,000	2,000	The issuer is a key customer of the Company's Lifestyle and Environment segment, and the Company holds its shares to maintain a stable relationship.	No
	7	9		
Mitsubishi UFJ Financial Group, Inc.	—	2,237,000	The Company has no stocks, as it sold all of its stocks during the current fiscal year.	No
	—	1,324		
Sumitomo Mitsui Financial Group, Inc.	—	199,469	The Company has no stocks, as it sold all of its stocks during the current fiscal year.	No
	—	799		
Dai Nippon Printing Co., Ltd.	—	311,224	The Company has no stocks, as it sold all of its stocks during the current fiscal year.	No
	—	722		
Obayashi Corporation	—	581,252	The Company has no stocks, as it sold all of its stocks during the current fiscal year.	No
	—	590		
Mizuho Financial Group, Inc.	—	242,252	The Company has no stocks, as it sold all of its stocks during the current fiscal year.	No
	—	387		
Nipro Corporation	—	235,300	The Company has no stocks, as it sold all of its stocks during the current fiscal year.	No
	—	315		
Fujimori Kogyo Co., Ltd.	—	36,300	The Company has no stocks, as it sold all of its stocks during the current fiscal year.	Yes
	—	163		
Nissha Co., Ltd.	—	110,750	The Company has no stocks, as it sold all of its stocks during the current fiscal year.	No
	—	152		
Toyota Tsusho Corporation	—	14,880	The Company has no stocks, as it sold all of its stocks during the current fiscal year.	No
	—	69		
Takihyo Co., Ltd.	—	28,512	The Company has no stocks, as it sold all of its stocks during the current fiscal year.	Yes
	—	53		
Kainos Laboratories, Inc.	—	50,000	The Company has no stocks, as it sold all of its stocks during the current fiscal year.	No
	—	51		

Stocks	Current fiscal year Number of shares (Shares) Carrying amount (Millions of yen)	Previous fiscal year Number of shares (Shares) Carrying amount (Millions of yen)	Purpose of holding, quantitative effects from holdings, and reason for share increase	Shares held in the Company
Rengo Co., Ltd.	—	47,729	The Company has no stocks, as it sold all of its stocks during the current fiscal year.	No
	—	46		
Sonec Corporation	—	30,000	The Company has no stocks, as it sold all of its stocks during the current fiscal year.	No
	—	26		
Sumitomo Mitsui Trust Holdings, Inc.	—	6,600	The Company has no stocks, as it sold all of its stocks during the current fiscal year.	No
	—	25		
Royal Hotels, Inc.	—	7,800	The Company has no stocks, as it sold all of its stocks during the current fiscal year.	No
	—	10		
Koito Manufacturing Co., Ltd.	—	1,000	The Company has no stocks, as it sold all of its stocks during the current fiscal year.	No
	—	7		
Mitsui Chemicals, Inc.	—	2,021	The Company has no stocks, as it sold all of its stocks during the current fiscal year.	No
	—	7		
Sankyo Kasei Corporation	—	2,310	The Company has no stocks, as it sold all of its stocks during the current fiscal year.	Yes
	—	7		
Kimoto Co., Ltd.	—	20,000	The Company has no stocks, as it sold all of its stocks during the current fiscal year.	No
	—	4		

(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 Order 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 Order 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, 2021 to March 31, 2022) 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)

	2021 (As of March 31, 2021)	2022 (As of March 31, 2022)
Assets		
Current assets		
Cash and deposits	*2 34,695	*2 27,176
Notes receivable - trade	8,368	7,437
Accounts receivable - trade	76,814	83,644
Contract assets	—	421
Electronically recorded monetary claims - operating	8,709	10,747
Merchandise and finished goods	45,785	57,362
Work in process	11,480	14,483
Raw materials and supplies	19,045	24,204
Other	8,203	14,150
Allowance for doubtful accounts	(136)	(311)
Total current assets	212,963	239,314
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	*7 54,227	*7 53,960
Machinery, equipment and vehicles, net	*7 56,053	*7 51,786
Land	*6 93,169	*6 91,586
Construction in progress	12,454	21,721
Other, net	8,738	8,522
Total property, plant and equipment	*1, 2 224,640	*1, 2 227,574
Intangible assets		
Other	4,674	4,307
Total intangible assets	4,674	4,307
Investments and other assets		
Investment securities	*4 26,503	*4 19,064
Retirement benefit asset	420	562
Deferred tax assets	15,066	18,449
Other	*4 7,771	*4 9,476
Allowance for doubtful accounts	(849)	(972)
Total investments and other assets	48,911	46,579
Total non-current assets	278,225	278,460
Total assets	491,188	517,774

(Millions of yen)

	2021 (As of March 31, 2021)	2022 (As of March 31, 2022)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	40,879	46,876
Electronically recorded monetary obligations - operating	4,881	6,326
Short-term borrowings	40,767	40,592
Current portion of bonds payable	10,000	—
Current portion of long-term borrowings	10,107	21,418
Provision for bonuses	4,691	4,778
Other	*2 20,118	*2, 5 26,759
Total current liabilities	131,444	146,750
Non-current liabilities		
Bonds payable	45,000	55,000
Long-term borrowings	77,046	70,681
Deferred tax liabilities for land revaluation	20,156	19,641
Provision for retirement benefits for directors (and other officers)	241	236
Provision for environmental measures	31	12
Retirement benefit liability	18,288	19,841
Other	10,347	8,465
Total non-current liabilities	171,109	173,876
Total liabilities	302,553	320,626
Net assets		
Shareholders' equity		
Share capital	51,730	51,730
Capital surplus	32,202	32,193
Retained earnings	64,351	74,700
Treasury shares	(294)	(221)
Total shareholders' equity	147,989	158,402
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	7,038	4,882
Deferred gains or losses on hedges	11	7
Revaluation reserve for land	*6 42,708	*6 41,562
Foreign currency translation adjustment	(11,052)	(7,656)
Adjustment of defined benefit plans	(965)	(2,321)
Total accumulated other comprehensive income	37,740	36,474
Non-controlling interests	2,906	2,273
Total net assets	188,635	197,149
Total liabilities and net assets	491,188	517,774

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

Consolidated Statements of Income

(Millions of yen)

	2021 (From April 1, 2020 to March 31, 2021)	2022 (From April 1, 2021 to March 31, 2022)
Net sales	337,406	*1 375,720
Cost of sales	*2, 4 247,032	*2, 4 279,594
Gross profit	90,375	96,126
Selling, general and administrative expenses	*3, 4 63,718	*3, 4 67,696
Operating profit	26,657	28,430
Non-operating income		
Dividend income	555	531
Foreign exchange gains	—	673
Insurance claim income	368	123
Subsidy income	1,041	87
Other	1,167	993
Total non-operating income	3,131	2,406
Non-operating expenses		
Interest expenses	1,283	1,211
Loss on suspension of production	1,854	953
Other	5,945	5,579
Total non-operating expenses	9,082	7,743
Ordinary profit	20,706	23,092
Extraordinary income		
Gain on extinguishment of tie-in shares	387	—
Gain on sale of non-current assets	85	—
Gain on sale of investment securities	—	*5 6,529
Gain on liquidation of subsidiaries and associates	157	—
Total extraordinary income	629	6,529
Extraordinary losses		
Impairment losses	*8 8,923	*8 9,362
Loss on fire	*7 1,906	—
Loss on disposal of non-current assets	*6 3,558	*6 4,232
Other	1,366	1,232
Total extraordinary losses	15,753	14,825
Profit before income taxes	5,582	14,796
Income taxes - current	3,541	5,627
Income taxes - deferred	(271)	(2,892)
Total income taxes	3,270	2,735
Profit	2,313	12,061
Loss attributable to non-controlling interests	(1,889)	(804)
Profit attributable to owners of the parent	4,202	12,865

Consolidated Statements of Comprehensive Income

(Millions of yen)

	2021 (From April 1, 2020 to March 31, 2021)	2022 (From April 1, 2021 to March 31, 2022)
Profit	2,313	12,061
Other comprehensive income		
Valuation difference on available-for-sale securities	3,015	(2,151)
Deferred gains or losses on hedges	19	(4)
Foreign currency translation adjustment	1,069	3,320
Adjustment for defined benefit plans, net of tax	3,162	(1,356)
Share of other comprehensive income of entities accounted for using the equity method	(107)	243
Total other comprehensive income	* 7,158	* 51
Comprehensive income	9,471	12,112
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	11,309	12,745
Comprehensive income attributable to non-controlling interests	(1,838)	(633)

