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Annual Securities Report

167th term

From April 1, 2024
to March 31, 2025

Toyobo Co., Ltd.

E00525

Contents

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[Document title]	Annual Securities Report
[Stipulating clause]	Article 24, Paragraph 1 of the Financial Instruments and Exchange Act of Japan
[Place of filing]	Director-General of the Kanto Local Finance Bureau
[Filing date]	June 24, 2025
[Fiscal year]	167th term (from April 1, 2024 to March 31, 2025)
[Company name]	Toyobo Co., Ltd.
[Company name in English]	TOYOBO CO., LTD.
[Title and name of representative]	Ikuo Takeuchi, President & Representative Director
[Address of registered headquarters]	1-13-1 Umeda, Kita-ku, Osaka, Japan
[Telephone number]	+81-6-6348-3093
[Name of contact person]	Keiichi Tojitani, General Manager, Accounting and Control Department
[Nearest place of contact]	17-10, Kyobashi 1-chome, Chuo-ku, Tokyo, Japan
[Telephone number]	+81-3-6887-8811
[Name of contact person]	Satoru Okuda, General Manager, General Administration Department, Tokyo Branch
[Place for public inspection]	Tokyo Branch, Toyobo Co., Ltd. (17-10, Kyobashi 1-chome, Chuo-ku, Tokyo, Japan) Nagoya Branch, Toyobo Co., Ltd. (390 Ichibagi-cho, Nishi-ku, Nagoya, Japan) Tokyo Stock Exchange, Inc. (2-1 Nihombashi Kabutocho, Chuo-ku, Tokyo, Japan)

Part I Company Information

I. Overview of the Company

1. Key Financial Data

(1) Key financial data of the Toyobo Group

Fiscal Year		163rd term	164th term	165th term	166th term	167th term
Fiscal year-end		March 2021	March 2022	March 2023	March 2024	March 2025
Net sales	(Millions of yen)	337,406	375,720	399,921	414,265	422,032
Ordinary profit	(Millions of yen)	20,706	23,092	6,590	6,962	10,591
Profit (loss) attributable to owners of the parent	(Millions of yen)	4,202	12,865	(655)	2,455	2,003
Comprehensive income	(Millions of yen)	9,471	12,112	(1,232)	12,454	5,426
Net assets	(Millions of yen)	188,635	197,149	221,422	230,087	232,044
Total assets	(Millions of yen)	491,188	517,774	588,906	606,990	617,799
Net assets per share	(Yen)	2,090.47	2,192.17	2,146.46	2,236.50	2,215.11
Net profit (loss) per share	(Yen)	47.30	144.75	(7.37)	27.87	22.73
Diluted net profit per share	(Yen)	—	—	—	—	—
Equity ratio	(%)	37.8	37.6	32.2	32.5	31.6
Return on equity	(%)	2.3	6.8	(0.3)	1.3	1.0
Price-earnings ratio	(Times)	30.11	7.55	—	40.44	41.45
Net cash provided by (used in) operating activities	(Millions of yen)	35,028	17,097	7,798	21,595	30,118
Net cash provided by (used in) investing activities	(Millions of yen)	(31,678)	(24,608)	(36,011)	(58,784)	(46,386)
Net cash provided by (used in) financing activities	(Millions of yen)	5,340	(1,729)	61,295	8,260	10,490
Cash and cash equivalents at end of period	(Millions of yen)	34,526	26,433	60,204	33,310	27,427
Number of employees [Average number of temporary employees not included in the above numbers]	(People)	10,149 [1,107]	10,503 [1,326]	10,885 [1,575]	10,668 [1,472]	9,976 [1,479]

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

2. The price-earnings ratio for the 165th term is not presented because the Group recorded a loss attributable to the owners of the parent.

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

(2) Key financial data of the reporting company

Fiscal Year		163rd term	164th term	165th term	166th term	167th term
Fiscal year-end		March 2021	March 2022	March 2023	March 2024	March 2025
Net sales	(Millions of yen)	197,251	241,749	253,604	183,625	191,896
Ordinary profit	(Millions of yen)	14,249	16,021	1,940	2,211	4,933
Profit (loss)	(Millions of yen)	(4,750)	6,174	(2,019)	37	3,149
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)	155,112	156,273	150,073	146,219	145,490
Total assets	(Millions of yen)	421,593	447,112	489,838	492,805	506,412
Net assets per share	(Yen)	1,745.86	1,757.92	1,699.08	1,659.72	1,650.06
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)	(53.47)	69.47	(22.72)	0.42	35.73
Diluted net profit per share	(Yen)	−	−	−	−	−
Equity ratio	(%)	36.8	35.0	30.6	29.7	28.7
Return on equity	(%)	(3.0)	4.0	(1.3)	0.0	2.2
Price-earnings ratio	(Times)	−	15.73	−	2,700.30	26.37
Payout ratio	(%)	−	57.6	−	9,584.0	112.0
Number of employees [Average number of temporary employees not included in the above numbers]	(People)	3,365 [369]	3,831 [387]	4,015 [392]	3,063 [437]	3,030 [426]
Total shareholder return (Reference indicator: TOPIX Total Return Index)	(%) (%)	128.1 (142.1)	102.6 (145.0)	101.4 (153.4)	112.6 (216.8)	99.9 (213.4)
Highest share price	(Yen)	1,687	1,505	1,134	1,182	1,163
Lowest share price	(Yen)	1,033	1,046	979	980	885

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

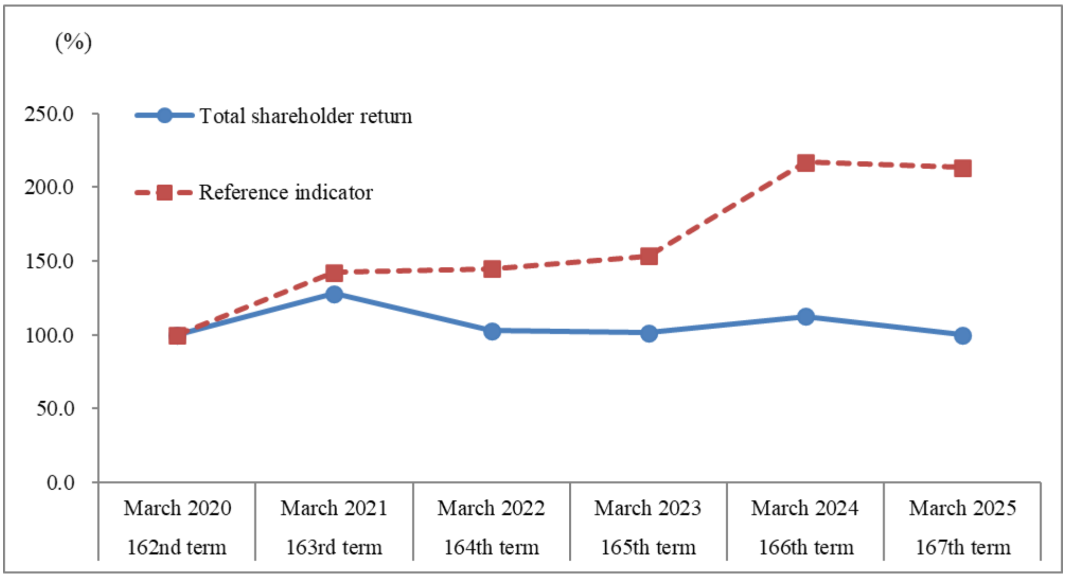
2. The dividend per share of 40.00 yen for the fiscal year ended March 2025 is a matter of resolution by the Annual General Meeting of Shareholders scheduled to be held on June 25, 2025.

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

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

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

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



2. History

May 3, 1882	Osaka Boseki, a predecessor to the Company, is established as the first private spinning company in Japan based on the spinning business plan formulated by Eiichi Shibusawa
July 1883	Osaka Boseki starts operating a cotton-spinning business at the Sangenya Plant (located in what is now Taisho-ku, Osaka)
November 1886	Mie Boseki, a predecessor to the Company, is launched
October 1890	Osaka Boseki purchases a cotton fabrics plant and starts concurrent operation of textile manufacturing business
July 1893	Osaka Boseki transitions to a public limited-liability company
October 1893	Mie Boseki transitions to a public limited-liability company
June 26, 1914	Osaka Boseki and Mie Boseki merge to form Toyobo (the Company, headquartered in Yokkaichi, Mie; share capital: ¥1,425 million; renamed Toyobo Co., Ltd. in October 2012)
November 1918	Miyukikeori Co., Ltd. (currently a consolidated subsidiary), is established
May 1919	Kyoto Some-saisei Co., Ltd. (renamed Toyo Cloth Co., Ltd. in February 1926; currently a consolidated subsidiary), is established
March 1920	Head office moves to Kita-ku, Osaka (relocated to the current site in Kita-ku in April 2022)
December 1927	The Katata Rayon Plant (Otsu, Shiga, where the Research Center is currently situated) starts producing rayon
December 1929	Toyo Iou Kogyo Co., Ltd. (renamed Toyo Kasei Kogyo Co., Ltd. in December 1959, which merged with the Company in March 2010) is established
March 1931	Merged with Osaka Godo Boseki
December 1934	The Tsuruga Plant (Tsuruga, Fukui; currently the Tsuruga Environment and Fiber Plant, Toyobo MC Corporation) starts operating and produces rayon
July 1937	The Iwakuni Plant (Iwakuni, Yamaguchi; currently the Iwakuni Environment and Fiber Plant, Toyobo MC Corporation) 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 pulp fluid waste (inception of the biotechnology business)
January 1949	Brasilana Productos Texteis Ltda. (renamed TOYOBO DO BRASIL LTDA. in December 2001; currently a consolidated subsidiary) is established
May 1949	Listed on the Tokyo and Osaka Stock Exchanges
April 1955	Toyobo Do Brasil Industria Textil Ltda. (renamed TOYOBO DO BRASIL PARTICIPACOES LTDA. in December 2013; currently a consolidated subsidiary) is established
December 1955	INDUSTRIAS UNIDAS, S.A. (currently a consolidated subsidiary) is established
September 1956	Japan Exlan Co., Ltd. (which started producing acrylic fibers in April 1958; currently a consolidated subsidiary) is established
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 Environment and Fiber Plant, Toyobo MC Corporation)
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	Toyobo Real Estate Co., Ltd. (currently a consolidated subsidiary) is established
December 1971	The Inuyama Plant starts producing biaxially oriented polyester films
July 1972	Toyobo Engineering Co., Ltd. (currently a consolidated subsidiary) is established
May 1975	Enters the activated carbon fiber business
July 1976	The Inuyama Plant starts producing biaxially oriented nylon films
August 1976	The Tsuruga Plant starts producing polyester spunbond nonwoven fabrics
September 1976	The Katata Research Center and the Takatsuki Research Center are consolidated to form the Research Center