(iii) Consolidated Statements of Changes in Net Assets

2021 (From April 1, 2020 to March 31, 2021)

(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	32,200	61,929	(350)	145,509
Cumulative effects of changes in accounting policies					–
Restated balance	51,730	32,200	61,929	(350)	145,509
Changes during period					
Dividends of surplus			(3,552)		(3,552)
Profit attributable to owners of the parent			4,202		4,202
Reversal of revaluation reserve for land			1,745		1,745
Change in scope of consolidation			28		28
Purchase of treasury shares				(3)	(3)
Disposal of treasury shares		2		59	61
Net changes in items other than shareholders' equity					
Total changes during period	–	2	2,422	56	2,480
Balance at the end of the current fiscal year	51,730	32,202	64,351	(294)	147,989

	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	4,013	(8)	44,457	(11,954)	(4,128)	32,381	4,746	182,636
Cumulative effects of changes in accounting policies								–
Restated balance	4,013	(8)	44,457	(11,954)	(4,128)	32,381	4,746	182,636
Changes during period								
Dividends of surplus								(3,552)
Profit attributable to owners of the parent								4,202
Reversal of revaluation reserve for land								1,745
Change in scope of consolidation								28
Purchase of treasury shares								(3)
Disposal of treasury shares								61
Net changes in items other than shareholders' equity	3,025	19	(1,749)	902	3,162	5,359	(1,840)	3,518
Total changes during period	3,025	19	(1,749)	902	3,162	5,359	(1,840)	5,999
Balance at the end of the current fiscal year	7,038	11	42,708	(11,052)	(965)	37,740	2,906	188,635

2022 (From April 1, 2021 to 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

(iv) Consolidated Statements of Cash Flows

(Millions of yen)

	2021 (From April 1, 2020 to March 31, 2021)	2022 (From April 1, 2021 to March 31, 2022)
Cash flows from operating activities		
Profit before income taxes	5,582	14,796
Depreciation	19,095	20,080
Impairment losses	8,923	9,362
Increase (decrease) in allowance for doubtful accounts	68	265
Increase (decrease) in retirement benefit liability	1,189	(340)
Decrease (increase) in retirement benefit asset	(420)	(331)
Interest and dividend income	(619)	(605)
Interest expenses	1,283	1,211
Share of loss (profit) of entities accounted for using equity method	338	(161)
Loss (gain) on sales and disposal of property, plant and equipment, net	3,658	4,268
Loss (gain) on sale and valuation of investment securities	78	(5,472)
Loss (gain) on sale of shares of subsidiaries and associates	4	—
Loss on fire	1,906	—
Decrease (increase) in trade receivables	306	(6,866)
Decrease (increase) in inventories	5,067	(18,212)
Increase (decrease) in trade payables	(4,664)	6,295
Other	467	(3,530)
Subtotal	42,261	20,760
Payments for loss on fire	(952)	—
Income taxes refund (paid)	(6,281)	(3,663)
Net cash provided by (used in) operating activities	35,028	17,097
Cash flows from investing activities		
Purchase of property, plant and equipment, and intangible assets	(27,495)	(29,112)
Proceeds from sale of property, plant and equipment, and intangible assets	473	39
Proceeds from sale of investment securities	190	11,485
Long-term loan advances	(73)	(53)
Proceeds from collection of long-term loans receivable	29	13
Interest and dividends received	619	668
Other	(5,421)	(7,649)
Cash flows from investing activities	(31,678)	(24,608)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	8,466	(611)
Proceeds from long-term borrowings	12,004	14,959
Repayments of long-term borrowings	(9,471)	(10,370)
Proceeds from issuance of bonds	—	10,000
Redemption of bonds	—	(10,000)
Purchase of treasury shares	(2)	(3)
Interest paid	(1,249)	(1,225)
Dividends paid	(3,550)	(3,553)
Dividends paid to non-controlling interests	(2)	—
Other	(856)	(926)
Net cash provided by (used in) financing activities	5,340	(1,729)
Effect of exchange rate change on cash and cash equivalents	461	1,143
Net increase (decrease) in cash and cash equivalents	9,151	(8,097)
Cash and cash equivalents at beginning of period	25,084	34,526
Increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation	20	—
Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries	270	5
Cash and cash equivalents at end of period	* 34,526	* 26,433

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: 51

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

Toyobo Film Solutions Limited and Kyushu Toyo Knit Co., Ltd. have been excluded from the scope of consolidation from the current fiscal year. This is because the former merged with the Company, and the latter with Toyo Knit Co., Ltd.

(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: 6

Main associates accounted for using the equity method include Japan U-Pica Co., Ltd.

(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

There are three consolidated subsidiaries 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 three companies pertaining to the current fiscal year, with necessary adjustments made for significant transactions that took place during the period between the companies’ fiscal year-end and the consolidated fiscal year-end.

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).

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 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 Businesses. 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 Businesses 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.

(Hedging relationships to which “Practical Solution on the Treatment of Hedge Accounting for Financial Instruments that Reference LIBOR” is applied)

Of the above hedging relationships, the Company and its subsidiaries have applied the exception set out in the “Practical Solution on the Treatment of Hedge Accounting for Financial Instruments that Reference LIBOR” (PITF No.40, March 17, 2022) to all of those hedging relationships that are within the scope of the Practical Solution. The details of the hedging relationships to which the Practical Solution is applied are as follows.

Method of hedge accounting

Deferral hedge accounting is applied. For interest rate swaps that satisfy the requirements for special treatment, the special treatment is applied.

Hedging instruments and hedged items

Risks of interest rate fluctuations in long-term borrowings are hedged using instruments such as interest rate swaps.

Types of hedge transactions

Cash flow hedge

(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, 2021	As of March 31, 2022
Property, plant and equipment	224,640	227,574
Retirement benefit liability	18,288	19,841

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 for measuring 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	3,674
Discount rates: increase of 0.5 percentage points	(3,383)

(Changes in accounting policies)

(Application of Accounting Standard for Revenue Recognition and relevant revised ASBJ standards)

The Group has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020; hereafter, the "Revenue Recognition Standard") and "Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30, March 26, 2021) effective from the beginning of the fiscal year ended March 31, 2022, and it has recognized revenue at the time the control of promised goods or services is transferred to the customer at the amount expected to be received upon exchange of said goods or services. In accounting of buy-sell transactions where the Group bears an obligation to repurchase supplied materials, the transaction is treated as a financial transaction and supplied materials remaining at the recipient continue to be recognized as inventories, while the amount of ending inventories corresponding to the supplied materials remaining at the recipient is recognized as a financial liability.

The application of the Accounting Standard for Revenue Recognition and relevant revised ASBJ regulations is subject to the transitional treatment provided for in the proviso to paragraph 84 of the Accounting Standard for Revenue Recognition. The cumulative effect of the retrospective application, assuming the new accounting policy had been applied to periods prior to the beginning of the fiscal year ended March 31, 2022, was added to or deducted from the opening balance of retained earnings of the fiscal year ended March 31, 2022, so the new accounting policy was applied from such opening balance. The impact of applying the accounting standard to consolidated financial statements is immaterial.

In accordance with the transitional treatment stipulated in paragraph 89-3 of the Accounting Standard for Revenue Recognition, the notes on revenue recognition omit information pertaining to the previous fiscal year.

(Application of Accounting Standard for Fair Value Measurement and relevant ASBJ regulations)

The Group has applied the "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019) and relevant ASBJ regulations effective from the beginning of the fiscal year ended March 31, 2022, and in accordance with the transitional treatment prescribed in paragraph 19 of the Accounting Standard for Fair Value Measurement and paragraph 44-2 of the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019), the new accounting policies set forth in the Accounting Standard for Fair Value Measurement and relevant ASBJ regulations have been applied prospectively. There is no impact on consolidated financial statements.

Furthermore, the notes on financial instruments include the breakdown of financial instruments by the level of the fair value hierarchy. However, the notes omit information pertaining to the previous fiscal year in accordance with the transitional treatment prescribed in paragraph 7-4 of the "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19, July 4, 2019).

(Changes in presentation method)

(Consolidated balance sheets)

The Group has reviewed the presentation method for "notes receivable - trade" and "accounts receivable - trade," which were included in "notes and accounts receivable - trade," to enhance the clarity, and presented them separately from the current fiscal year. To reflect the change in presentation method, the consolidated financial statements for the previous fiscal year have been reclassified.

As a result, for the consolidated balance sheets for the previous fiscal year, "notes and accounts receivable - trade" of ¥85,182 million are reclassified into "notes receivable - trade" of ¥8,368 million and "accounts receivable - trade" of ¥76,814 million.