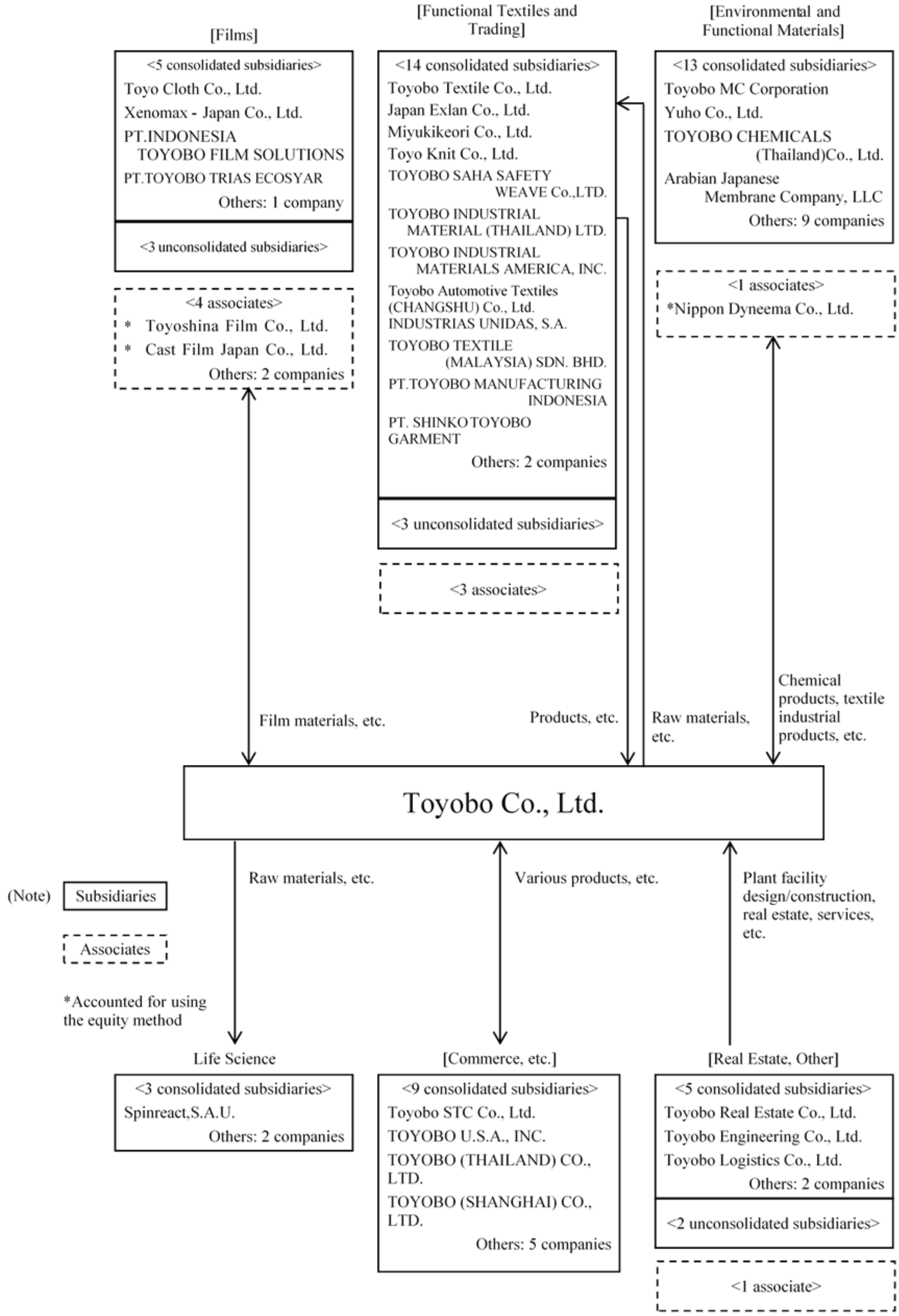
October 1977	Starts producing the **Printight** photosensitive water-washable letterpress plate
November 1978	The Tsuruga Enzyme Plant (currently the Tsuruga Biochemicals Plant) is launched
May 1980	The Iwakuni Plant starts producing the **Hollosep** reverse-osmosis membranes for seawater desalination (currently the Iwakuni Membrane Plant)
November 1983	The Iwakuni Membrane Plant is launched
May 1984	The Iwakuni Membrane Plant starts full-fledged production of hollow fiber membranes for artificial kidneys
October 1985	Enters the pharmaceutical business
December 1985	Starts full-fledged production of engineering plastics
April 1989	Takes over the sales team for the **Exlan** acrylic fiber division from Diafibers Co., Ltd.
May 1990	The Otsu Pharmaceuticals Plant is launched
April 1991	Starts full-fledged production of **Dyneema** ultra-high-strength polyethylene fiber
April 1992	The Tsuruga Biochemicals Research Center is launched
November 1995	The Tsuruga Plant and the Tsuruga Nylon Plant are consolidated under the name of the Tsuruga Plant
October 1998	The Tsuruga Plant starts full-fledged production of **Zylon** high-performance fibers with high strength and heat resistance
April 2001	Merges with Nippon Magphane through an absorption-type merger to form the Tsuruga Films Plant
February 2002	Toyobo Wool Co., Ltd. (Toyobo Techno Wool Co., Ltd. from April 2003; merged by Miyukikeori Co., Ltd. through an absorption-type merger in April 2018) is established
April 2002	Introduces a production center system in the Tsuruga and Iwakuni areas, and reorganizes into the Tsuruga Research and Production Center (Tsuruga Fibers Plant, Tsuruga Film Plant, Tsuruga Functional Materials Plant, Tsuruga Polymer Plant, Tsuruga Biochemicals Plant and Tsuruga Biochemicals Research Center) and the Iwakuni Production Center (Iwakuni Fibers Plant, Iwakuni Polymers Plant and Iwakuni Functional Membranes Plant)
October 2003	Introduces the production center system in the Toyama area, and reorganizes three cotton processing plants (Nyuzen, Inami, Shogawa) into the Toyama Production Center
April 2006	Consolidates the Tsuruga Textile Plant into the Tsuruga Functional Materials Plant, and renames the Iwakuni Textile Plant as the Iwakuni Functional Materials Plant
April 2008	Spins off development/sales divisions of textiles and trading business of the Company as well as films and functional polymers business, industrial materials business, and textiles and trading business of Shinkoh Sangyo Ltd. to establish Toyobo Specialties Trading Co., Ltd. (renamed Toyobo STC Co., Ltd. in October 2013; currently a consolidated subsidiary) through a joint incorporation-type company split
March 2010	Merges with Toyo Kasei Kogyo Co., Ltd. to launch the Takasago Plant
October 2012	The Company name changes to Toyobo Co., Ltd.
April 2018	Xenomax - Japan Co., Ltd. (currently a consolidated subsidiary), which produces and sells **Xenomax** highly heat-resistant polyimide film, is established
October 2019	Acquires shares in Teijin Film Solutions Limited and PT. Indonesia Teijin Film Solutions and converts them into subsidiaries, with the companies renamed Toyobo Film Solutions Limited and PT. Indonesia Toyobo Film Solutions (currently a consolidated subsidiary), respectively
April 2021	The Company merges with Toyobo Film Solutions Limited through an absorption-type merger to launch the Utsunomiya Plant
April 2022	Toyobo STC Co., Ltd. spins off its textile business to launch Toyobo Textile Co., Ltd. The Company transitions from the First Section of the Tokyo Stock Exchange to the Prime Market of the Tokyo Stock Exchange due to market restructuring by the Exchange
April 2023	The Company merges with Toyobo Information System Create Co., Ltd. through an absorption-type merger. Toyobo MC Corporation succeeds to the Company's functional materials business through an absorption-type company split and starts operating as a joint venture with equity investment from Mitsubishi Corporation through a third-party allocation Changes the name of Tsuruga Functional Plant to Tsuruga Environment and Fiber Plant, the name of Iwakuni Functional Plant to Iwakuni Environment and Fiber Plant, and the name of the Iwakuni Polymer Plant to Iwakuni Resin and Chemical Plant
March 2024	Revises production functions of the Toyama Production Center and consolidates them in the Shogawa Plant
April 2024	Odate Membrane Plant is launched

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	: The Group manufactures, processes and sells packaging films, industrial films, and other products. Five consolidated subsidiaries, including Toyo Cloth Co., Ltd, and seven unconsolidated subsidiaries and associates, manufacture, process, and sell films and other chemical products. These companies sell and purchase materials, etc. to and from the Company as well.
Life Science	: The Group manufactures, processes, and sells enzymes for diagnostic reagents and other bio-products, pharmaceuticals, medical-use membranes, medical devices, and other products. Three consolidated subsidiaries, including Spinreact, S.A.U., manufacture and sell diagnostic reagents and equipment, etc.
Environmental and Functional Materials	: Thirteen consolidated subsidiaries, including Toyobo MC Corporation, as well as one associate manufacture and sell engineering plastics, industrial adhesives, photo functional materials, functional filters, high performance fibers, water treatment membranes, nonwoven fabrics and other products. These companies sell and purchase materials, etc. to and from the Company as well.
Functional Textiles and Trading	: The Group manufactures and sells airbag fabrics and other products. It also manufactures and sells apparel textiles and apparel fibers. Four consolidated subsidiaries, including Toyobo Industrial Material (Thailand) Ltd., and two associates manufacture and sell airbag fabrics, etc. These companies sell and purchase materials, etc. to and from the Company as well. Ten consolidated subsidiaries, including Toyobo Textile Co., Ltd., and four unconsolidated subsidiaries and associates, 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 sell and purchase materials, etc. to and from the Company as well. Nine consolidated subsidiaries, including Toyobo STC Co., Ltd., distribute fibers and other various industrial products.
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. Two consolidated subsidiaries, including Toyobo Logistics Co., Ltd., as well as three unconsolidated subsidiaries and associates engage in logistics services and other businesses. These companies also provide services, etc. to the Company.

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


[Films]
<5 consolidated subsidiaries>
Toyo Cloth Co., Ltd.
Xenomax - Japan Co., Ltd.
PT.INDONESIA TOYOBO FILM SOLUTIONS
PT.TOYOBO TRIAS ECOSYAR
Others: 1 company
<3 unconsolidated subsidiaries>
<4 associates>
* Toyoshina Film Co., Ltd.
* Cast Film Japan Co., Ltd.
Others: 2 companies
[Functional Textiles and Trading]
<14 consolidated subsidiaries>
Toyobo Textile Co., Ltd.
Japan Exlan Co., Ltd.
Miyukikeori Co., Ltd.
Toyo Knit Co., Ltd.
TOYOBO SAHA SAFETY WEAVE Co.,LTD.
TOYOBO INDUSTRIAL MATERIAL (THAILAND) LTD.
TOYOBO INDUSTRIAL MATERIALS AMERICA, INC.
Toyobo Automotive Textiles (CHANGSHU) Co., Ltd.
INDUSTRIAS UNIDAS, S.A.
TOYOBO TEXTILE (MALAYSIA) SDN. BHD.
PT.TOYOBO MANUFACTURING INDONESIA
PT. SHINKO TOYOBO GARMENT
Others: 2 companies
<3 unconsolidated subsidiaries>
<3 associates>
[Environmental and Functional Materials]
<13 consolidated subsidiaries>
Toyobo MC Corporation
Yuho Co., Ltd.
TOYOBO CHEMICALS (Thailand)Co., Ltd.
Arabian Japanese Membrane Company, LLC
Others: 9 companies
<1 associates>
*Nippon Dyneema Co., Ltd.
Film materials, etc.
Products, etc.
Raw materials, etc.
Chemical products, textile industrial products, etc.
Toyobo Co., Ltd.
Raw materials, etc.
Various products, etc.
Plant facility design/construction, real estate, services, etc.
(Note)
Subsidiaries
Associates
*Accounted for using the equity method
Life Science
<3 consolidated subsidiaries>
Spinreact,S.A.U.
Others: 2 companies
[Commerce, etc.]
<9 consolidated subsidiaries>
Toyobo STC Co., Ltd.
TOYOBO U.S.A., INC.
TOYOBO (THAILAND) CO., LTD.
TOYOBO (SHANGHAI) CO., LTD.
Others: 5 companies
[Real Estate, Other]
<5 consolidated subsidiaries>
Toyobo Real Estate Co., Ltd.
Toyobo Engineering Co., Ltd.
Toyobo Logistics Co., Ltd.
Others: 2 companies
<2 unconsolidated subsidiaries>
<1 associate>

4. Subsidiaries and Other Affiliates

Name	Address	Share capital (Millions of yen)	Description of principal business	Ratio of voting rights held (%)		Relationship
				Direct ownership	Indirect ownership	
(Consolidated subsidiaries)						
Toyobo MC Corporation*1*2	Kita-ku, Osaka	15,100	Environmental and Functional Materials, etc.	51.0	—	Sells and purchases various products to and from the Company. Has land and building lease and rental arrangement with the Company. Concurrent duties, etc. of officers: Yes
Yuho Co., Ltd.	Kita-ku, Osaka	410	Environmental and Functional Materials	—	Toyobo MC Corporation 100.0	Concurrent duties, etc. of officers: Yes
Toyobo STC Co., Ltd.	Kita-ku, Osaka	390	Films, Environmental and Functional Materials, Functional Textiles and Trading	100.0	—	Purchases various products from the Company. Concurrent duties, etc. of officers: Yes
Toyobo Textile Co., Ltd.	Kita-ku, Osaka	300	Functional Textiles and Trading	100.0	—	Purchases various products from the Company. Concurrent duties, etc. of officers: Yes
Toyobo Engineering Co., Ltd.	Kita-ku, Osaka	120	Other Businesses	100.0	—	Engages in contract design/construction of buildings and machinery for the Company, and supplies machinery parts to the Company. Concurrent duties, etc. of officers: Yes
Japan Exlan Co., Ltd.	Kita-ku, Osaka	100	Functional Textiles and Trading, etc.	100.0	—	Supplies acrylic fiber products to the Company. Leases land from the Company. Concurrent duties, etc. of officers: Yes
Xenomax - Japan Co., Ltd.	Tsuruga, Fukui	100	Films	66.6	—	Leases land from the Company. Concurrent duties, etc. of officers: Yes
Toyobo Real Estate Co., Ltd.	Chuo-ku, Osaka	100	Real Estate	100.0	—	Entrusted with property operation/management from the Company. Concurrent duties, etc. of officers: Yes
Miyukikeori Co., Ltd.	Nishi-ku, Nagoya	100	Functional Textiles and Trading, etc.	100.0	—	Concurrent duties, etc. of officers: Yes
Toyo Cloth Co., Ltd.	Sennan, Osaka	100	Films	100.0	—	Commissioned by the Company to process films. Leases buildings from the Company. Concurrent duties, etc. of officers: Yes
TOYOBO CHEMICALS(Thailand)Co., Ltd.	Chonburi Thailand	303,120 thousand THB	Environmental and Functional Materials	—	Toyobo MC Corporation 93.7	Concurrent duties, etc. of officers: Yes
TOYOBO (THAILAND) CO., LTD.	Bangkok Thailand	181,750 thousand THB	Films, Environmental and Functional Materials, etc.	40.0	Toyobo MC Corporation 60.0	Concurrent duties, etc. of officers: Yes
TOYOBO DO BRASIL LTDA.	Sao Paulo Brazil	92,173 thousand R$	Environmental and Functional Materials, etc.	—	TOYOBO DO BRASIL PARTICIPACOES LTDA. 100.0	Concurrent duties, etc. of officers: Yes
TOYOBO DO BRASIL PARTICIPACOES LTDA.	Sao Paulo Brazil	24,661 thousand R$	Real Estate	100.0	—	Concurrent duties, etc. of officers: 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$	Functional Textiles and Trading	92.6	—	Concurrent duties, etc. of officers: Yes
TOYOBO TEXTILE (MALAYSIA) SDN. BHD.	Perak Malaysia	41,000 thousand MYR	Functional Textiles and Trading	100.0	—	Supplies fiber products to the Company. Concurrent duties, etc. of officers: Yes
PT.INDONESIA TOYOBO FILM SOLUTIONS＊1	West Java Indonesia	77,400 thousand US$	Films	99.9	PT. TOYOBO INDONESIA 0.0	Concurrent duties, etc. of officers: Yes
PT.TOYOBO TRIAS ECOSYAR	East Java Indonesia	15,200 thousand US$	Films	60.0	—	Supplies film products to the Company. Concurrent duties, etc. of officers: Yes
PT.TOYOBO MANUFACTURING INDONESIA	West Java Indonesia	102,904 million IDR	Functional Textiles and Trading	0.0	Toyobo Textile Co., Ltd. 99.9	Concurrent duties, etc. of officers: Yes
PT. SHINKO TOYOBO GARMENT	West Java Indonesia	5,000 thousand US$	Functional Textiles and Trading	—	Toyobo Textile Co., Ltd. 99.9 PT.TOYOBO MANUFACTURING INDONESIA 0.0	Concurrent duties, etc. of officers: Yes
TOYOBO INDUSTRIAL MATERIAL (THAILAND) LTD.	Bangkok Thailand	100,000 thousand THB	Functional Textiles and Trading	100.0	—	Purchases raw yarns from the Company. Concurrent duties, etc. of officers: Yes
TOYOBO SAHA SAFETY WEAVE CO., LTD.	Samutprakarn Thailand	1,000,000 thousand THB	Functional Textiles and Trading	75.0	—	Concurrent duties, etc. of officers: Yes
TOYOBO INDUSTRIAL MATERIALS AMERICA, INC.	Alabama U.S.A.	28,450 thousand US$	Functional Textiles and Trading	100.0	—	Purchases raw yarns from the Company. Concurrent duties, etc. of officers: Yes
Toyobo Automotive Textiles (CHANGSHU) Co., Ltd.	Jiangsu China	36,427 thousand RMB	Functional Textiles and Trading	100.0	—	Purchases raw yarns from the Company. Concurrent duties, etc. of officers: Yes
Arabian Japanese Membrane Company,LLC	Rabigh Saudi Arabia	23,600 thousand SAR	Environmental and Functional Materials	—	Toyobo MC Corporation 85.1	Concurrent duties, etc. of officers: Yes
Others: 24 companies						
(Associates accounted for using the equity method)						
Others: 6 companies						

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

2. *1: Specified subsidiary

3. *2: The percentage of consolidated net sales accounted for by net sales (excluding internal sales among consolidated subsidiaries) exceeds 10%.

Main profit and loss information, etc.

(1) Net sales	¥89,084 million yen
(2) Ordinary profit	¥8,406 million yen
(3) Profit	¥6,488 million yen
(4) Net assets	¥61,468 million yen
(5) Total assets	¥77,094 million yen

5. Employees

(1) Information about the Group

As of March 31, 2025

Segment	Number of employees (People)
Films	2,109 [214]
Life Science	1,241 [90]
Environmental and Functional Materials	1,793 [121]
Functional Textiles and Trading	3,596 [816]
Real Estate	51 [9]
Other Businesses	553 [119]
Company-wide (common)	633 [110]
Total	9,976 [1,479]

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

(2) Information about the Reporting Company

As of March 31, 2025

Number of employees (People)	Average age	Average years of service	Average annual salary (Yen)
3,030 [426]	40.0	13.9	6,420,290

Segment	Number of employees (People)
Films	1,480 [83]
Life Science	710 [83]
Environmental and Functional Materials	74 [8]
Functional Textiles and Trading	135 [142]
Real Estate	3 [−]
Other Businesses	11 [−]
Company-wide (common)	617 [110]
Total	3,030 [426]

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

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

(3) Labor union

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

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

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

(i) Reporting company

Current fiscal year				
Ratio of female workers in managerial positions (%) (Note) 1	Ratio of male workers taking childcare leave (%) (Note) 2	Difference in pay between male and female workers (%) (Note) 1, 3		
		All workers	Regular workers among all workers	Part-time and temporary workers among all workers
5.6	86.3	66.0	68.2	47.3

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

2. Ratio of childcare leave taken, etc. under Article 71-6, item (i) of the Ordinance for Enforcement of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members (Ordinance of the Ministry of Labour No. 25 of 1991) calculated pursuant to the "Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members" (Act No. 76 of 1991) (hereinafter "the Act on Childcare Leave and Caregiver Leave").

3. Regarding the differences in pay between male and female workers, there is no difference in pay between those male and female workers who engage in the same work. The differences are due to the difference in the composition of male and female workers by grade as well as to the fact that at manufacturing sites, fewer female workers engage in night-shift work or other types of work for which extra wages are paid.

4. The calculations for seconded workers were made in accordance with the Act on Women's Participation and Advancement and the Act on Childcare Leave and Caregiver Leave, and the number of seconded workers includes the number of workers seconded to Toyobo MC Corporation and Toyobo STC Co., Ltd.

(ii) Consolidated subsidiaries

Current fiscal year								
Name	Ratio of female workers in managerial positions (%) (Note) 1	Ratio of male workers taking childcare leave (%)				Difference in pay between male and female workers (%) (Note) 1, 4		
		All workers	Regular workers	Non-regular workers and contract workers		All workers	Regular workers among all workers	Part-time and temporary workers among all workers
Yuho Co., Ltd.	0.0	100.0	–	–	(Note) 2	63.6	72.1	60.0
Toyobo Engineering Co., Ltd.	2.0	50.0	50.0	–	(Note) 1	66.8	71.4	38.2
Japan Exlan Co., Ltd.	8.3	83.3	–	–	(Note) 2	66.8	84.3	62.7
Miyukikeori Co., Ltd.	5.7	100.0	–	–	(Note) 2	68.6	65.6	74.3
Toyo Cloth Co., Ltd.	1.7	50.0	–	–	(Note) 2	70.9	73.6	88.4
Toyo Knit Co., Ltd.	0.0	–	–	–	(Note) 3	65.1	74.4	73.7
Cosmo Electronics Co., Ltd.	15.0	50.0	–	50.0	(Note) 1	72.4	69.8	99.1
Miyuki Sewing Co., Ltd.	38.1	–	–	–	(Note) 3	72.3	74.3	72.2

Notes: 1. Calculated in accordance with the provisions of the Act on the Promotion of Women's Participation and Advancement.

2. Ratio of childcare leave taken, etc. under Article 71-6, item (i) of the Ordinance for Enforcement of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members (Ordinance of the Ministry of Labour No. 25 of 1991) calculated pursuant to the Act on Childcare Leave and Caregiver Leave.

3. Those items for which the subsidiaries do not make the disclosure in accordance with the provisions of the Act of Women's Participation and Advancement and the Act on Childcare Leave and Caregiver Leave are indicated by a dash.

4. Regarding the differences in pay between male and female workers, there is no difference in pay between those male and female workers who engage in the same work. The differences are due to the difference in the composition of male and female workers by grade.

II. Overview of Business

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

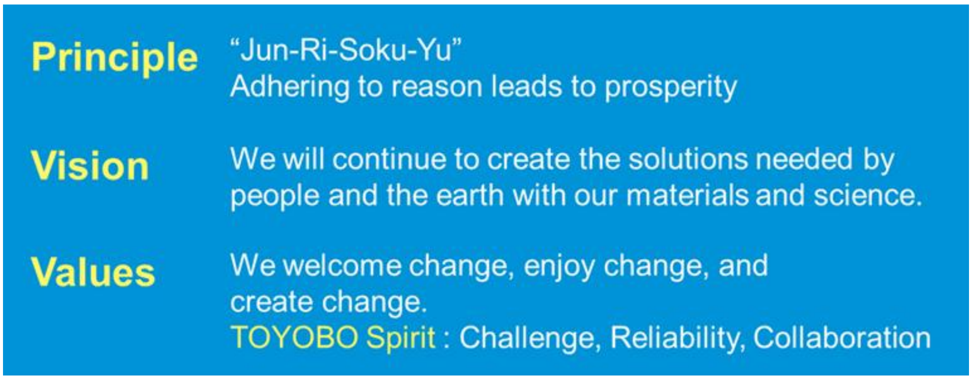
The forward-looking statements contained herein represent the Group's judgment made as of the current fiscal year, and do not offer any guarantee of their achievement.

(1) The Group's corporate philosophy

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

In 2019, the Group returned to its origins in the spirit of Eiichi Shibusawa and rearranged its "Jun-Ri-Soku-Yu (順理則裕)" as the TOYOBO PVVs corporate philosophy. The aim is to become a company that can grow sustainably through contributions to society while keeping up with the times.

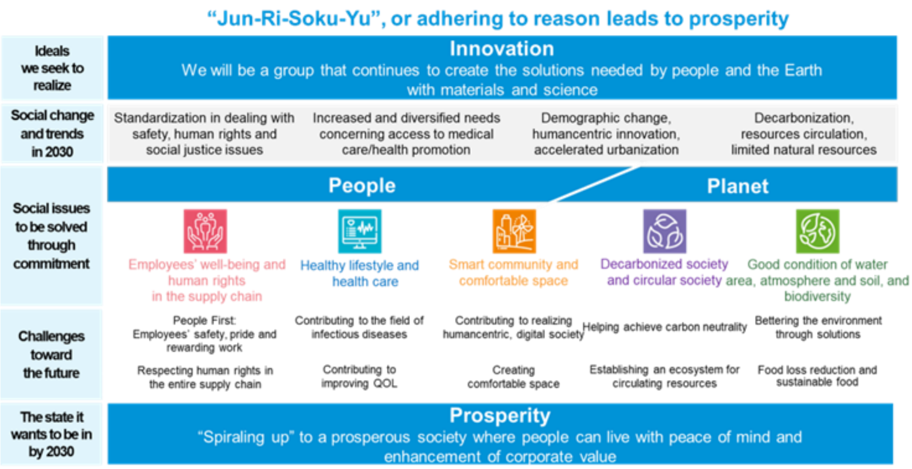
■ The TOYOBO PVVs corporate philosophy framework



(2) Sustainable Vision 2030 (Announced in May 2022)

Based on its TOYOBO PVVs corporate philosophy framework, the Group formulated its long-term vision, "Sustainable Vision 2030." In the vision, we assumed certain changes in the future business environment and social trends, and set five social issues focusing on People and the Planet, sustainability goals, and an action plan. By doing our part to resolve five social issues through innovation drawn from our core technologies, we will move toward realizing where we'd like to be: "Ushering in both a prosperous society where people can live with peace of mind and the enhancement of corporate value."

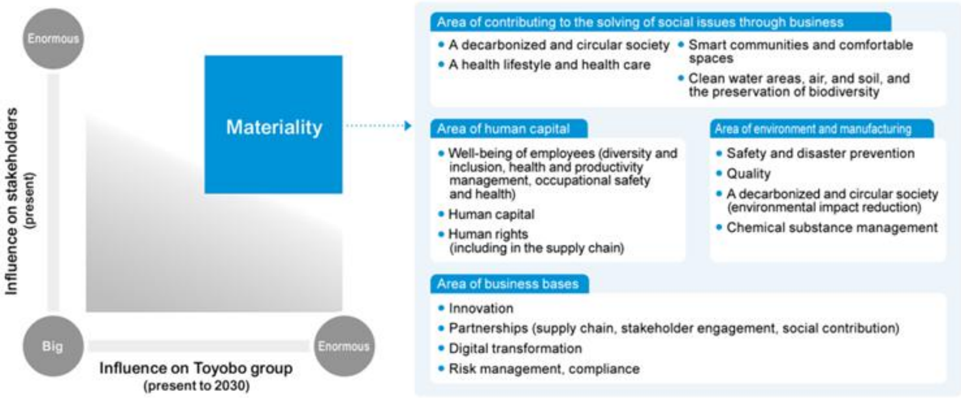
■ Overall Image of Sustainable Vision 2030



(3) Materiality

The Group has identified its material issues—the material issues that the Group must address to be a sustainable company—to meet the demands and expectations of our stakeholders and to realize our Vision of being a "group that will continue to create the solutions needed by people and the planet." From the two axes of the impact for stakeholders and for the Group, the highest priority targets were clearly identified and organized into the four areas of "contributing to the social issues through business," "human capital," "environment and manufacturing," and "business bases."

■ Materiality Map

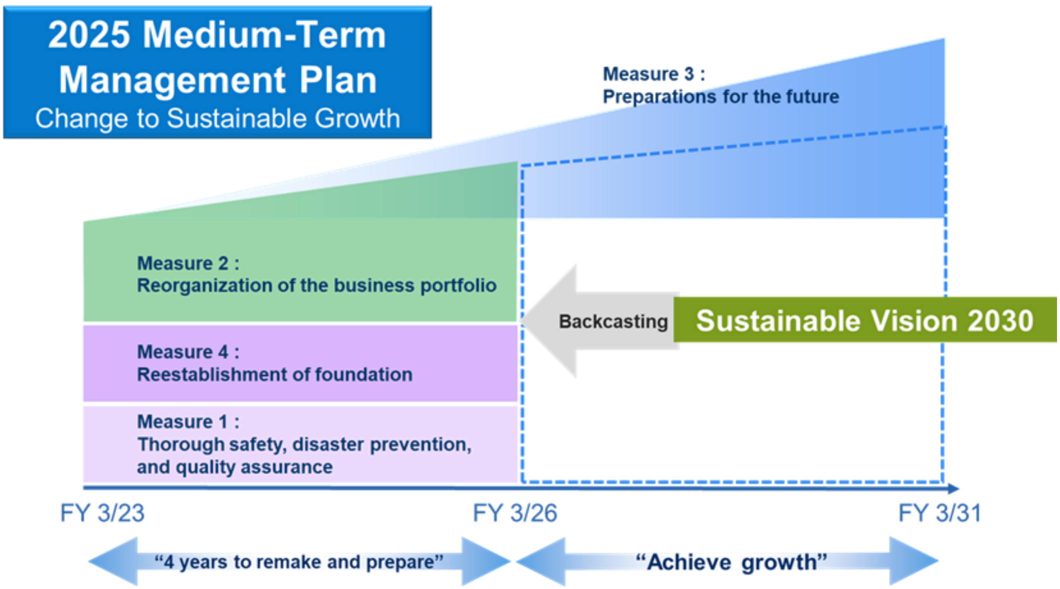


(4) 2025 Medium-Term Management Plan (FY 3/23 - FY 3/26) (Announced in May 2022)

(i) Basic policy

The 2025 Medium-Term Management Plan (FY 3/23 - FY 3/26) establishes 2025 as a milestone for achieving targets set in Sustainable Vision 2030. At the time we formulated the 2025 Medium-Term Management Plan, while we experienced incidents that undermined trust in us as a manufacturing business, such as a large-scale fire accident and quality nonconformities, growth in our businesses other than our industrial film business had come to a standstill. Given that, having positioned the period between FY 3/23 and FY 3/26 as "four years to remake and prepare," through initiatives for the four measures of "Thorough safety, disaster prevention, and quality assurance," "Reorganization of the business portfolio," "Preparations for the future," and "Reestablishment of foundation," we strive to make changes to sustainable growth.