(Consolidated statements of income)

"Personnel costs for secondees" under "non-operating expenses," presented separately in the previous fiscal year, have been included in "other" in the current fiscal year because the item now accounts for 10% or less of total non-operating expenses. To reflect the change in presentation method, the consolidated financial statements for the previous fiscal year have been reclassified.

As a result, for the consolidated statements of income for the previous fiscal year, "personnel costs for secondees" of ¥753 million and "other" of ¥5,192 million, previously presented under "non-operating expenses," have been reclassified into "other" of ¥5,945 million.

(Consolidated statements of cash flows)

"Proceeds from sale of investment securities," which were included in "other" under cash flows from investing activities in the previous fiscal year, have been presented separately due to increased significance in monetary amount. To reflect the change in presentation method, the consolidated financial statements for the previous fiscal year have been reclassified.

As a result, for the consolidated statements of cash flows for the previous fiscal year, "other" under cash flows from investing activities of negative ¥5,230 million have been reclassified into "proceeds from sale of investment securities" of ¥190 million and "other" of negative ¥5,421 million.

(Consolidated balance sheets)

*1. Accumulated depreciation directly deducted from property, plant and equipment was ¥431,830 million for the previous fiscal year and ¥439,652 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, 2021	As of March 31, 2022
Cash and deposits	¥2 million	¥2 million
Property, plant and equipment	243	226
Total	¥245 million	¥228 million

Collateralized debt obligations are as follows:

	As of March 31, 2021	As of March 31, 2022
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, 2021		As of March 31, 2022	
PT. Toyobo Trias Astria	¥2,052 million	PT. Toyobo Trias Astria	¥2,098 million
PHP Fibers GmbH	909	Toyobo Indorama Advanced Fibers Co., Ltd.	1,178
Cast Film Japan Co., Ltd.	575	PHP Fibers GmbH	957
Nippon Dyneema Co., Ltd.	512	Cast Film Japan Co., Ltd.	675
Employee housing loans (1 case)	1	Nippon Dyneema Co., Ltd.	344
		Employee housing loans (1 case)	1
Total	¥4,049 million	Total	¥5,253 million

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

	As of March 31, 2021	As of March 31, 2022
Investment securities (shares)	¥6,866 million	¥7,869 million
[of which is the amount of investment in companies under common control]	[2,342]	[2,471]
"Other" under investments and other assets (investments)	1,966	1,963

*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, 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, one consolidated subsidiary and one associate accounted for using the equity method

- Method for land revaluation: Calculated by making reasonable adjustments to the posted land price prescribed in Article 2, paragraph 1 of the Order for Enforcement of the Act on Revaluation of Land (Cabinet Order No. 119 published on March 31, 1998), and calculated by making adjustments to the roadside land price prescribed in paragraph 4 of the same Article
- Land revaluation date: March 31, 2002

	As of March 31, 2021	As of March 31, 2022
Difference between the year-end fair value of land subject to revaluation and the carrying amount after the revaluation	¥31,680 million	¥31,840 million

(2) One consolidated subsidiary

- Method for land revaluation: Calculated by making reasonable adjustments to the posted land price prescribed in Article 4, paragraph 1 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

	As of March 31, 2021	As of March 31, 2022
Difference between the year-end fair value of land subject to revaluation and the carrying amount after the revaluation	¥427 million	¥— million

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 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, 2021	As of March 31, 2022
Amount of accelerated depreciation for tax purposes	¥607 million	¥607 million
[Of which, buildings and structures]	[281]	[281]
[Of which, 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, 2021	As of March 31, 2022
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, 2021	For the fiscal year ended March 31, 2022
¥3,241 million	¥2,370 million

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

	For the fiscal year ended March 31, 2021	For the fiscal year ended March 31, 2022
Transport and storage costs	¥11,873 million	¥13,371 million
Salaries and bonuses	16,887	17,478
Provision for bonuses	1,780	1,993
Retirement benefit expenses	1,546	1,177
Research and development expenses	12,574	13,709

*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, 2021	For the fiscal year ended March 31, 2022
¥12,656 million	¥13,792 million

*5. Gain on sale of investment securities for the current fiscal year is related to available-for-sale securities.

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

For the fiscal year ended March 31, 2021		For the fiscal year ended March 31, 2022	
Buildings and structures	¥1,420 million	Buildings and structures	¥2,208 million
Machinery, equipment and vehicles	2,100	Machinery, equipment and vehicles	1,977
(1) "Other" under property, plant and equipment	38	(1) "Other" under property, plant and equipment	46
Total	¥3,558 million	Total	¥4,232 million

*7. Loss on fire

2021 (From April 1, 2020 to March 31, 2021)

This loss is related to the fire that occurred at the Company's Inuyama Plant on September 27, 2020, and its breakdown includes loss on extinguishment of non-current assets and inventories, fixed costs during the suspension period, and other related costs.

*8. Impairment losses

2021 (From April 1, 2020 to March 31, 2021)

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

Location	Use	Main type
Japan Exlan Company, Limited Saidaiji Plant (Okayama, Okayama)	Business assets (Acrylic fiber manufacturing facilities and power equipment)	Buildings and structures Machinery, equipment and vehicles, land, etc.
Toyobo Industrial Materials America, Inc. (Alabama, U.S.)	Business assets (Airbag fabrics manufacturing facilities)	Buildings and structures Machinery, equipment and vehicles, etc.
Toyobo Co., Ltd. Otsu Pharmaceuticals Plant (Otsu, Shiga)	Assets to be disposed of	Buildings and structures Machinery, equipment and vehicles, etc.

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 ¥8,923 million.

The breakdown is as follows:

Buildings and structures	¥2,534 million
Machinery, equipment and vehicles	¥2,067 million
Land	¥3,512 million
Construction in progress	¥86 million
"Other" under property, plant and equipment	¥724 million
Total	¥8,923 million

The undiscounted future cash flows for the aforementioned asset groups are calculated using cash flow estimates based on business plans created mainly considering market trends, past experience, and current and projected economic conditions, and real estate appraisals used for calculations of the net selling price of the relevant non-current assets after continuous use.

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 based on third-party real estate appraisal.

2022 (From April 1, 2021 to 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 (Contract manufacturing facilities for medical equipment)	Buildings and structures Machinery, equipment and vehicles, construction in progress, etc.
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.
Xenomax - Japan Co., Ltd. Head office plant (Tsuruga, Fukui)	Business assets (Film production facility)	Buildings and structures Machinery, equipment and vehicles, etc.

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 ¥9,362 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	¥476 million
Total	¥9,362 million

Undiscounted future cash flows for the 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.

(Consolidated statements of comprehensive income)

* Reclassification adjustments and tax effects relating to other comprehensive income

	For the fiscal year ended March 31, 2021	For the fiscal year ended March 31, 2022
Valuation difference on available-for-sale securities:		
Amount arising during the period	¥4,307 million	¥2,295 million
Reclassification adjustment	67	(5,447)
Amount before the effect of tax	4,374	(3,152)
Tax effect	(1,359)	1,001
Valuation difference on available-for-sale securities	3,015	(2,151)
Deferred gains or losses on hedges:		
Amount arising during the period	33	(2)
Reclassification adjustment	(4)	(5)
Amount before the effect of tax	29	(7)
Tax effect	(10)	3
Deferred gains or losses on hedges	19	(4)
Foreign currency translation adjustment:		
Amount arising during the period	1,225	3,321
Reclassification adjustment	(157)	—
Amount before the effect of tax	1,069	3,321
Tax effect	—	(1)
Foreign currency translation adjustment	1,069	3,320
Adjustment of defined benefit plans:		
Amount arising during the period	3,400	(1,811)
Reclassification adjustment	1,190	(160)
Amount before the effect of tax	4,590	(1,971)
Tax effect	(1,428)	615
Adjustment for defined benefit plans, net of tax	3,162	(1,356)
Share of other comprehensive income of entities accounted for using the equity method:		
Amount arising during the period	(107)	243
Reclassification adjustment	—	—
Share of other comprehensive income of entities accounted for using the equity method	(107)	243
Total other comprehensive income	7,158	51

(Consolidated statements of changes in net assets)

2021 (From April 1, 2020 to March 31, 2021)

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	237	6	40	203
Total	237	6	40	203

(Notes) 1. The increase in 6,000 common shares of treasury stock consists of an increase of 2,000 shares due to purchases of shares in amounts less than one unit and an increase of 3,000 shares due to acquisition without consideration of common shares allotted as restricted shares.