■ Basic Policy and Four Measures



(ii) Progress in 2025 Medium-Term Management Plan (FY 3/23 - FY 3/25)

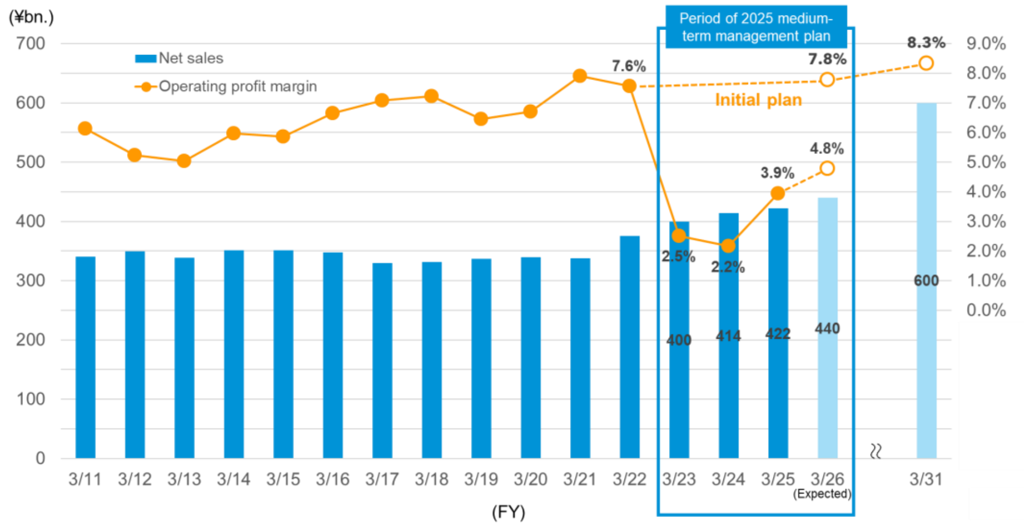
(a) Business environment

During the 2025 Medium-Term Management Plan period, the global economy has seen the likes of soaring and high raw material and fuel prices due largely to the protracted war in Russia and Ukraine and the escalating tension in the Middle East, the ongoing depreciation of the yen, a stagnant Chinese economy, and changes in U.S. trade policy, causing the business environment surrounding the Group to experience considerable changes with speed and magnitude beyond initial expectations.

(b) Performance

Amid such a business environment, in the first half of its 2025 Medium-Term Management Plan (FY 3/23 - FY 3/24), the Group's earning power declined significantly due to a decline in marginal profit margin caused by soaring raw material and fuel prices and slow recovery in volume coupled with an increase in fixed costs for business expansion and infrastructure development. Subsequently, earnings have been on a recovery trend due in part to the effects of revised product prices and an increase in the volume of key products. However, this recovery is deviating from the Group's initial plan. Additionally, leading efforts were made in major investment in growth businesses, resulting in an increase in interest-bearing debt that caused our financial constitution to worsen.

■Changes in performance



(c) Progress in four measures

Among the four measures under the 2025 Medium-Term Management Plan, while initiatives for “Thorough safety, disaster prevention, and quality assurance,” “Preparations for the future,” and “Reestablishment of foundation” are making steady progress, those for “Reorganization of the business portfolio” have fallen behind.

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

For safety and disaster prevention, efforts have been pursued in physical aspects (development of safety infrastructure) and non-physical aspects (fostering of a culture of safety) in accordance with the “road map for safety and disaster prevention” with the aim of achieving “zero accidents.” Since FY 3/22, zero major incidents have occurred. In terms of specific initiatives, for physical aspects, comprehensive inspections of onsite safety and disaster prevention have been conducted, and investments in safety and disaster prevention, including the renewal of aging facilities amounting to approx. ¥18.0 billion (total for FY 3/21 - FY 3/26) are being pursued across the entire Group. Additionally, to reduce risks in the working environment, we are pursuing certification in occupational health and safety management systems (ISO 45001). As of March 31, 2024, we have obtained that certification at three sites: the Tsuruga Research and Production Center, the Iwakuni Production Center and the Utsunomiya Plant. We have also obtained certification at the Inuyama Plant on April 10, 2025. For non-physical aspects, we are promoting safety workshops, the implementation of safety awareness surveys, and the utilization of the results of the latter.

As for quality, in line with its “quality assurance management structure reconstruction roadmap,” the Group moved forward with efforts such as implementing rigorous PL/QA assessments, putting quality data online, enhancing product safety and quality assurance training that include core personnel training on quality (Qace seminars*), reinforcing training on quality defects and other compliance training, and preparing its quality assurance manual in multiple languages (to share with overseas sites). In addition, we are promoting the fostering of a culture of quality, organizational climate reforms that form the foundation of that culture, and manufacturing that places the highest priority on safety and security. As a response to the quality nonconformities that occurred in previous years, we reacquired ISO9001 certification for engineering plastic products in May 2024, and the Warning Letter we had received from the U.S. Food and Drug Administration (FDA) for contract manufacturing of pharmaceutical products was lifted in July 2023.

*Qace: An amalgam of Qa_assurance, Qc_control and Qe_ensurance.

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 on expansion, stable earning businesses, businesses requiring improvement, and new businesses to be developed, and operate each business according to its classification. We use return on capital employed (ROCE), the ratio of operating profit to employed capital, as an indicator for profitability, and compounded annual growth rate (CAGR) of net sales as an indicator for growth potential. We have set a hurdle rate of 6.5% for profitability, based on cost of capital, and a hurdle rate of 4.5% for growth potential, referring to the CAGR of the industry's sales. While use return on invested capital (ROIC) as an indicator for the entire Group's capital efficiency, we use ROCE for the management of each business.

a. Businesses focusing on expansion

The film business and the life science business, positioned as businesses focusing on expansion, have advantages and operate in prospective markets with potential for expansion. We invested proactively in these businesses in accordance with our plans. At the same time, the concentration of large investments, including in manufacturing facility for new product involving high technological difficulty, caused delays in the startup of certain new facilities, which in turn impacted earnings.

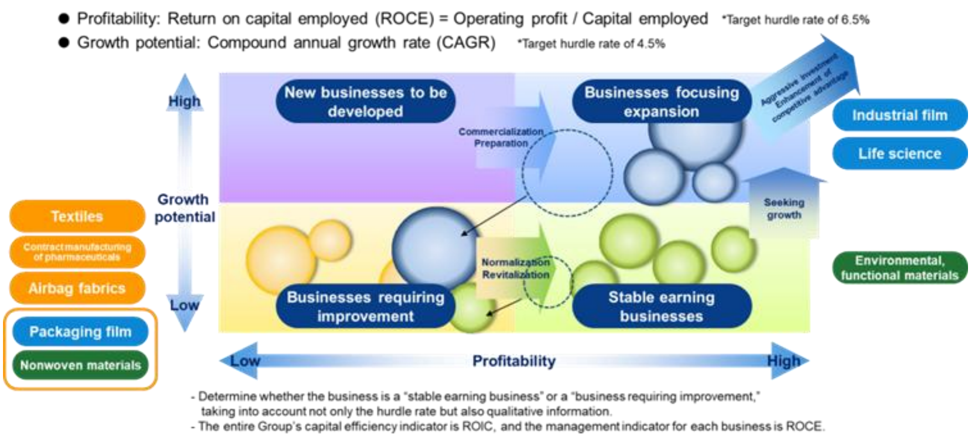
b. Stable earning businesses

We reassessed the environmental and functional materials business, which had been classified as a stable earnings business, in terms of growth opportunity and potential of each of its products. In April 2023, we initiated business operation through Toyobo MC Corporation, a joint venture with Mitsubishi Corporation, aiming to make it our third pillar. Our manufacturing combined with Mitsubishi Corporation's global management capabilities have yielded a steady start to those endeavors, including the development and strengthening of our management base and the implementation of measures to improve earnings.

c. Businesses requiring improvement

The three businesses that were positioned as businesses requiring improvement when the 2025 Medium-Term Management Plan was formulated, namely the textiles business, the airbag fabrics business, and the contract manufacturing of pharmaceuticals business, have shown steady improvement in profitability in accordance with the roadmap to profitability . However, the Group's packaging film and nonwoven materials businesses suffered a dip in profitability due to shifts in the business environment, such as surging prices of raw materials and fuel. As a result of the above, the Group has changed the positioning of these two businesses to "businesses requiring improvement" in FY 3/25, and is carrying out measures to improve the profitability of each.

■Business portfolio (Changes in positioning)



The following is a summary of what was carried out in each business segment and how far behind schedule it was.

■Progress by segment

Segment	Business	What we executed	Delay compared to the plan
Films	Industrial	- Production capacity expansion (including processing equipment) - Sales expansion of polarizer protective films for LCDs	- Delay in demand expansion for mold releasing film for MLCC
	Packaging	- CAPEX for renovation and new products (OPP film) - Drastic revision of product pricing - Revision of the production system including the suspension of operations on some production lines	- Delay in launch of new equipment and new product (OPP film) - Delay in measures for fixed cost → Shift to businesses requiring improvement due to deterioration of profitability
Life Science	Biotechnology	- Production capacity expansion for raw enzymes for biochemical diagnosis	- Delay in expansion of products related to infectious diseases (genetic testing)
	Medical materials	- Newly establishment of integrated production plant for medical membrane, launch of new product	- Delay in launch of new plant
	Pharmaceuticals	- Strengthen of GMP structure and renovation of production line	-
Environmental and Functional Materials		- Start of TOYOBO MC Corporation (April 2023) - Development of the management base, revision of systems and operations → Improvement of earnings	- Delay in overseas expansion of "VYLON" - Nonwoven materials → Shift to businesses requiring improvement due to deterioration of profitability
Functional Textiles and Trading	Textiles	- Consolidation of domestic production sites (3 plants → 1 plant) → Achieved profitability and profit stabilization	-
	Airbag fabrics	- Start of commercial production and acquisition of certification in a new yarn plant in Thailand	- Delay in acquisition of certification in some areas

iii) Measure 3: Preparations for the future

The Group is fusing its four core technologies of polymer technology, biomedical technology, environmental technology, and analysis and simulation & computer simulation technology in its efforts to promote the creation of innovations in three fields: new circular plastics solutions that target 100% renewable polymers, environmental active clean solutions that contribute to purifying water, air and other elements of the environment and the recovery and use of CO_2, and Well-Being solutions that aim to realize a society where people can live out their lives healthily.

Additionally, to respond to climate change, the Group is working towards achieving net zero emissions by FY 3/51 for Scope 1 and 2 emissions as well as promoting the reduction of greenhouse gases in its entire supply chain in line with the greenhouse gas emission reduction road map that it formulated with a view to carbon neutrality. In addition, the Group endeavored to expand sales in environmental fields such as materials used in fuel cells and wind power generation as well as seawater desalination membranes and volatile organic compound (VOC) recovery equipment, which contribute to preserving high-quality water areas and air.

Furthermore, with a view to the realization of DX, the Group will improve its IT environment and push forward with the establishment of a foundation for accelerating and promoting business innovations. Our initiatives in this regard were recognized as fulfilling the certification criteria of the Ministry of Economy, Trade and Industry, culminating in our acquisition of DX-Certified Operator certification in February 2024.

iv) Measure 4: Reestablishment of foundation

To reestablish its foundation for the purpose of growing sustainably, the Group is pushing forward with human capital, respect for human rights, reinforcement of workplace capabilities in manufacturing, development of the business base, governance / compliance, and change of the organizational culture.

For human capital, we are executing various measures based on our Human Resource Management Policy, which positions people as our most important form of human capital. To be specific, we will push forward with the development of human resources such as next-generation management human resources and on-site leaders to support manufacturing, the promotion of diversity, the promotion of heath management and other initiatives to facilitate the happiness of our employees and sustainable growth of the Group as well as improved employee engagement.

For respect for human rights, in accordance with the Toyobo Group Human Rights Policy that we established in October 2020 (revised in February 2024), we are ascertaining the work status of non-Japanese technical intern trainees and verifying at our overseas Group companies in particular that no child or forced labor is taking place. Additionally, we also conduct “Business and Human Rights Training” for officers and employees in our efforts to enlighten them on human rights due diligence.

With respect to the reinforcement of workplace capabilities in manufacturing, we will improve our engineer training system and enhance hierarchy-specific training, and will move forward with a company-wide rollout of production reform activities through the utilization of digital technology (smart factories, etc.), on-site exchange for pooling together company-wide knowledge, initiatives for the 3S’ of seiri (organization), seiton (tidiness) and seiso (cleanup), and more.

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

For governance/compliance, we are improving our risk management structure as a means of reinforcing Group governance. To be specific, the Corporate Business Management Department*1 coordinates with works with departments with intrinsic risk (businesses) and the main departments in charge of risk (staff) to perform risk assessments (the extraction of serious risks and monitoring) and resource allocation for minimizing risks, and expands these efforts to Group companies as well. The Internal Audit Department plans audits and reports them to the Board of Directors, and ensures the effectiveness of our internal audit functions. Also, with regard to compliance, the “Toyobo Group Compliance Manual” is published and distributed annually to promote understanding of compliance among all employees and thoroughly disseminate associated rules among them. Additionally, we are endeavoring to promote the use of contact points for reporting internal problems alongside promoting the enhancement of training and workshops, the sharing of specific cases, and so forth.

As for the change of the organizational culture, we are conducting initiatives for entrenching the culture of conducting cross-divisional efforts to translate small ideas into improvements and reforms and make ongoing changes with the efforts by KAERU Department*2 to instill our corporate philosophy framework TOYOBO PVVs as our focus. Also, we are endeavoring to improve psychological safety by expanding opportunities for dialogue in the workplace, such as “serious chats” between employees and the President and other management executives.

*1: Said activities will be transferred from the Corporate Business Management Department to the Risk Management Department, which will be newly established in April 2025.

*2: Said activities will be transferred from the KAERU Department to the Human Resources Department in April 2025.

(iii) Initiatives for FY 3/26 onward

Under our management policy for FY 3/26, “Recover earning power to create the future,” we will work on the following six action plans in order to improve our corporate value in FY 3/26 and beyond.

(a) Thorough safety, disaster prevention and quality assurance, and compliance (basic premise)

With regard to safety and disaster prevention, in line with the “road map for safety and disaster prevention,” we will tackle the reduction of risk through enhanced education at all employee levels and investment in safety and disaster prevention based on the dual activity pillars of fostering a culture of safety and improving our safety infrastructure as we will aim to achieve “zero accidents.”

With regard to quality, we will deliver safe and reliable products and services by promoting thorough PL/QA assessments and the shifting of quality data to online platforms in accordance with our "quality assurance management structure reconstruction roadmap."

With regard to compliance, we will continue to enhance training, share specific examples, and carry out measures to promote the use of contact points for reporting internal problems as we endeavor to detect and correct problems at an early stage.

(b) Ensured pricing commensurate with value

Reaffirming that pricing is the key to earning power, we will thoroughly implement product pricing that is commensurate with the added value we provide. Regarding the raw material and fuel price hikes from FY 3/22, while the price pass-through for that amount has largely been completed, we will continue to revise product prices to cover increases in logistics, labor, and other costs.