2. The decrease in 40,000 common shares of treasury stock consists of a decrease of 0 thousand shares due to requests for sale of shares in amounts less than one unit and a decrease of 40,000 shares 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, 2020	Common shares	3,552	40	March 31, 2020	June 25, 2020

(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, 2021	Common shares	3,554	Retained earnings	40	March 31, 2021	June 25, 2021

2022 (From April 1, 2021 to 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

(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, 2021	For the fiscal year ended March 31, 2022
Cash and deposits	¥34,695 million	¥27,176 million
Time deposits maturing after three months	(169)	(743)
Cash and cash equivalents	¥34,526 million	¥26,433 million

(Leases)

1. Finance leases (lessor)

(1) Finance lease transactions that transfer ownership

(i) Type of lease assets

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 lease assets

(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, 2021	As of March 31, 2022
Lease receivables at end of period		
Within 1 year	¥673 million	¥673 million
Over 1 year	5,289	4,615
Total	¥5,962 million	¥5,288 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 2021.

As of March 31, 2021

(Millions of yen)

	Book value	Fair value	Difference
(1) Investment securities (*2)			
Available-for-sale securities	18,245	18,245	–
Total assets	18,245	18,245	–
(2) Bonds payable	55,000	54,886	114
(3) Long-term borrowings	87,153	87,912	(759)
Total liabilities	142,153	142,798	(645)
Derivatives (*3)			
(i) Derivatives to which hedge accounting is not applied	(81)	(81)	–
(ii) Derivatives to which hedge accounting is applied	16	16	–
Total derivatives	(65)	(65)	–

(*1) "Cash and deposits," "notes receivable - trade," "accounts receivable - trade," "electronically recorded monetary claims - operating," "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) The following financial instruments are not included in "(1) Investment securities" because they have no market prices and their fair values are extremely difficult to estimate. Carrying amounts of the financial instruments are as follows:

(Millions of yen)

Category	As of March 31, 2021
Unlisted shares	8,247
Convertible bonds	11

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

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)	—

(*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
Unlisted shares	9,911

(*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 omits the notes on fair value. The carrying amounts of these financial instruments for the current fiscal year were ¥308 million.

(*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, 2021

(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	34,695	–	–	–
Notes receivable - trade	8,368	–	–	–
Accounts receivable - trade	76,814	–	–	–
Electronically recorded monetary claims - operating	8,709	–	–	–
Total	128,586	–	–	–

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	–	–	–

(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, 2021

(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	40,767	–	–	–	–	–
Bonds payable	10,000	–	10,000	15,000	10,000	10,000
Long-term borrowings	10,107	20,583	24,397	8,618	5,486	17,962
Total	60,875	20,583	34,397	23,618	15,486	27,962

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

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)

(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

(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, 2021

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	16,297	5,561	10,736
(2) Bonds			
(i) Government bonds, local government bonds, etc.	—	—	—
(ii) Corporate bonds	—	—	—
(iii) Others	—	—	—
(3) Others	15	7	8
Total	16,312	5,568	10,744

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

(Millions of yen)

	Book value	Acquisition cost	Difference
(1) Shares	1,690	1,996	(306)
(2) Bonds			
(i) Government bonds, local government bonds, etc.	—	—	—
(ii) Corporate bonds	—	—	—
(iii) Others	—	—	—
(3) Others	243	243	—
Total	1,933	2,239	(306)

(Note) Unlisted shares (carrying amount of ¥1,381 million) and convertible bonds (carrying amount of ¥11 million) are not included in "available-for-sale securities" in the above table, because they have no market prices, their future cash flows cannot be estimated, and therefore the fair value is deemed extremely difficult to estimate.

2. Available-for-sale securities sold during the fiscal year ended March 31, 2021

(Millions of yen)

Type	Sales proceeds	Total gain on sale	Total loss on sale
(1) Shares	193	39	—
(2) Bonds			
(i) Government bonds, local government bonds, etc.	—	—	—
(ii) Corporate bonds	—	—	—
(iii) Others	—	—	—
(3) Others	—	—	—
Total	193	39	—

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

(Derivatives)

As of March 31, 2021

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	1,404	－	(63)	(63)
	Euro	90	－	(1)	(1)
	Thai baht	833	－	(14)	(14)
	Long position				
	U.S. dollars	79	－	(3)	(3)
	Euro	28	－	(0)	(0)
	Thai baht	7	－	0	0
Total		2,441	－	(81)	(81)

(Note) Fair value is calculated using prices provided by partner financial institutions.

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 (Note) 1	Foreign exchange forward transactions	Accounts payable - trade			
	Long position				
	U.S. dollars		437	－	20
	Euro		55	－	0
	Chinese yuan		42	－	0
Designation treatment of foreign exchange forward contracts	Foreign exchange forward transactions	Accounts payable - trade			
	Long position				
	U.S. dollars		310	－	(Note) 2
	Chinese yuan		3	－	
Total			847	－	20

(Notes) 1. The fair value is calculated based on the forward exchange rate.

2. Derivatives subject to the 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 are 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 (Note)	Interest rate swap transactions Fixed-interest payments and floating-interest receivables	Long-term borrowings	15,000	15,000	(4)

(Note) Fair value is calculated using prices, etc. provided by partner financial institutions.

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 are 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 Fixed-interest payments and floating-interest receivables	Long-term borrowings	15,000	―	11

(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, 2021	For the fiscal year ended March 31, 2022
Retirement benefit obligations at beginning of year	63,665	63,635
Service cost	2,678	2,978
Interest cost	386	392
Actuarial differences incurred	(165)	1,665
Retirement benefits paid	(3,066)	(3,274)
Other	137	93
Retirement benefit obligations at end of year	63,635	65,489

(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, 2021	For the fiscal year ended March 31, 2022
Plan assets at beginning of year	42,052	45,766
Expected return on plan assets	759	841
Actuarial differences incurred	3,235	(146)
Employer’s contribution	2,339	2,631
Retirement benefits paid	(2,656)	(2,884)
Other	38	2
Plan assets at end of year	45,766	46,210

(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, 2021	As of March 31, 2022
Funded retirement benefit obligations	61,120	62,831
Plan assets	(45,766)	(46,210)
	15,354	16,622
Unfunded retirement benefit obligations	2,515	2,658
Net liability and asset recorded on the consolidated balance sheets	17,868	19,279
Retirement benefit liability	18,288	19,841
Retirement benefit asset	(420)	(562)
Net liability and asset recorded on the consolidated balance sheets	17,868	19,279

(4) Retirement benefit expenses and their components

(Millions of yen)

	For the fiscal year ended March 31, 2021	For the fiscal year ended March 31, 2022
Service cost	2,678	2,978
Interest cost	386	392
Expected return on plan assets	(759)	(841)
Amortization of actuarial differences	1,252	(21)
Amortization of prior service cost	(64)	(139)
Additional retirement benefits	100	62
Retirement benefit expenses for defined benefit plans	3,594	2,432

(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, 2021	For the fiscal year ended March 31, 2022
Actuarial differences	4,653	(1,832)
Prior service cost	(64)	(139)
Total	4,590	(1,971)

(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, 2021	As of March 31, 2022
Unrecognized actuarial differences	2,208	4,040
Unrecognized prior service cost	(815)	(676)
Total	1,393	3,364

(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, 2021	As of March 31, 2022
Bonds	26%	28%
Shares	21	19
General accounts	34	35
Cash and deposits	4	3
Other	15	15
Total	100%	100%

(Note) The ratio of plan assets used to fund a retirement benefit trust established for corporate pension plans was 4% and 3% for the years ended March 31, 2021 and 2022, respectively.

(ii) Method used to determine 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, 2021	As of March 31, 2022
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 ¥481 million and ¥444 million for the fiscal years ended March 31, 2021 and 2022, 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 ¥6 million for the years ended March 31, 2021 and 2022, respectively.