(c) Measures for businesses requiring improvement

Regarding the five businesses that have positioned as businesses requiring improvement, we will carry out the following measures for each with the aim of returning them to profitability and normalization at an early stage.

While the textiles business is already profitable, we will proceed to further improve its asset efficiency. In the contract manufacturing of pharmaceuticals business, we will maintain a GMP (Good Manufacturing Practice) system while also working to improve the utilization rate of the renewed manufacturing facilities and acquire new projects. In the airbag fabrics business, we will proceed to improve the capacity utilization rate of our raw yarn plant in Thailand and review our production system.

In the packaging film business, we will review our production system and revise product prices as well as proceed to promote the early profitability of new equipment through a company-wide follow-up system and the shift to environmentally friendly products. In the nonwoven materials business, in addition to a review of our domestic production structure, we will move forward with the reinforcement of developed products and the expansion of outsourced production.

Through these initiatives, we aim to improve earnings by approx. ¥7.0 billion in FY 3/26 compared to FY 3/25.

■Roadmap to profitability

Roadmap to profitability

: Deficit : Profitability

Business	FY 3/23	FY 3/24	FY 3/25	FY 3/26	FY 3/27～
Textiles				Pursuit of more improvement of capital efficiency	
Pharmaceuticals				Maintenance of GMP structure, operation of revised production line and gain of new projects	
Airbag fabrics				Rise of operating ratio of yarn plant in Thailand and revision of production structure	
Packaging film			Revision of production system and product price revision	Early profitability of new equipment (company-wide follow-up) Accelerated shift to eco-conscious products	
Nonwoven materials			Revision of production system and sales of subsidiary shares	Strengthening of development Expansion of production outsourcing	

(d) Secure investment returns and create new value

In Films and Life Science, which constitute our businesses focusing on expansion, we are aggressively investing in facilities for mold releasing film for MLCC, "COSMOSHINE SRF" polarizer protective films for LCDs, raw enzymes for biochemical diagnosis, reagents for PCR testing and genetic diagnostic reagents, and artificial kidney hollow fiber, and more. We aim to steadily launch growth investment projects and generate approx. ¥10.0 billion yen in profit in FY 3/29 compared to FY 3/25, by addressing delays in certain facility compared to our plan through company-wide follow-up efforts that will include the strengthening of cross-department functions by the production engineering division.

■Major plans of growth investment (Films, Life Science)

Segment	Details	Investment amount (¥bn., round number)	Time to realize investment results			
			FY 3/24	FY 3/25	FY 3/26	FY 3/27~
Films	- OPP film equipment (Inuyama)	7.0				
	- Processing equipment Unit 2 of mold releasing film for MLCC (Tsuruga)	6.0*				
	- Equipment of mold releasing film for MLCC (Utsunomiya)	20.0				
	- Equipment of polarizer protective films for LCDs (Tsuruga)**	-				
Life Science	- Equipment for raw enzymes for biochemical diagnosis (Tsuruga)	7.0				
	- Equipment for reagents for PCR testing and genetic diagnostic reagents (Tsuruga)	6.5				
	- Integrated production plant for artificial kidney hollow fiber (Akita)	5.0				

*: Total with Unit 1 **: Renovation of an existing production line : Plan : Result and forecast

In addition, we will aim to further expand earnings over the medium to long term through “create new value” in Films, Life Science, and Environmental and Functional Materials. The following are the main products and initiatives of “create new value” in each business segment.

■Create new value

<Films>

Direction		Products, applications, etc.
●Expansion of green films: Contributions to decarbonized society and circular society	・Market expansion into industrial film applications in addition to packaging films	・Biaxially oriented polylactic acid film
		・High heat resistance and high rigidity OPP film, PEF (polyethylene furanoate)
	・Shift to initiatives for resource recycling throughout supply chain	・Establishment of film-to-film resource-recycling scheme
		・"KAMISHINE NEO": Label backing paper, horizontal recycling
		・Chemical recycling of used plastics
●Expansion of new high-performance films to electronics field	・For fuel cells and wind power generation	・PEN film: Superior electrical insulation even under high temperature and high humidity conditions
	・For semiconductors	・"Xenomax": Polyimide film with characteristics of film & glass
	・For AI servers	・Highly smooth process release film

<Life Science>

Direction	Products, applications, etc.
● Responding to increased demand predominantly in emerging countries and expanding market share	・Raw enzymes for biochemical diagnostic agents
	・Hollow fiber membranes for artificial kidneys
●Expansion of infectious disease solution business	・PCR test reagents and raw materials for genetic diagnosis
●Expansion through biomaterial manufacturing	・MEL (mannosylerythritol lipids): Agricultural spreading agents, etc.
●Expansion of applications for separation membranes	・Acute blood purification membranes
	・Process membranes (separation membrane devices used in antibody drug manufacturing processes)
●Expansion of applications for biocompatible polymers	・Adding anticoagulant properties to resins, metals, etc.
●Provision of value for next-generation healthcare	・"CATAROSEV" (purification kit for high-efficiency, high-purity, and high-yield recovery of exosomes)

<Environmental and Functional Materials>

Direction		Products, applications, etc.
● Expansion into environmental field	・Recovery of valuables	・Brine concentration membranes: Lithium concentration and recovery applications
	・Offshore wind power	・"IZANAS ULC": Floating offshore wind turbine mooring line
	・VOC treatment	・Environmental solution equipment for concentrating VOCs: Applications in semiconductor manufacturing processes, etc.
	・Horizontal recycling	・"BREATHAIR MOBIUS": Utilization of recycled materials derived from used “BREATHAIR”
●Expansion into mobility and electronic materials fields	・Mobility Business Promotion Unit	・From conventional individual material sales model to direct approach to domestic and overseas automotive OEMs
	・Practical application of new materials	・“Vitrimer”*: Solvent-free, highly heat-resistant adhesive material that can be distributed at room temperature

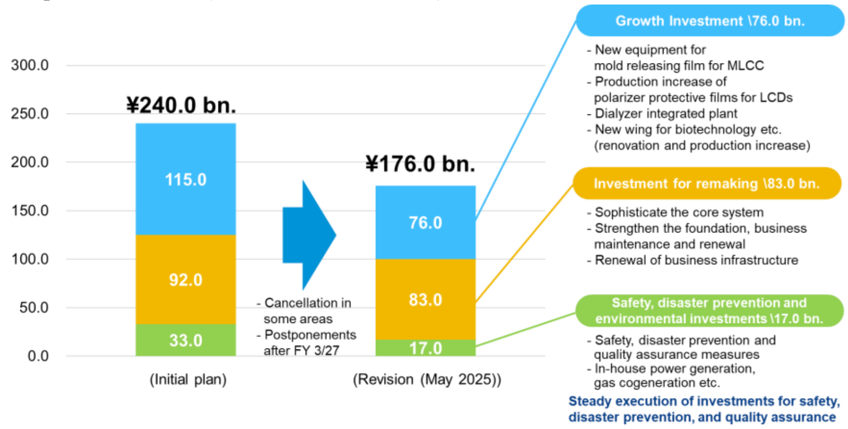
*“Vitrimer” is a registered trademark of FONDS ESPCI PARIS.

(e) Narrowing down of investment and expenses and cost reduction

Regarding the narrowing down of investment, when the 2025 Medium-Term Management Plan was formulated (May 2022), we had planned a four-year cumulative total of ¥240.0 billion for capital investment. However, in May 2024, we revised the plan to reduce this to ¥180.0 billion by reviewing investment projects (May 2025 forecast: ¥176.0 billion yen). With regard to growth investment, while we steadily carried out investments in the industrial film, biotechnology, and medical businesses, we revised growth investments for packaging film, which we repositioned as a business requiring improvement. As for investment for remaking , we are reviewing these after carefully reviewing the order of priority. Regarding safety, disaster prevention and environmental investments , we are steadily implementing investments in safety, disaster prevention, and quality, while postponing certain environmental investments to FY 3/27 and beyond. We will continue to promote management that emphasizes capital efficiency.

Regarding the narrowing down of expenses and cost reduction, we will proceed with a review of expenses through company-wide projects and with productivity reforms and cost structure reforms. Specifically, we will tackle the improvement of operational efficiency and productivity by reducing indirect material costs largely through reductions in outsourcing costs mainly in corporate divisions, reviewing common division costs, strengthening cost competitiveness of offices and plants through business reallocation, optimizing human resource allocation, and advancing the utilization of data assets. Through the above, we aim to generate approx. ¥5.0 billion in profit in FY 3/28 compared to FY 3/24.

■Capital investment (FY 3/23 - FY 3/26 total)



(f) Reduce capital employed

To optimize capital employed with a view to sustainable growth, we will focus on controlling the expansion of working capital, narrowing down investments, and reorganization of the business portfolio. Concurrently, we will proceed to review the reduction of capital employed without eliminating the best owner option.

(iv) 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 bond issuer rating and ensuring stability in financing. Under our 2018-2021 Medium-Term Management Plan, we set and achieved a target of a D/E ratio of less than 1.0.under our 2025 Medium-Term Management Plan, we have set our D/E ratio to under 1.2 times in order to conduct advance investment aimed at future growth without letting opportunities escape, and to control the balance between cash-flow generating capabilities and interest-bearing debt without fail, we have set the Net Debt/EBITDA ratio as an indicator, with a target of not less than 4 times to less than 5 times, and intend to manage our financial position in a stable manner.

However, the business environment has undergone considerable change from initial assumptions, with a decrease in operating cash flow due to delays in reorganization of our business portfolio compounded by an increase in interest-bearing debt due to an increase in investment cash flow resulting from large investments in growth businesses such as Films and Life Sciences. As of March 31, 2025, our D/E ratio was 1.37 times and Net Debt/EBITDA ratio was 6.1 times, indicating a deterioration in our financial position. Under these circumstances, with the aim of simultaneously investing in growth and maintaining financial soundness, in September 2024, we raised a total of ¥40.0 billion through subordinated loans and publicly offered subordinated bonds. The following is the forecast of financial indicators for FY 3/26 and the forecast of cash flow allocation during the 2025 Medium-Term Management Plan period based on the above.

We will endeavor to realize sustainable growth and enhance corporate value under our management policy for FY 3/26, "Recover earning power to create the future." By pursuing the normalization of businesses requiring improvement and the recovery of growth investments, we will push forward with initiatives aimed at achieving operating profit of ¥30.0 billion or more and an ROE of 5% at an early stage. Furthermore, we aim to achieve a ROE of over 8% by adding to profits through new creation.

■Financial indicators

		2025 Medium-Term Management Plan (FY 3/23 - FY 3/26)					
	FY 3/22	FY 3/23	FY 3/24	FY 3/25	FY 3/26		
	Results	Results	Results	Results	Present forecasts	Prev. forecasts (May 2024)	Initial plan (May 2022)
Net sales (\bn.)	375.7	399.9	414.3	422.0	440.0	450.0	450.0
Operating profit (\bn.)	28.4	10.1	9.0	16.7	21.0	25.0	35.0
(Ratio to sales) (%)	7.6	2.5	2.2	3.9	4.8	5.6	7.8
EBITDA (\bn.)	48.5	29.1	28.8	39.4	46.0	51.0	63.0
Profit attributable to owners of parent (\bn.)	12.9	- 0.7	2.5	2.0	4.5	9.0	15.0
ROE (%)	6.8	-	1.3	1.0	2.3	≧ 4.5	≧ 7.0
ROIC (%)	5.1	1.7	1.3	2.3	2.8	≧ 4.0	≧ 5.0
D/E ratio	0.98	1.21	1.26	1.37	1.40	< 1.40	< 1.20
Net Debt / EBITDA ratio	3.4	5.8	7.5	6.1	5.0	< 5.0	< 5.0
CAPEX (\bn.)	33.6	42.7	61.6	43.2	35.0	-	-

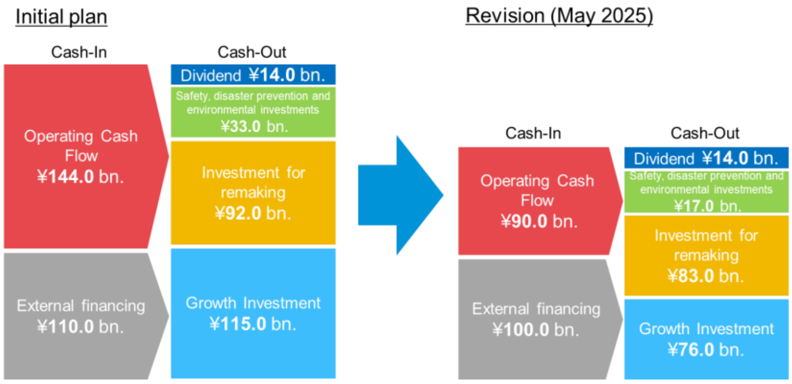
The impact of U.S. reciprocal tariffs has not been factored into the FY 3/26 forecast due to the uncertainty of the impact on the entire supply chain. Note that the following is a summary of the status of Group sales to the U.S. (FY 3/26).

・Sales to the U.S. (based on customer location): Approx. 3% of consolidated net sales

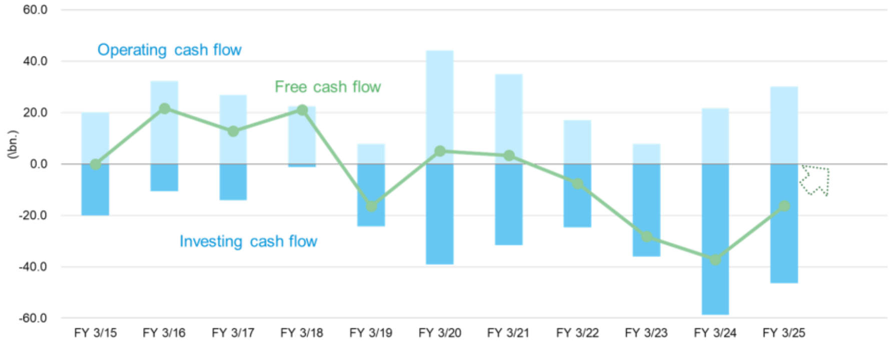
・Main businesses in the U.S.