(1) Recent funds for multi-employer type employee pension fund plans

(Millions of yen)

	For the fiscal year ended March 31, 2021 (As of March 31, 2020)	For the fiscal year ended March 31, 2022 (As of March 31, 2021)
Plan assets	12,017	13,408
Total amount of actuarial liabilities in calculation of pension finance and minimum actuarial reserve	13,251	13,422
Difference	(1,234)	(14)

(2) The ratio of contribution by the Group to the total contribution of multi-employer-type employee pension fund plans

FY 3/21: 0.6% (as of March 31, 2020)

FY 3/22: 0.5% (as of March 31, 2021)

(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, 2021	As of March 31, 2022
Deferred tax assets		
Provision for bonuses	¥1,686 million	¥1,792 million
Write-off of inventories	876	801
Retirement benefit liability	6,177	6,592
Allowance for doubtful accounts	241	260
Provision for environmental measures	9	7
Impairment losses	1,193	5,670
Write-off of investment securities	446	389
Depreciation in excess	399	1,170
Tax loss carry-forwards (Note)	11,917	6,642
Unrealized gain eliminated as inter-company transactions	9,434	9,758
Retained loss of subsidiaries	272	317
Loss on fire	364	245
Other	2,411	2,057
Subtotal deferred tax assets	35,425	35,700
Valuation allowance pertaining to tax loss carry-forwards (Note)	(11,573)	(6,023)
Valuation allowance pertaining to total future deductible temporary difference	(2,496)	(5,745)
Valuation allowance subtotal	(14,069)	(11,768)
Total deferred tax assets	21,356	23,931
Deferred tax liabilities		
Adjustments to allowance for doubtful accounts due to consolidation	(0)	(0)
Reserve for tax purpose reduction entry	(570)	(577)
Retained earnings of foreign subsidiaries	(1,963)	(2,113)
Valuation difference on subsidiary assets	(1,980)	(1,546)
Qualified post-formation acquisition	(1,335)	(1,335)
Qualified company split	(497)	(497)
Valuation difference on available-for-sale securities	(3,244)	(2,015)
Total deferred tax liabilities	(9,589)	(8,083)
Net deferred tax assets	¥11,766 million	¥15,849 million

In addition to the above, deferred tax liabilities for land revaluation were recorded in non-current liabilities in the amount of ¥20,156 million and ¥19,641 million for the fiscal years ended March 31, 2021 and 2022, respectively.

(Note) Amounts classified by the deadline for retention of tax loss carry-forwards and related deferred tax assets

As of March 31, 2021 (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 (*)	505	166	327	402	500	10,017	11,917
Valuation allowance	(433)	(153)	(327)	(402)	(500)	(9,758)	(11,573)
Deferred tax assets	72	13	－	－	－	259	344

(*) Tax loss carry-forwards are the amount multiplied by the effective tax rate.

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.

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, 2021	As of March 31, 2022
Effective tax rate	31.0%	31.0%
(Reconciliation)		
Entertainment and other expenses excluded from deductible expenses	0.5	0.2
Dividend and other income excluded from taxable income	(1.3)	(0.4)
Tax credit	(7.7)	(3.4)
Valuation allowance	55.9	(6.1)
Equity in earnings (loss) of associates	2.5	(0.3)
Retained earnings of foreign subsidiaries	2.2	1.0
Tax rate difference from parent company	(1.1)	(1.9)
Effects of exclusion from scope of consolidation	(0.9)	―
Reversal of revaluation reserve for land	(20.1)	(3.5)
Other	(2.3)	1.9
Actual effective tax rate	58.6%	18.5%

(Business combinations)

Transactions, etc. under common control

The Company decided at its Board of Directors meeting held on December 25, 2020 to merge with Toyobo Film Solutions Limited (hereafter, "TFS") through an absorption-type merger, concluded a merger agreement on the same day, and merged with TFS on April 1, 2021. The merger was implemented without holding General Meetings of Shareholders of the Company and TFS for the approval of the merger agreement pursuant to Article 796, paragraph 2 and Article 784, paragraph 1 of the Companies Act, respectively.

The outline of the merger is as follows:

1. Outline of transaction

(1) Name and business of merged company

Name of merged company:	Toyobo Film Solutions Limited
Business:	Manufacture and sale of films

(2) Date of business combination

April 1, 2021

(3) Legal form of business combination

Absorption-type merger with the Company as the surviving company and TFS 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

The Company decided to merge with TFS through an absorption-type merger in order to combine the unique technologies and product lineups of TFS and the Company, and to establish a system to provide customers with highly functional film products in an integrated and efficient manner.

(ii) Allotment 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 December 31, 2020)

Assets	¥18,145 million
Liabilities	¥7,801 million
Net assets	¥10,344 million
Net sales	¥24,939 million
Profit	¥2,107 million

2. Performance period of the merged company included in the consolidated statements of income for the current fiscal year

The fiscal year of the merged company ends on December 31, and the difference from the consolidated fiscal year-end is within three months. Therefore, the consolidated financial statements are prepared based on the merged company's consolidated financial statements for the fiscal year ended December 31. For this reason, performance of the merged company for the period between January 1 and March 31, 2021 has been included in the consolidated statements of income, and performance for the period between April 1, 2021 and March 31, 2022 is included as that of the post-merger company in the consolidated statements of income.

3. 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).

(Investment and rental property)

The Company and some of its consolidated subsidiaries hold investment and rental office buildings (including land) located in Osaka, Japan and other areas.

For the previous fiscal year, the 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 ¥1,828 million, and the gain on sale of non-current assets (recorded in extraordinary income) was ¥41 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 ¥2,115 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, 2021	For the fiscal year ended March 31, 2022
Book value			
	Opening balance	31,430	30,786
	Changes during period	(644)	(463)
	Closing balance	30,786	30,323
Fair value at end of period		36,230	36,162

(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 sale (¥276 million). The change during the current fiscal year was mainly attributable to a decrease due to depreciation (¥471 million).

3. The fair value at March 31, 2022 and 2021 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 ¥2,916 million and ¥2,782 million as of March 31, 2021 and 2022, 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 businesses	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 businesses 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

(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 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

2021 (From April 1, 2020 to March 31, 2021)

(Millions of yen)

	Reportable segments						Other businesses (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	152,842	36,573	109,148	27,087	3,959	329,608	7,798	337,406	-	337,406
Inter-segment sales and transfers	110	27	362	40	463	1,002	13,631	14,633	(14,633)	-
Total	152,952	36,599	109,509	27,127	4,422	330,610	21,429	352,039	(14,633)	337,406
Segment profit (loss)	20,028	(1,572)	4,376	4,517	1,548	28,897	754	29,650	(2,993)	26,657
Segment assets	165,697	50,396	132,101	36,034	48,237	432,465	16,141	448,606	42,582	491,188
Other items										
Depreciation and amortization	8,886	1,364	3,802	2,372	704	17,128	421	17,550	1,545	19,095
Increases in property, plant and equipment and intangible assets	8,802	1,408	5,892	3,159	348	19,609	751	20,360	2,893	23,253

1. Other businesses include design/construction of buildings, machinery, etc., information processing services, and logistics services.
2. (1) Segment profit or loss adjustment of ¥(2,993) million includes eliminations of inter-segment transactions of ¥150 million and company-wide expenses that are not allocated across reportable segments of ¥(3,144) million. The principal components of company-wide expenses are those related to basic research and development.
   (2) The adjustment of segment assets of ¥42,582 million includes corporate assets of ¥79,074 million that are not allocated to the reportable segments.
   (3) The adjustment of increases in property, plant and equipment and intangible assets of ¥2,893 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.

2022 (From April 1, 2021 to March 31, 2022)

(Millions of yen)

	Reportable segments						Other businesses (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 businesses include 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.

[Related information]

2021 (From April 1, 2020 to March 31, 2021)

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
226,094	33,858	44,782	32,673	337,406

(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.

2022 (From April 1, 2021 to 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.

[Information on impairment loss on non-current assets by reportable segment]

For the fiscal year ended March 31, 2021

(Millions of yen)

	Films and Functional Materials	Mobility	Lifestyle and Environment	Life Science	Real Estate	Other businesses	Total	Adjustment	Total
Impairment losses	—	782	7,817	324	—	—	8,923	—	8,923

For the fiscal year ended March 31, 2022

(Millions of yen)

	Films and Functional Materials	Mobility	Lifestyle and Environment	Life Science	Real Estate	Other businesses	Total	Adjustment	Total
Impairment losses	2,227	—	2,600	4,535	—	—	9,362	—	9,362

[Information on amortization of goodwill and unamortized balance]

For the fiscal year ended March 31, 2021

Not applicable

For the fiscal year ended March 31, 2022

Not applicable

[Information on gain on negative goodwill by reportable segment]

For the fiscal year ended March 31, 2021

Not applicable

For the fiscal year ended March 31, 2022

Not applicable

[Related-party information]

2021 (From April 1, 2020 to March 31, 2021)

The information has been omitted because there have been no transactions with major related parties.

2022 (From April 1, 2021 to March 31, 2022)

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, 2021	For the fiscal year ended March 31, 2022
Net assets per share	¥2,090.47	¥2,192.17
Net profit per share	¥47.30	¥144.75

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

2. As described in “Changes in accounting policies,” the Group has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and adopted the transitional treatment stipulated in proviso to paragraph 84 of the Accounting Standard for Revenue Recognition. The impact of the application of the accounting standard on per-share information is immaterial.

3. Basis for calculating net assets per share is as follows:

		For the fiscal year March 31, 2021	For the fiscal year March 31, 2022
Net assets per share			
Total net assets	(Millions of yen)	188,635	197,149
Deduction from total net assets	(Millions of yen)	2,906	2,273
[Non-controlling interests]	(Millions of yen)	[2,906]	[2,273]
Net assets at end of period pertaining to common shares	(Millions of yen)	185,729	194,876
Number of common shares at end of period used for calculating net assets per share	(Thousand shares)	88,845	88,896

3. Basis for calculating net profit per share is as follows:

		For the fiscal year March 31, 2021	For the fiscal year March 31, 2022
Net profit per share			
Profit attributable to owners of the parent	(Millions of yen)	4,202	12,865
Amount not attributable to common shareholders	(Millions of yen)	—	—
Profit attributable to owners of the parent pertaining to common shares	(Millions of yen)	4,202	12,865
Average number of common shares during the period	(Thousand shares)	88,834	88,876

(Significant subsequent events)

(Receipt of insurance claims)

The insurance amount related to the fire accident that occurred at the Inuyama Plant in September 2020 has been determined, and the Group plans to record an extraordinary income of ¥5,607 million as "insurance claim income" in the first quarter ending June 30, 2022.

(Issuance of unsecured straight bonds in the Japanese market)

At the meeting of the Board of Directors held on April 25, 2022, a comprehensive resolution regarding the issuance of unsecured straight bonds in 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 are not 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, 2022 to March 31, 2023 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)	37th unsecured straight bonds	December 22, 2014	5,000	―	0.45	None	December 22, 2021
Toyobo Co., Ltd. (The Company)	38th unsecured straight bonds	September 14, 2016	5,000	―	0.16	None	September 14, 2021
Toyobo Co., Ltd. (The Company)	39th unsecured straight bonds	September 14, 2016	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	0.25	None	December 7, 2028
Total	―	―	55,000	55,000	―	―	―

(Note) 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

[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	40,767	40,592	0.52%	―
Current portion of long-term borrowings	10,107	21,418	0.60%	―
Current portion of lease obligations	905	864	―	―
Long-term borrowings (excluding current portion)	77,046	70,681	0.90%	2023-2078
Lease obligations (excluding current portion)	3,133	2,693	―	2023-2040
Total	131,958	136,249	―	―

(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)

	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
Long-term borrowings	29,352	9,454	6,308	8,899
Lease obligations	722	565	322	208

[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, 2021	Six months ended September 30, 2021	Nine months ended December 31, 2021	2022
Net sales (Millions of yen)	94,644	183,864	274,541	375,720
Profit before income taxes (Millions of yen)	7,004	11,467	15,031	14,796
Profit attributable to owners of the parent (Millions of yen)	6,170	9,705	12,125	12,865
Net profit per share (Yen)	69.45	109.21	136.44	144.75

	Three months ended June 30, 2021	Three months ended September 30, 2021	Three months ended December 31, 2021	Three months ended March 31, 2022
Net profit per share (Yen)	69.45	39.77	27.23	8.32

(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, 2021)	Current fiscal year (As of March 31, 2022)
Assets		
Current assets		
Cash and deposits	*1 19,096	*1 12,155
Notes receivable - trade	*3 3,406	*3 3,107
Accounts receivable - trade	*3 53,205	*3 65,139
Electronically recorded monetary claims - operating	3,144	4,525
Finished goods	28,874	42,124
Work in process	6,248	8,093
Raw materials and supplies	9,442	13,860
Prepaid expenses	131	149
Short-term loans receivable	*3 11,921	*3 6,870
Other	*3 5,959	*3 8,993
Total current assets	141,426	165,016
Non-current assets		
Property, plant and equipment		
Buildings	31,725	33,475
Structures	4,952	5,727
Machinery and equipment	43,478	41,881
Vehicles	126	113
Tools, furniture and fixtures	4,039	4,140
Land	83,473	81,812
Lease assets	170	120
Construction in progress	10,134	19,577
Total property, plant and equipment	178,097	186,845
Intangible assets		
Software	1,864	1,965
Other	729	1,284
Total intangible assets	2,593	3,249
Investments and other assets		
Investment securities	8,727	3,976
Shares of subsidiaries and associates	71,359	60,305
Capital investments by subsidiaries and associates	10,458	10,653
Long-term loans receivable	*3 2,159	*3 5,681
Deferred tax assets	5,141	7,795
Other	*3 2,697	*3 4,251
Allowance for doubtful accounts	(1,063)	(659)
Total investments and other assets	99,477	92,002
Total non-current assets	280,167	282,096
Total assets	421,593	447,112

(Millions of yen)

	Previous fiscal year (As of March 31, 2021)	Current fiscal year (As of March 31, 2022)
Liabilities		
Current liabilities		
Accounts payable - trade	*3 22,409	*3 30,641
Electronically recorded monetary obligations - operating	*3 780	*3 1,051
Short-term borrowings	36,544	34,492
Current portion of bonds payable	10,000	—
Current portion of long-term borrowings	5,970	20,766
Lease obligations	55	71
Accounts payable - other	*3 11,352	*3 14,849
Accrued expenses	*3 2,478	*3 2,759
Income taxes payable	243	1,496
Advances received	*3 251	*3 365
Deposits received	*3 20,093	*3 26,166
Provision for bonuses	2,854	2,898
Other	669	2,022
Total current liabilities	113,698	137,577
Non-current liabilities		
Bonds payable	45,000	55,000
Long-term borrowings	74,894	65,670
Lease obligations	119	115
Deferred tax liabilities for land revaluation	18,655	18,140
Provision for retirement benefits	12,907	12,354
Provision for environmental measures	10	—
Provision for loss on guarantees	—	849
Other	*3 1,198	*3 1,134
Total non-current liabilities	152,782	153,262
Total liabilities	266,480	290,839
Net assets		
Shareholders' equity		
Share capital	51,730	51,730
Capital surplus		
Legal capital surplus	19,224	19,224
Other capital surplus	13,347	13,338
Total capital surplus	32,571	32,562
Retained earnings		
Other retained earnings		
Retained earnings brought forward	29,272	32,927
Total retained earnings	29,272	32,927
Treasury shares	(294)	(221)
Total shareholders' equity	113,278	116,999
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	2,183	780
Deferred gains or losses on hedges	(3)	(13)
Revaluation reserve for land	39,654	38,508
Total valuation and translation adjustments	41,834	39,274
Total net assets	155,112	156,273
Total liabilities and net assets	421,593	447,112

(ii) Non-consolidated Statements of Income

(Millions of yen)

	Previous fiscal year (From April 1, 2020 to March 31, 2021)	Current fiscal year (From April 1, 2021 to March 31, 2022)
Net sales	*4 197,251	*4 241,749
Cost of sales	*4 139,141	*4 176,358
Gross profit	58,110	65,391
Selling, general and administrative expenses	*1 39,680	*1 45,208
Operating profit	18,430	20,183
Non-operating income		
Interest and dividend income	*4 764	*4 1,952
Other	*4 1,970	*4 1,080
Total non-operating income	2,734	3,033
Non-operating expenses		
Interest expenses	*4 927	*4 887
Other	*4 5,988	*4 6,308
Total non-operating expenses	6,915	7,195
Ordinary profit	14,249	16,021
Extraordinary income		
Gain on sale of investment securities	—	1,990
Gain on sale of shares of subsidiaries and associates	70	—
Gain on extinguishment of tie-in shares	—	2,484
Total extraordinary income	70	4,474
Extraordinary losses		
Impairment losses	324	7,135
Loss on fire	*2 1,906	—
Loss on disposal of non-current assets	*3 3,499	*3 4,112
Loss on valuation of shares of subsidiaries and associates	9,340	2,264
Other	2,088	944
Total extraordinary losses	17,157	14,455
Profit (loss) before income taxes	(2,837)	6,039
Income taxes - current	861	1,923
Income taxes - deferred	1,052	(2,057)
Total income taxes	1,913	(135)
Profit (loss)	(4,750)	6,174

(iii) Non-consolidated Statements of Changes in Net Assets

2021 (From April 1, 2020 to March 31, 2021)

(Millions of yen)

	Shareholders' equity						
	Share capital	Capital surplus			Retained earnings	Treasury shares	Total shareholders' equity
					Other retained earnings		
		Legal capital surplus	Other capital surplus	Total capital surplus	Retained earnings brought forward		
Balance at the beginning of the current fiscal year	51,730	19,224	13,344	32,569	37,575	(350)	121,523
Cumulative effects of changes in accounting policies							–
Restated balance	51,730	19,224	13,344	32,569	37,575	(350)	121,523
Changes during period							
Dividends of surplus					(3,552)		(3,552)
Loss					(4,750)		(4,750)
Reversal of revaluation reserve for land							–
Purchase of treasury shares						(3)	(3)
Disposal of treasury shares			2	2		59	61
Net changes in items other than shareholders' equity							
Total changes during period	–	–	2	2	(8,302)	56	(8,245)
Balance at the end of the current fiscal year	51,730	19,224	13,347	32,571	29,272	(294)	113,278

	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	868	(10)	39,654	40,511	162,034
Cumulative effects of changes in accounting policies					–
Restated balance	868	(10)	39,654	40,511	162,034
Changes during period					
Dividends of surplus					(3,552)
Loss					(4,750)
Reversal of revaluation reserve for land					–
Purchase of treasury shares					(3)
Disposal of treasury shares					61
Net changes in items other than shareholders' equity	1,316	7		1,322	1,322
Total changes during period	1,316	7	–	1,322	(6,922)
Balance at the end of the current fiscal year	2,183	(3)	39,654	41,834	155,112

2022 (From April 1, 2021 to 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

Notes to Non-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.