- Life Science: Biotechnology business
- Environmental and Functional Materials: Resin and chemical business (engineering plastics, etc.), environment and fiber business

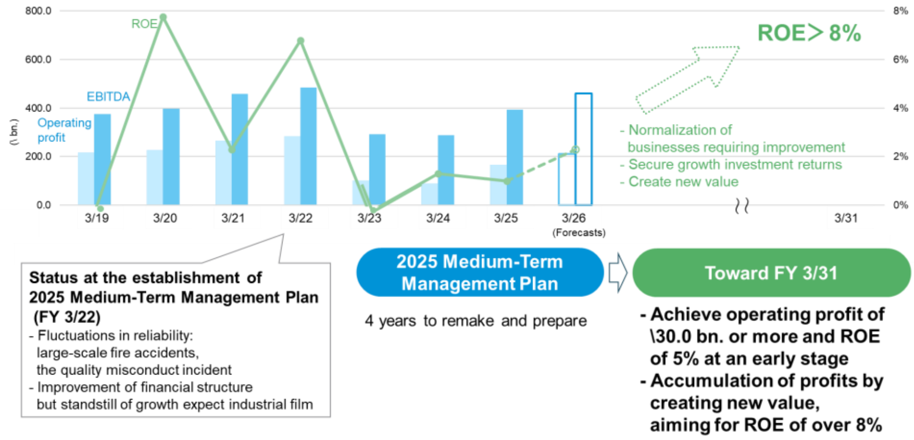
■Cash flow allocation (FY 3/23-FY3/26)



■Changes in cash flows from operating activities and investing activities



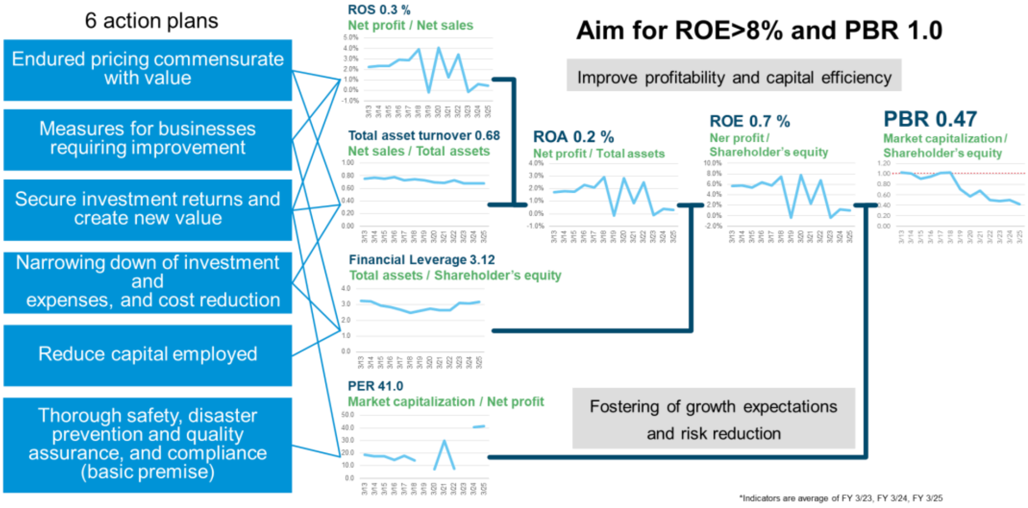
■Realization of sustainable growth



(v) Management mindful of the cost of capital and share price

The Group takes seriously the fact that its P/B ratio is currently at a level below 1.0x, and is promoting management that is mindful of the cost of capital. In our 2025 Medium-Term Plan, we have adopted ROE and ROIC as key financial indicators, and are pursuing the improvement of the profitability and asset efficiency of the entire Group by promoting "endured pricing commensurate with value," "measures for businesses requiring improvement," "secure investment returns," "narrowing down of investment and expenses, and cost reduction," and "reduce capital employed." Concurrently, in order to raise PER, we are raising growth expectations by presenting specific measures and paths for growth through "create new value" as well as pursuing the reduction of risks through "thorough safety, disaster prevention and quality assurance, and compliance." Through these initiatives, we aim to achieve ROE of 8% or more and a PBR of 1.0x or more.

■Management mindful of the cost of capital and share price



(vi) Policy on shareholder returns

This policy is as described under “IV. Information about the Reporting Company 3. Dividend Policy.”

2. Approach and Efforts Toward Sustainability

The forward-looking statements made herein are based on certain assumptions that the Group consider reasonable as of the end of the current fiscal year and may significantly differ from actual results due to various factors.

(1) Sustainability strategy

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

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

(i) Governance

The Group has established a Sustainability Committee, chaired by the President and Chief Operating Officer and joined by the members of the Board of Management (business division heads and officers supervising corporate divisions), to promote company-wide sustainability activities. The committee meets six times a year, setting key performance indicators (KPIs) for the items defined as the Group's material issues based on risks and opportunities and reporting on and verifying progress in those KPI and the effectiveness of measures. In FY 3/25, we discussed issues such as climate change, biodiversity, human rights due diligence, and executive compensation plans. Additionally, reports on these issues are made to the Board of Directors as appropriate, including the status of verification of risks and opportunities accompanying changes in social trends.

(ii) Strategy

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

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

(iii) Risk management

In the Group, based on shifts in social trends, the Sustainability Committee verifies the presence of risks and opportunities in each materiality item and reflects their findings in activities.

The Group has established a Risk Management Committee, chaired by the President and Chief Operating Officer and joined by the members of the Board of Management (business division heads and officers supervising corporate divisions), to promote company-wide risk management activities. In FY 3/25, the Committee convened twice. In addition to formulating risk management policies for the entire Group, the Committee is engaged in risk management activities (identification, analysis and evaluation of and response to risks), and endeavors to strengthen the risk management system by establishing and operating effective and sustainable organizations and frameworks. The Committee determines divisions responsible for addressing risks that could have material impacts on the Group, and formulates measures to avoid and reduce those risks. Each division spearheads response to risks, and the status of those activities is verified by the Committee.

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

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

Severity of impact: Assessed in terms of the scope of impact, the duration of suspension of operations, harm to people, reputation, and financial impact and rated on a three-level scale of "equivalent to large-scale damage," "equivalent to medium-scale damage," and "equivalent to small-scale damage"

Likelihood of a risk occurring: Rated on a three-level scale of "occurring frequently," "occurring occasionally," and "occurring rarely"

(iv) Indicators and targets

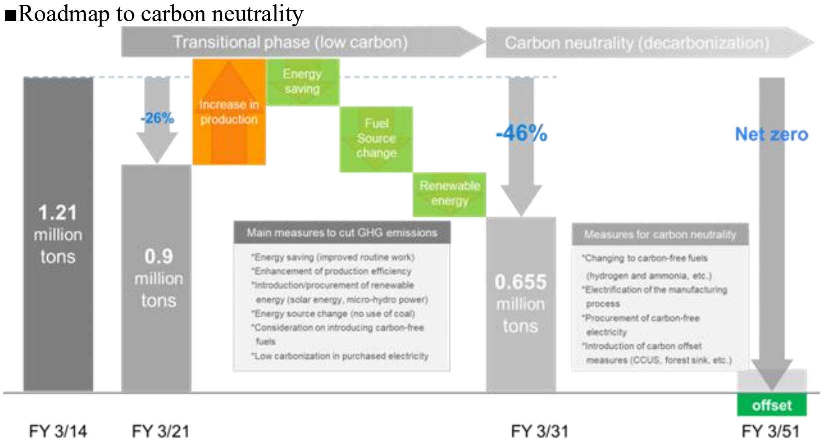
To ensure that the progress of the efforts to address the material issues is duly watched, the Company appoints responsible officers and sets KPIs (and targets) for each of the material issues. We will work out initiatives that will minimize negative impacts from business activities while maximizing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

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

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

In May 2022, the Group announced the Sustainable Vision 2030 that included a plan aimed at transitioning to a decarbonized society ("Roadmap to Carbon Neutrality"). We aim to reduce GHG emissions from our business activities by more than 46% compared with the level of FY 3/14 (27% with FY 3/21) by FY 3/31 (Scope1 and 2 emissions) in line with the level of reduction called for under the Paris Agreement. We have obtained certification through the SBT Initiative for these targets. Furthermore, we aim to achieve net zero emissions by FY 3/51. Moreover, we have set the goal of achieving avoided GHG emissions greater than the emissions from the Toyobo Group's entire value chain by FY 3/51.

■Roadmap to carbon neutrality

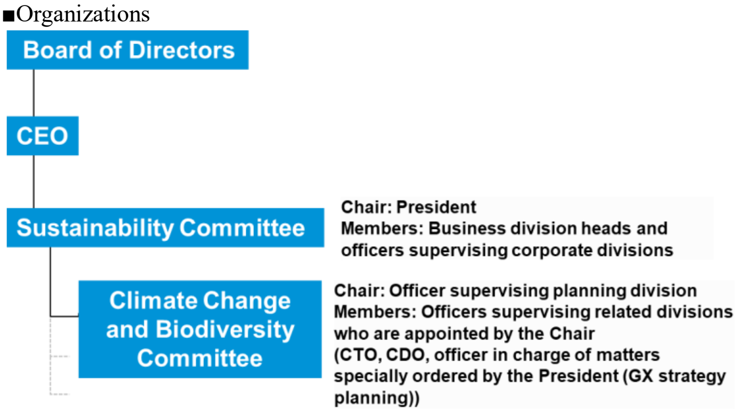


(i) Governance

The Group has established a Sustainability Committee that deliberates on high-level policies toward solving climate change-related issues and target setting. This Committee is chaired by the President and Chief Operating Officer, the chief officer of climate change-related issues. The Board of Directors regularly hears reports from the committee, deliberates to approve high-level policies, targets and other material matters, and supervises the progress of sustainability activities.

In the current fiscal year, meetings of the Sustainability Committee were held six times, the results of which were reported at meetings of the Board of Directors in the form of both regular and extraordinary reports. As a result, the Board of Directors has resolved to adopt a "climate change response-related indicator" as a sustainability indicator to serve as an item for evaluation in executive compensation plans, and is accelerating initiatives aimed at reducing GHG emissions. Note that climate change response-related indicator is the percentage reduction in GHG emissions (Scope 1 and 2) compared to the previous fiscal year, and will be applied starting with compensation for July 2025 onward to be paid based on results for FY 3/25.

■Organizations



(ii) Strategy

(a) Summary

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

(b) Scenario analysis

While various scenarios could arise depending on the progress in the response to climate change, we referred to the scenarios described in the following overview of scenario analysis as typical ones.

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

■Overview of scenario analysis

Assumed scenarios	1.5°C scenario	4°C scenario
The state of society	Efforts to limit the increase in the global average temperature by the end of this century to 1.5°C are pursued, while bold policy measures and technological innovation are advanced to achieve sustainable development of society. It is a society in which social changes associated with the transition to a decarbonized society are highly likely to impact businesses. <Examples> ● Introduction of carbon taxes and an increase in carbon prices ●Shift to electrification of automobiles, particularly in China ●Renewable energy and growth in ancillary demand for secondary batteries	While the intended nationally determined contributions determined in accordance with the Paris Agreement and other national policy measures are implemented, the increase in the global average temperature by the end of this century ends up reaching up to 4°C. It is a society in which climate changes, such as increases in temperatures, are highly likely to impact businesses. <Examples> ● Increased flood damage due to heavy rain
Scenarios referred to	●“NZE” (IEA WEO2024) ●“APS” (IEA WEO2024) ●“SSP1-1.9” (IPCC AR6) ●“RCP2.6” (IPCC AR5) ●“Global Ambition scenario” (OECD Global Plastics Outlook)	●“SSP5-8.5” (IPCC AR6) ●“RCP8.5” (IPCC AR5) ●“STEPS” (IEA WEO2024/ETP2020)
Tendency of risks and opportunities	Transition risks and opportunities (social shifts such as stronger regulations) are likely to materialize.	Physical risks and opportunities (climate change, etc.) are likely to materialize.

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

Based on the 1.5°C scenario and the 4°C scenario, we identified climate change-specific risks and opportunities for the Group. Having compiled the identified risks and opportunities and rearranged them in view of changes in society, we are exploring measures to address each of them (see the following table titled “Risks/opportunities according to scenario and measures therefor”). After the assessment by the two axes of severity of impact and the likelihood of a risk occurring based on Sustainable Vision 2030, we determined highly material risks and opportunities as described below. Additionally, for the periods targeted for review, we established ‘short term’ as approximately three years, ‘medium term’ as until FY 3/31 and ‘long term’ as until FY 3/51.

The Group works on the reduction of GHG emissions across its entire supply chain, including procurement of raw materials, on the two fronts of risk reduction and opportunity development. Specifically, we will reduce our Scope 1 and 2 emissions in a well-planned way to lessen the burden resulting from the carbon pricing system while also fully preparing for customers’ demand for decarbonization.

We will also work to switch our raw materials to recycled materials and biomass-derived materials in order to reduce the dependence on petroleum-derived resources and reduce future business risks and to gain and expand business opportunities.

Furthermore, to address the heightened demand for various advanced water treatment resulting from the progressive scarcity of water resources, we will tie the development and sales of seawater desalination membranes that allow freshwater to be made with limited energy and high-efficiency concentration membranes to promote the recycling of water resources into the expansion of our businesses.

Additionally, we are anticipating that our business in products that contribute to the reduction of greenhouse gasses will expand based on the replacement of preexisting technologies. An example of a leading Group product in this regard is VOC* recovery equipment using “K-FILTER” active carbon filters. Through remove VOC* that arise at secondary battery-related production plants and elsewhere with the use of energy-saving means and making it possible to further recover and reuse organic solvents, we will contribute to greenhouse gas reductions and the mitigation of our environmental footprint.

(*)Volatile Organic Compounds

■Risks/opportunities according to scenario and measures therefor

Social changes and their impacts	Risk/opportunity item			The Group's response measures
	Category	Term	Event	
Impacts associated with the transition to a decarbonized society (Extensive changes in policies, laws and regulations, technology, and market, etc.)	Transition risks	Short term	Introduction of carbon pricing	-Implementation of a GHG emissions reduction plan (Energy saving, production efficiency improvement, fuel conversion, introduction of renewable energy, etc.) -Utilization of an internal carbon pricing system
		Medium to long term	Increases in raw material and fuel prices (Carbon prices passed on to raw-material prices, etc.)	-Shift to non-petroleum-derived resources -Supplier engagement and cooperation (Development of low-carbon raw materials, etc.) -Diversification of the means of sourcing raw materials (Expansion of purchases from multiple suppliers and local procurement)
			Increases in costs due to implementation of energy saving measures, introduction of high-efficiency facilities, etc.	-Pursuit of innovation and ultra-high efficiency in manufacturing processes -Utilization of sustainable finance, transition finance, etc. -Implementation of measures to achieve higher manufacturing efficiency across the entire value chain (Integration and strengthening of cooperation with associates, M&As, etc.)
			Increases in costs accompanying response to demands for low-carbon/decarbonized processes for the manufacturing of products	-Introduction and expanded purchases of renewable energy -Implementation of measures to achieve higher efficiency and greater energy saving in manufacturing processes -Passing-on to product prices
			Increased demand for reduction of the use of and replacement of petroleum-derived resources	-Acceleration of the switch of raw materials to recycled materials and biomass-derived materials -Reevaluation of the commodity materials business dependent on petroleum-derived resources
	Transition opportunities	Medium term	Increased demand for low-carbon/decarbonized materials and products	-Acceleration of the switch of raw materials to recycled materials and biomass-derived materials -Innovation of production processes in our biotechnology business using microbes (yeast) (bio-manufacturing) -Response to issues with the sourcing of raw materials (recycled materials and biomass-derived materials) (supply shortages) -Promotion of product development and planning for low-carbon/decarbonized materials -Acceleration of development of innovative low-carbon/decarbonized materials -Strengthening of the production/quality management systems for low-carbon/decarbonized materials
			Growth in demand of products that lead to contributions to the reduction of greenhouse gas emissions	-Cooperation across supply chain, including customers, from the perspective of contributing to reductions -Acceleration of development and planning* of products that contribute to reductions based on replacement of preexisting technologies *Energy-saving seawater desalination membranes, VOC recovery equipment for LIBS plants that makes it possible to circumvent the burning treatment of organic solvents to reuse them, water-washable flexo plates that help reduce greenhouse gases originating from the treatment of waste fluid, materials for fuel cells, coating-replacement films to substitute for coating, a process that emits greenhouse gasses in large quantities, etc.
			Expansion of renewable energy and secondary battery-related markets	-Strengthening of product development and planning for renewable energy/secondary battery-related businesses* - Anticipation of mega-trends, overseas business development and enhancement of solutions-providing capability with startup of Toyobo MC Corporation, a joint venture between Toyobo and Mitsubishi Corporation * Membranes for osmotic power generation, super fibers and films for floating offshore wind turbines, VOC recovery equipment for lithium ion battery plants, membranes and equipment for the concentration of valuables (lithium, etc.), materials related to hydrogen generators, hydrogen carrier materials, donor materials for organic thin film solar cells, etc.

Social changes and their impacts	Risk/opportunity item			The Group’s response measures
	Category	Term	Event	
Impacts due to the progress of climate change (Direct damage to assets, indirect impacts due to supply chain disruptions, changes in technology and market, etc.)	Physical risks	Present to medium term	Loss of productivity due to extreme heat	-Clarification of basic policy on prevention of heatstroke -Appropriate management of work environment and work (installation of additional awnings and cooling and ventilation facilities; reduction of continuous working hours in hot and humid workplaces; etc.) -Expansion of automation of in-plant operations -Management of heatstroke of onsite workers using IoT devices, etc.
			Stop of raw-material supply due to natural disasters	-Review of inventory levels and expansion of purchases from multiple suppliers -Diversification of logistics routes -Examination of alternative raw materials that are less susceptible to climate change
			Instability in raw material procurement	
			Damage to facilities and stoppage of operations due to flood disasters (floods, storm surges, etc.)	-Clarification of basic policy on flood damage -Enhancement of durability of manufacturing and power facilities, relocation of the facilities to higher places, and raising of their bulwarks -Dispersion and relocation of manufacturing sites -Implementation of Business Continuity Plan (BCP) training
	Physical opportunities	Medium term	Increased demand for civil engineering work	-Enhancement of products* for disaster mitigation and restoration work *Anti-sand-shifting sheets, anti-stripping sheets for concrete, materials for improving soft roadbeds, etc.
			Increased demand for seawater desalination due to water scarcity and drought Increased demand for ZLD* of industrial wastewater due to freshwater scarcity (*)Zero Liquid Discharge	-Expansion of sales of membranes for seawater desalination (reverse-osmosis (RO) membranes, forward-osmosis (FO) membranes, etc.)* -Development of RO membranes, FO membranes, etc. that enable greater energy saving and show higher durability -System development for high-efficiency concentration membranes (BC membranes*) -Strengthening of the production and quality management systems for RO membranes, FO membranes, BC membranes, etc. -Reinforcement of sales capability through Toyobo MC Corporation using overseas networks of Mitsubishi Corporation (*)Reverse Osmosis, Forward Osmosis, Brine Concentration
		Long term	Increased demand for response to infectious diseases (prevention and treatment) due to higher temperatures	-Increased demand for food packaging-related products -Promotion of research and development for infectious disease-related products and technology

(d) Risks and opportunities considered highly material

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

We recognize that there are flood disaster risks at the Tsuruga Plant, the Iwakuni Plant, and the Inuyama Plant, the Group’s main plants, due to all of them being located near rivers or coasts and on lowlands. If climate change progresses, we project that the flood disaster risks will increase further due to sea level rise and changes in raining patterns. We calculated the estimate of decreases in assets (damage to buildings, equipment, etc.) due to flood disasters in 2030s using their book values, and the results show that the damage at these three plants can reach a maximum of about ¥65.0 billion. Note that the decrease in assets due to flood damage at the three plants is estimated by multiplying the book value of the buildings, equipment, etc. of the three plants by the rate of flood damage* publicly released by the Ministry of Land, Infrastructure, Transport and Tourism.

* “Manual for Survey of Flood Control Economy (Draft),” the Ministry of Land, Infrastructure, Transport and Tourism (April 2024)

(Measures for reducing risks)

In the current fiscal year, we established new “Guidelines for Flood Damage Countermeasures” to clarify the Group's basic policy regarding flood damage countermeasures at its production sites. We are prioritizing and successively implementing flood damage countermeasures for newly planned production facilities and power equipment (such as elevation/uplift) as well as those for existing facilities such as the additional installation of watertight doors and enclosure fences.

(Main parameters used in scenario analysis)

- Sea level rise in East Asia (RCP8.5, IPCC AR5)

<Material risk 2: Introduction of carbon pricing>

In the Business As Usual (BAU) scenario*, in which FY 3/21 is the base year (actual emissions of 900,000 tons-CO_2), Scope 1 and 2 emissions in FY 3/31 will increase to about 1,300,000 tons-CO_2 as our sales will increase. In the BAU scenario, if it is assumed that the carbon price in FY 3/31 will be ¥15,000/ton-CO_2, the annual cost will be about ¥20.0 billion.

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

(Measures for reducing risks and costs thereof)

The Group considers increases in its Scope 1 and 2 emissions as a climate-related material risk. In FY 3/23, it announced the Sustainable Vision 2030, a plan aimed at transitioning to a decarbonized society, which includes its roadmap to carbon neutrality. In this roadmap, we aim to reduce our Scope 1 and 2 emissions in FY 3/31 to 655,000 tons-CO_2 or less by implementing measures to achieve energy reductions and greater energy saving— including improvement of production efficiency—and to optimize energy sources— including fuel conversion and introduction of renewable energy. In this case, the annual cost of carbon pricing will be about ¥10.0 billion, a reduction of about ¥10.0 billion from the BAU scenario.

The aggregate amount of environment-related investments to be made by 2025 in accordance with the roadmap to carbon neutrality will be included in the cumulative forecast of ¥17.0 billion for safety, environment and disaster prevention investments between FY 3/23 and FY3/26.

(Main parameters used in scenario analysis)

- Carbon price per unit (Net Zero Emissions by 2050 Scenario, IEA WEO 2024)

<Material risk 3: Increased demand for reduction of the use of and replacement of petroleum-derived resources> and <Material opportunity 1: Increased demand for low-carbon/ decarbonized materials and products>>

The films business, which is the Group's major business, accounts for roughly 40% of the Group's total net sales. Additionally, the majority of the current net sales of the films business depends on petroleum-derived resources. As society changes and moves toward decarbonization going forward, it is expected that demands from society, including customers, to reduce the use of petroleum-derived resources and replace them with alternatives will increase, which we recognize as a climate-related material risk. We also consider that demand for low-carbon/decarbonized materials and products will increase, presenting a business opportunity

(Measures for reducing risks/realizing opportunities and costs thereof)

In its Sustainable Vision 2030, the Group defined technologies and initiatives that contribute to reducing the use of petroleum-derived resources as green technologies and initiatives* and set the target of achieving a ratio of green products of 60% by FY 3/31. That ratio came to 14% in the current fiscal year.

In the current fiscal year, "ReCrysta," our newly developed PET film for shrink labels, was granted international certification for its recycling performance. In the future, we will contribute to the expansion of PET recycling, particularly in Southeast Asia.

Film products that contribute to reducing the use of petroleum-derived resources are also low-carbon/decarbonized products. We will work to increase the ratio of green film products to reduce risks and gain and expand business opportunities. Of the target net sales of the films business in FY 3/31 of about ¥220.0 billion, about ¥130.0 billion will come from gaining and expanding these business opportunities.

The cost for the current fiscal year to increase the ratio of green film products is amount of research and development investment related to green film. This amount is included in the ¥4.4 billion in research and development expenses under the Films segment.

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

<Material opportunity 2: Increased demand for seawater desalination>

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

The Group made forays into the seawater desalination business in the 1970s with RO membranes developed using spinning technology. Due to their material properties, RO membranes have superior durability against chloride. They especially demonstrate advantages in desalination of seawater in closed sea areas and other waters where microorganisms can easily proliferate, thereby contributing to a stable supply of freshwater in the Gulf countries of the Middle East.

Additionally, the Group develops and sells BC membranes that concentrate solutions with high efficiency with the application of this technology. In the current fiscal year, these were adopted in the process of recovering lithium from used lithium-ion batteries at the recycling plant of a major Chinese battery recycler. In addition, the Group anticipates that sales will expand through the likes of applications of lithium enrichment from salt lake brine, wastewater treatment and recycling of factory wastewater, and Zero Liquid Discharge (ZLD).

(Measures for realizing opportunities and costs thereof)

In its Sustainable Vision 2030, the Group set the target of desalinating seawater using membranes to make tap water for 10 million people in FY 3/31. As of FY 3/24, the amount of that water produced was enough for 5.2 million people. Going forward, the Group will continue endeavoring to acquire and expand upon business opportunities through the resolution social issues by reinforcing its solutions provision capability through Toyobo MC Corporation, its joint venture with Mitsubishi Corporation.

Expenses for the current fiscal year for the purpose of realizing these targets and acquiring business opportunities are the amount of research and developments related to water treatment membranes. This amount is included in the ¥3.8 billion in research and development expenses under the Environmental and Functional Materials segment.

<Material opportunity 3: Growth in demand of products that lead to contributions to the reduction of greenhouse gas emissions>

The Group has many products, facilities and solutions that contribute to the reduction of greenhouse gases GHG reduction through replacements of preexisting technologies. One of them is VOC recovery equipment, which apply energy-saving means to remove VOC that arise at secondary battery, pharmaceutical, printing and other plants and make it possible to recover and reuse organic solvents. Since the 1970s, the Group has been developing and selling "K-FILTER" activated carbon fibers, a VOC adsorbent, and VOC recovery equipment using those fibers. The latest models of VOC recovery equipment employ a system that desorbs VOC using the likes of heated nitrogen. Further, this is making the recirculation of nitrogen possible. This equipment is extremely compact, requires little energy to run, and enables the recovery of high quality organic solvents with few impurities. From the standpoint of realizing a decarbonized society, there is growing demand to replace VOC combustion methods with nitrogen desorption methods, which are recognized as more effective in reducing GHG compared to combustion methods and the conventional technologies they are based on.

In the future, the Group will push forward with expanding the use of the product at production plants for solid-state batteries, which constitute next-generation batteries. Furthermore, we will actively develop solutions that contribute to the reduction of GHGs. Meanwhile, in the semiconductor industry, we have a track record of introducing equipment systems using the "HONEYROTOR" VOC Concentration equipment since the 2000s. Its performance and results have been highly evaluated in recent times as semiconductor plants return to Japan, resulting in its greater adoption at those plants.

(Measures for realizing opportunities and costs thereof)

Since FY 3/24, the Group has been initiating operations at Toyobo MC Corporation, a joint venture between Toyobo and Mitsubishi Corporation in the functional materials field. Taking advantage of Mitsubishi Corporation's overseas bases and contact points with end users, the Group will anticipate mega-trends, develop its associated overseas businesses, and bolster its solutions provision capability. Under its Sustainable Vision 2030, the Group has adopted a target of 7.0 billion Nm^3/year for the air volume of VOC to be processed by VOC recovery equipment for secondary battery plants in FY 3/31. As of FY 3/25, the air volume processed by the equipment was 5.4 billion Nm^3/year following the impact of the slowdown in the promotion of EVs. However, going forward, the Group will endeavor to acquire and expand business opportunities through the resolution of social issues.

Expenses for the current fiscal year for the purpose of realizing these targets are the amount of research and developments related to VOC recovery equipment. This amount is included in the ¥3.8 billion in research and development expenses under the Environmental and Functional Materials segment.

(iii) Risk management

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

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

(iv) Indicators and targets

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

In FY 3/25, while net sales increased by 1.9% from the previous fiscal year, Scope 1 and 2 emissions were 780,000 tons-CO_2*, (an approximately 6% decrease from the emissions in FY 3/24, 830,000 tons-CO_2). The renovation of the in-house thermal power generation plant at the Iwakuni Production Center in October 2023 and transition of fuel from coal to the likes of LNG led to a major reduction in Scope 1 emissions.