1. 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	178,097	186,845

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."

(Changes in accounting policies)

(Application of Accounting Standard for Revenue Recognition and relevant revised ASBJ standards)

The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020; hereafter, the "Revenue Recognition Standard") and "Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30, March 26, 2021) effective from the beginning of the fiscal year ended March 31, 2022, and it has recognized revenue at the time the control of promised goods or services is transferred to the customer at the amount expected to be received upon exchange of said goods or services.

The application of the Accounting Standard for Revenue Recognition and relevant revised ASBJ regulations is subject to the transitional treatment provided for in the proviso to paragraph 84 of the Accounting Standard for Revenue Recognition. The cumulative effect of the retrospective application, assuming the new accounting policy had been applied to periods prior to the beginning of the fiscal year ended March 31, 2022, was added to or deducted from the opening balance of retained earnings of the fiscal year ended March 31, 2022, and thus the new accounting policy was applied from such opening balance. The impact of applying the accounting standard on non-consolidated financial statements is immaterial.

(Application of Accounting Standard for Fair Value Measurement and relevant ASBJ regulations)

The Company has applied the "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019) and relevant ASBJ regulations effective from the beginning of the fiscal year ended March 31, 2022, and in accordance with the transitional treatment prescribed in paragraph 19 of the Accounting Standard for Fair Value Measurement and paragraph 44-2 of the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019), the new accounting policies set forth in the Accounting Standard for Fair Value Measurement and relevant ASBJ regulations have been applied prospectively. The application has no impact on the non-consolidated financial statements.

(Non-consolidated balance sheets)

*1. Assets pledged as collateral and collateralized debt obligations

Assets pledged as collateral are as follows:

	As of March 31, 2021	As of March 31, 2022
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, 2021		As of March 31, 2022	
TOYOBO SAHA SAFETY WEAVE CO.,LTD.	¥2,867 million	TOYOBO SAHA SAFETY WEAVE CO.,LTD.	¥3,255 million
PT. TRIAS TOYOBO ASTRIA	2,052	PT. TRIAS TOYOBO ASTRIA	2,098
PT. TOYOBO TRIAS ECOSYAR	1,921	PT. TOYOBO TRIAS ECOSYAR	1,777
TOYOBO CHEMICALS (Thailand) Co., Ltd.	1,002	Toyobo Indorama Advanced Fibers Co., Ltd.	1,178
PHP Fibers GmbH	909	PHP Fibers GmbH	957
Cast Film Japan Co., Ltd.	575	TOYOBO CHEMICALS (Thailand) Co., Ltd.	817
Nippon Dyneema Co., Ltd.	512	PT. INDONESIA TOYOBO FILM SOLUTIONS	771
Arabian Japanese Membrane Company, LLC	498	Toyobo Automotive Textiles (CHANGSHU) CO., LTD.	718
PT. INDONESIA TOYOBO FILM SOLUTIONS	487	Cast Film Japan Co., Ltd.	675
Toyobo Automotive Textiles (CHANGSHU) CO., LTD.	468	Nippon Dyneema Co., Ltd.	344
Xenomax - Japan Co., Ltd.	386	Employee housing loans (1 case)	1
Employee housing loans (1 case)	1		
Total	¥11,678 million	Total	¥12,592 million

*3. Monetary claims and obligations related to subsidiaries and associates are as follows:

	As of March 31, 2021	As of March 31, 2022
Short-term monetary claims	¥28,515 million	¥26,358 million
Long-term monetary claims	2,134	5,664
Short-term monetary obligations	29,668	38,579
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, 2021	As of March 31, 2022
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 March 31, 2021	For the fiscal year March 31, 2022
Transport and storage costs	¥8,364 million	¥9,838 million
Salaries and bonuses	6,989	7,895
Provision for bonuses	883	964
Retirement benefit expenses	901	501
Depreciation	1,399	1,399
Research and development expenses	11,521	13,140
Outsourcing expenses	3,221	5,749

Selling expenses accounted for approximately 48% and 47% for the fiscal years ended March 31, 2021 and 2022, respectively, while general and administrative expenses accounted for approximately 52% and 53% for the fiscal years ended March 31, 2021 and 2022, respectively.

*2. Loss on fire

2021 (From April 1, 2020 to March 31, 2021)

This loss is related to the fire that occurred at the Company's Inuyama Plant on September 27, 2020, and its breakdown includes loss on extinguishment of non-current assets and inventories, fixed costs during the suspension period, and other related costs.

*3. Main details of loss on disposal of non-current assets are as follows:

For the fiscal year March 31, 2021		For the fiscal year March 31, 2022	
Buildings	¥1,162 million	Buildings	¥2,008 million
Structures	219	Structures	178
Machinery and equipment	2,098	Machinery and equipment	1,900

*4. Transactions with subsidiaries and associates

	For the fiscal year March 31, 2021	For the fiscal year March 31, 2022
Transaction amounts through sales transactions		
Net sales	¥52,083 million	¥58,179 million
Purchases	24,824	33,420
Transaction amounts through transactions other than sales transactions	11,633	14,613

(Securities)

Shares of subsidiaries and associates

As of March 31, 2021

Shares of subsidiaries and associates whose fair value is extremely difficult to determine

	Carrying amount (Millions of yen)
Shares of subsidiaries	68,770
Shares of associates	2,589
Total	71,359

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

(Tax-effect accounting)

1. Breakdown of major factors that resulted in deferred tax assets and liabilities

	As of March 31, 2021	As of March 31, 2022
Deferred tax assets		
Provision for bonuses	¥1,085 million	¥1,077 million
Write-off of inventories	403	419
Provision for retirement benefits	4,863	4,633
Allowance for doubtful accounts	330	438
Impairment losses	414	2,230
Write-off of investment securities	4,063	4,781
Depreciation in excess	184	909
Asset retirement obligations	311	500
Loss on fire	415	245
Other	940	1,537
Subtotal deferred tax assets	13,008	16,769
Valuation allowance	(4,342)	(5,774)
Total deferred tax assets	8,666	10,995
Deferred tax liabilities		
Qualified post-formation acquisition	(2,269)	(2,269)
Valuation difference on available-for-sale securities	(939)	(290)
Other	(317)	(640)
Total deferred tax liabilities	(3,525)	(3,200)
Net deferred tax assets	¥5,141 million	¥7,795 million

In addition to the above, deferred tax liabilities for land revaluation were recorded in non-current liabilities in the amount of ¥18,655 million and ¥18,140 million for the fiscal years ended March 31, 2021 and 2022, respectively.

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, 2021	As of March 31, 2022
Effective tax rate	Notes have been omitted for the previous fiscal year because the Company posted a loss before income taxes in the previous fiscal year.	31.0%
(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)

Transactions, etc. under common control

The Company decided at its Board of Directors meeting held on December 25, 2020 to merge with Toyobo Film Solutions Limited through an absorption-type merger, concluded a merger agreement on the same day, and merged with TFS on April 1, 2021. The merger was implemented without holding General Meetings of Shareholders of the Company and Toyobo Film Solutions Limited for the approval of the merger agreement pursuant to Article 796, paragraph 2 and Article 784, paragraph 1 of the Companies Act, respectively. Details are as described in "1. Consolidated Financial Statements, etc., (1) Consolidated Financial Statements, (Business combinations)."

(Revenue recognition)

Information useful for understanding revenue from contracts with customers is omitted as the same content is presented in "1. Consolidated Financial Statements, etc., (1) Consolidated Financial Statements, (Revenue recognition)."

(Significant subsequent events)

(Receipt of insurance claims)

The insurance amount related to the fire accident that occurred at the Inuyama Plant in September 2020 has been determined, and the Company plans to record an extraordinary income of ¥5,607 million as "insurance claim income" in the first quarter ending June 30, 2022.

(Issuance of unsecured straight bonds in the Japanese market)

At the meeting of the Board of Directors held on April 25, 2022, a comprehensive resolution regarding the issuance of unsecured straight bonds in 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	31,725	5,982	1,988 [1,741]	2,244	33,475	58,943
	Structures	4,952	1,311	50 [41]	486	5,727	12,089
	Machinery and equipment	43,478	10,390	1,519 [1,356]	10,468	41,881	250,102
	Vehicles	126	42	4 [4]	52	113	838
	Tools, furniture and fixtures	4,039	1,693	269 [248]	1,323	4,140	14,402
	Land	83,473 (58,309)	-	1,661 (1,661) [1,646]	-	81,812 (56,648)	-
	Lease assets	170	4	-	54	120	1,422
	Construction in progress	10,134	28,758	19,315 [2,062]	-	19,577	-
	Total	178,097	48,180	24,805 [7,098]	14,627	186,845	337,796
Intangible assets	Software	1,864	1,134	31 [25]	1,001	1,965	-
	Other	729	1,778	1,134 [0]	89	1,284	-
	Total	2,593	2,912	1,165 [25]	1,090	3,249	-

(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 Otsu Pharmaceuticals Plant.

4. Main factors for the decrease in land during the current fiscal year include the impairment related to the consolidation of the Toyama Production Center.

5. Main factors for the increase in construction in progress during the current fiscal year include food packaging film and industrial film production facilities.

6. The amount of increase during the current fiscal year includes increases due to the merger with Toyobo Film Solutions Limited as shown below.

Buildings	¥1,949 million
Structures	143
Machinery and equipment	2,043
Vehicles	1
Tools, furniture and fixtures	107
Lease assets	4
Construction in progress	1
Software	13
Other under intangible assets	927

[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	1,063	—	404	659
Provision for bonuses	2,854	2,898	2,854	2,898
Provision for environmental measures	10	—	10	—
Provision for loss on guarantees	—	849	—	849

(2) Components 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 *Nihon Keizai Shimbun* newspaper will be adopted as its medium. Public notice URL: https://www.toyobo-global.com/
Shareholder benefits	Not applicable

VII. Reference Information of 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 163th fiscal year (from April 1, 2020, to March 31, 2021) and documents attached thereto, and Confirmation Letter thereof were submitted to the Director-General of the Kanto Local Finance Bureau on June 24, 2021.

(2) Internal Control Report and documents attached thereto

The Internal Control Report and documents attached thereto were submitted to the Director-General of the Kanto Local Finance Bureau on June 24, 2021.

(3) Quarterly Securities Report and Confirmation Letter thereof

The Quarterly Securities Report for the first quarter of the 164th fiscal year (from April 1, 2021, to June 30, 2021) and documents attached thereto were submitted to the Director-General of the Kanto Local Finance Bureau on August 12, 2021.

The Quarterly Securities Report for the second quarter of the 164th fiscal year (from July 1, 2021, to September 30, 2021) and documents attached thereto were submitted to the Director-General of the Kanto Local Finance Bureau on November 12, 2021.

The Quarterly Securities Report for the third quarter of the 164th fiscal year (from October 1, 2021, to December 31, 2021) and documents attached thereto were submitted to the Director-General of the Kanto Local Finance Bureau on February 14, 2022.

(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, 2021.

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 (change of a representative director) of the Cabinet Office Order on Disclosure of Corporate Affairs, was submitted to the Director-General of the Kanto Local Finance Bureau on January 25, 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 March 24, 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, item 7 (absorption-type company split) of the Cabinet Office Order on Disclosure of Corporate Affairs, was submitted to the Director-General of the Kanto Local Finance Bureau on March 24, 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, item 12 (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 12, 2022.

(5) Shelf Registration Statement and documents attached thereto

The Shelf Registration Statement and documents attached thereto were submitted to the Director-General of the Kanto Local Finance Bureau on April 1, 2022.
The submission pertains to the shelf registration concerning offering of corporate bonds.

(6) Correction of Shelf Registration Statement

The Correction of Shelf Registration Statement was submitted to the Director-General of the Kanto Local Finance Bureau on May 12, 2022.

Part II Information about the Reporting Company's Guarantor, etc.

Not applicable

Independent Auditor's Report on the Financial Statements and Internal Control Over Financial Reporting

June 24, 2022

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 in Toyobo's Annual Securities Report ("Yukashoken Hokokusho"), which comprise the consolidated balance sheets as at March 31, 2022, 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, 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 accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2022 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.

<table>
<tr><td colspan="2">Validity of an impairment loss recognized on non-current assets held by the contract manufacturing business of pharmaceuticals</td></tr>
<tr><th>The key audit matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td>As described in Note 8 “Impairment losses” under (Consolidated Statements of Income), and (Segment Information, etc.), an impairment loss of ¥4,535 million on the non-current assets held by the contract manufacturing business of pharmaceuticals was recognized in the Consolidated Statements of Income. The contract manufacturing business of pharmaceuticals operates the contract manufacturing business of injections, etc. The business has incurred increasing expenses to address Good Manufacturing Practice (GMP) compliance including response to a warning letter received from the U.S. Food and Drug Administration (FDA), extending operating losses.
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.
The business plan prepared by management that served as the basis for calculating the recoverable amount included expenses related to GMP response and estimates of acquisition of new drug formation contract projects and investments in facility renewal. 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.
Therefore, we determined that our assessment of the validity of an impairment loss recognized on non-current assets held by the contract manufacturing business of pharmaceuticals was the most significant in our audit of the consolidated financial statements for this fiscal year, and accordingly, a key audit matter.</td><td>In order to assess the validity of an impairment loss recognized on non-current assets held by the contract manufacturing business of pharmaceuticals, we mainly performed the following audit procedures.
(1) Internal control testing
Test of the design and operating effectiveness of internal controls relevant to recognizing an impairment loss on the non-current assets.
(2) Assessment of the reasonableness of the estimated future cash flows
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:
- With respect to estimated expenses related to GMP response, inquiries to responsible managers regarding the details of the improvement plan and comparison of the actual expenses incurred in the most recent period and expenses estimated to be incurred in the future;
- With respect to estimates of acquisition of new drug formation contract projects, inquiries to responsible manager regarding the status of negotiations with customers and comparison with customer sales plans, etc.; and
- With respect to estimated investments in facility renewal, comparison with estimates and other relevant vouchers.
(3) Assessment of the reasonableness of the discount rate
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.</td></tr>
</table>

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 of other information.

Our opinion on the 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 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 error in 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 is 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 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 controls.
- Obtain an understanding of internal controls 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 controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Reach a conclusion 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 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, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information on the entities or business activities within the Group 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, 2022, 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 controls over financial reporting was effective as at March 31, 2022, presents fairly, in all material respects, the results of the assessments of internal controls over 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 controls 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 controls on financial reporting and the preparation and fair presentation of the internal control report in accordance with assessment standards for internal controls 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 controls on financial reporting.

Internal controls 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 controls 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 controls 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 controls 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 controls 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.

This is a copy of the Independent Auditor's Report on the Financial Statements and Internal Control Over Financial Reporting. The original copies are kept separately as an attachment to the consolidated financial statements and the internal control report.
XBRL data are outside the scope of audit.

<u>Independent Auditor's Report</u>
<u>on the Financial Statements</u>

June 24, 2022

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

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, 2022, and the non-consolidated statements of income and the non-consolidated statements of changes in net assets for the 164th year ended March 31, 2022, 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, 2022 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.

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 of 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 contract manufacturing business of pharmaceuticals
The “validity of an impairment loss recognized on non-current assets held by the contract manufacturing business of pharmaceuticals,” the key audit matter to be noted on 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 contract manufacturing business of pharmaceuticals” noted on 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 of other information.

The scope of our opinion on the non-consolidated financial statements does not include other information, and we do not express an opinion on 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 error in 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 is 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 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 controls.
- Obtain an understanding of internal controls 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, the overall presentation, structure and content of the non-consolidated financial statements, including the disclosures, and whether 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.

This is a copy of the Independent Auditor's Report on the Financial Statements. The original copies are kept separately as an attachment to the non-consolidated financial statements.
XBRL data are outside the scope of audit.