On the other hand, Scope 3 is attributed to sales of the Group's VOC treatment equipment, and Category 11 (emissions associated with the use of products sold) is on the rise. We are pushing forward with the introduction of new technologies and energy-saving technologies in this equipment, and are pursuing reductions in GHG emissions largely through curbing and reusing utility usage and saving energy. Note that the Group's VOC treatment equipment processes VOCs generated at customer plants (for secondary batteries, pharmaceuticals, printing, etc.) while saving energy, and that some of the equipment is also capable of recovering and reusing organic solvents. Not only does it reduce GHG emissions, but it also contributes to the mitigation of the burden on the environment.

Category	Indicator		Target	Major measures	FY 3/24 Results	FY 3/25 Results
GHG	GHG emissions	Scope1,2	FY 3/31: 27% reduction (SBT) (Base year: FY 3/21) *Equivalent to a 46% reduction from the level of FY 3/14	- Energy reductions, energy saving, production efficiency improvement, fuel conversion, introduction of renewable energy, etc.	From the level of FY 3/21 8% reduction (830,000 tons-CO_2)	From the level of FY 3/21 13% reduction (780,000 tons-CO_2)
			FY 3/51: Net zero emissions	- Introduction of carbon-free fuels, purchases of renewable energy, manufacturing process innovation, etc.	(Note 1)	(Note 1)
		Scope3 (Categories 1 and 11)	FY 3/31: 12.5% reduction (SBT) (Record fiscal year: FY 3/31)	- Category 1*: Acceleration of the switch of raw materials to recycled materials and biomass- derived materials *Emissions accompanying activities related to purchased raw materials and services (manufacturing, etc.) - Category 11*: Measures to achieve greater energy saving with VOC recovery equipment, etc. *Emissions accompanying use of sold goods	From the level of FY 3/21 107% increase (4,800,000 tons-CO_2) (Note 2)	From the level of FY 3/21 109% increase (4,840,000 tons-CO_2) (Note 2)
Climate-related opportunities	Ratio of green film products (also serving as an indicator for reducing transition risks)		FY 3/31: 60% or higher	- Promotion of material recycling and chemical recycling, development and expanded use of biomass-derived raw materials, film volume reduction, etc.	13%	14%

	Seawater desalination using membranes	FY 3/31: Equivalent to tap water for 10 million people	- Expansion of sales of membranes for seawater desalination (reverse-osmosis (RO) membranes, forward-osmosis (FO) membranes, etc.) - Development of RO membranes, FO membranes, etc. that enable greater energy saving and show higher durability - Strengthening of the production and quality management systems for RO membranes, FO membranes, etc. - Commencement of sales of RO membranes inside India	Water for 5.2 million people	Water for 5.2 million people
	Air volume to be processed by VOC recovery equipment* * Air volume processed by equipment sold and in operation to date	FY 3/31: 7.0 billion Nm^3/year	- Reinforcement of sales activities from the perspective of contributing to the reduction of greenhouse gases on the customer side (Replacement from combustion type) - Reinforcement of sales structure through the Toyobo MC Corporation joint venture - Adoption of new technologies, including those for greater equipment downsizing, energy-saving, etc. - Expansion of sales outside the secondary battery field, such as in the printing, film/seal, and other processing industries	6.0 billion Nm^3/year	5.4 billion Nm^3/year

Category	Major Measures and FY 3/25 Results
Environment-related investments	- Target: Cumulative forecast amount of ¥17.0 billion for FY 3/23-FY3/26 (total amount of investments in safety, disaster prevention and environment) - Measures: Introduction of low-carbon facilities for in-house thermal power generation, introduction of renewable energy facilities, etc. - FY 3/25 results: Full-scale operation of LNG-thermal power generation plant at Iwakuni Production Center (coal-free); additional installation of solar power generation equipment at Inuyama Plant; new installation of solar power generation equipment at head office plant of overseas subsidiary TOYOBO SAHA SAFETY WEAVE CO., LTD.
Internal carbon pricing	- System introduced in FY 3/23; currently in operation Internal carbon pricing ¥10,000/ton-CO_2 - Proactive decisions on capital investments and investments in facilities for development purposes that cause changes in the volume of CO_2 emissions
Compensation	We decided to add GHG emissions reduction as a climate change response-related indicator to the items for evaluation of non-financial indicators to be reflected in executive compensation (incentives) (Applied starting with compensation for July 2025 onward to be paid based on results for FY 3/25).

(Notes) 1. We aim to achieve net zero emissions by FY 3/51. Note that the amount of electricity generated from renewable energy sources in FY 3/24 and FY 3/25 was 896 MWh and 1,487 MWh, respectively.

2. Results for the most recent fiscal years (FY 3/23 and FY 3/24).
The results for FY 3/25 are scheduled to be announced in the Integrated Report to be available on the Group's website around August 2025.
(https://www.toyobo.co.jp/sustainability/report/)

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

Based on its approach of People First, the Group aims to implement human resource and labor management measures to achieve its management policy and business strategy and improve corporate value in accordance with its Human Resources Management Policy.

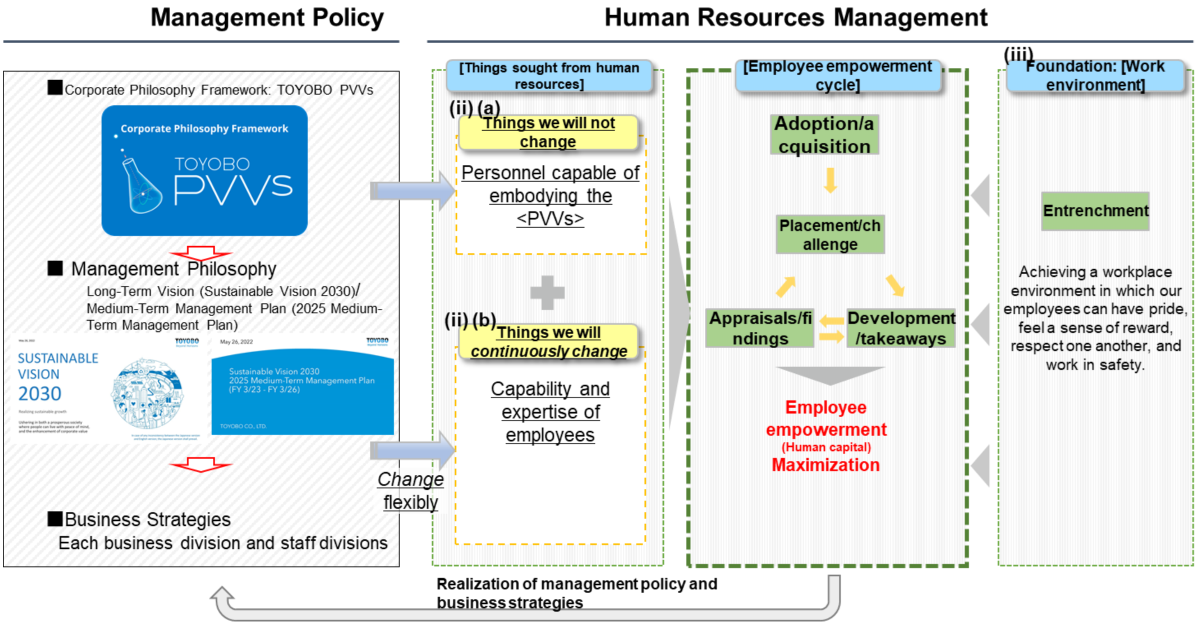
The executive officer supervising the human resource division (Director and Managing Executive Officer) is appointed as the executive in charge of human resource management. At the Company, the Human Resources Department regularly hosts information exchange and discussion sessions with the persons in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

(i) Human Resources Management Policy

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

Specifically, we will create an employee empowerment cycle that helps employees to "continuously change or update" their skills and expertise in line with changes in our management policy or business strategy, while at the same time remaining firmly committed to the TOYOBO PVVs regarding what we will "not change," and putting it into action. We will also build the foundations of an environment where our employees can work with peace of mind.

We believe that achieving these will lead to our employees' happiness and the Group's sustained growth.



(ii) Issues and strategy related to human resource development

(a) Human resource development whose aim is things we will "not change"

<Ideal human resources and development policy>

Together with an accompanying organization, we will develop human resources that are capable of showing "Values" (The standards that we prize), "welcoming change, enjoying change, and creating change," and practicing the TOYOBO Spirit: 9 Commitments*" as personnel capable of embodying the TOYOBO PVVs that make up our Corporate Philosophy Framework.

* 9 Commitments: Day-to-day approach and action guidelines that set forth the things valued by the Toyobo Group, centered on the three pillars of "Challenge, Reliability and Collaboration."
Challenge ((i) Think Ahead (ii) Create (iii) Accomplish)
Reliability ((iv) Safety First (v) Customer Satisfaction (vi) Factual Basis)
Collaboration ((vii) Mutual Communication (viii) Diversity (ix) Providing Opportunities)

<Issues>

Since the establishment of the Group's Corporate Philosophy Framework in 2019, understanding of that framework continues to see increasing penetration in the Group. Nonetheless, it is necessary for us to continue developing human resources who can put that into action as well as an accompanying organization.

<Strategy>

In order to continue creating human resources and an organization that embody the TOYOBO PVVs, we capitalize on various training opportunities such as new graduate/new employee training, mid-career hire training, Group company manager training, and managerial position promotion training to continue facilitating that penetration through lectures and dialogue on TOYOBO PVVs. Also, by including the TOYOBO Spirit: 9 Commitments in behavioral evaluations as part of performance appraisals, we promote the modification and entrenchment of employee behavior.

〇Indicator: Training investment (training time) per employee

(b) Human resource development whose aim is things we will “continuously change and update”

<Ideal human resources and development policy>

We will go on to enhance measures to elevate capability and expertise in accordance with our management policy and business strategies.

For our next-generation management personnel, in addition to developing personnel who personally take the initiative in “creating change”, we will proceed to develop personnel for the Group to pursue its business activities across the entire globe.

<Issues>

With training frameworks unique to each division, center and plant, the Group has endeavored to pass on techniques to human resources and have them acquire knowledge. However, some of that content was redundant or insufficient.

<Strategy>

■Company-wide universal training

We establish shared knowledge required by the Group according to hierarchy, job type, and purpose, and administer it based on a company-wide training framework.

■Engineer training

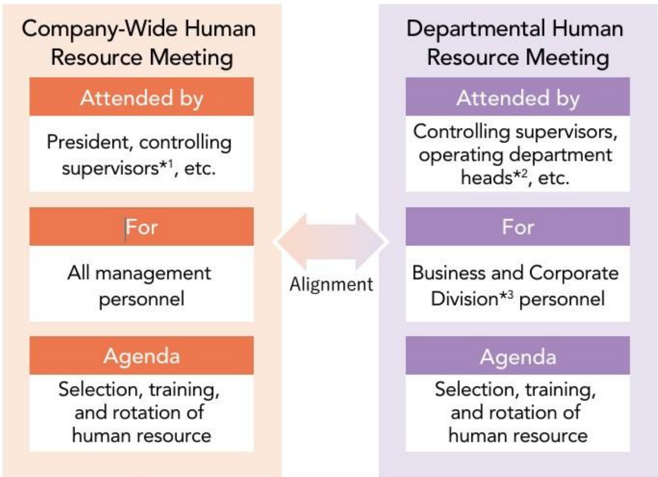
The Technology Department, which handles engineer development, spearheads the verification of the training framework implemented at each center, the establishment of an engineer training framework shared across divisions for studying techniques, and the development of human resources for manufacturing.

■Specialized techniques and knowledge

Training in specialized techniques and knowledge that differs from division to division is administered by the individual division. Furthermore, by linking the acquisition of necessary qualifications to promotion requirements, we are securing and enhancing the capability and expertise required by each department and grade.

■Next-generation management personnel development

We plan internal and external training for handpicked personnel to develop them into management executives. The Group holds Human Resource Meetings to discuss measures to develop next generation executives. We have a Company-Wide Human Resource Meeting, which primarily deliberates on successors of management executives, and a Departmental Human Resource Meeting, which mainly discusses successors of personnel in highly professional positions. By aligning these two conferences, we will identify competent personnel and train them more effectively.



*1 Oversees each division and administration division
*2 Oversees specific fields across multiple business divisions
*3 Corporate divisions including corporate planning, management and administration, and human resources

■Global human resource development

Since 2011, we have has conducted “short-term overseas business training” at overseas Group companies for domestic employees for the purpose of securing overseas personnel capable of cultivating overseas markets, etc. and systematically training and developing them. The number of participants in this training has reached a cumulative total of 100. It also served as strong motivation for young and mid-career employees to participate in global business and as great opportunity to advance their careers. However, as opportunities for overseas dispatch as part of our business have increased, starting in FY 3/26, we plan to achieve the foregoing in the course of overseas dispatching for each business. In addition, we also offer local executive candidates at overseas group companies “a national staff training program” that gives them an opportunity to receive training in Japan. A cumulative total of over 100 staff members have come to Japan and taken part in this training to date.

■Capability development support

Under the new human resource system that we commenced in July 2022, in order to link the system to the improvement of individual capability, we clearly indicate expected skills for each grade and, through the preparation of career development sheets and interviews with superiors conducted upon yearly performance appraisals, arrange for opportunities to examine personnel’s future career and capability development. Then, to enable personnel to learn the knowledge and skills they need in accordance with expectations based on their duties and their career, we ready publicly-open training, e-learning for self-improvement, and other programs, and support autonomous study and capability development.

○Indicator: Number of overseas core personnel who participated in training programs in Japan, training investment (training time) per employee

(iii) Issues and strategy related to internal environment

<Ideal internal environment and development policy>

Our belief is that establishing a safe and secure workplace environment, then realizing a workplace whose employees can work with a sense of growth, pride, and reward (job satisfaction), leads to the happiness of those employees and the sustainable growth of the Group.

- Establishment of a safe and secure workplace

We aim for our Group to pursue the preservation and promotion of the physical and mental health of our employees and to outfit ourselves with a workplace environment and various systems that diverse human resources find comfortable to work in.

- Diversity, Equity & Inclusion

Having set forth the Toyobo Group Diversity Promotion Policy, we promote diversity with the three elements of diversity, equity, and inclusion as it pillars.

- Entrenchment of a new human resource system

Our view is that entrenching our new human resource system, which affords our employees a sense of job satisfaction, and ensuring a functioning cycle of human resource activity ties into the maximization of human capital and contributes to the realizing of the management policy and business strategies of the Group.

<Issues>

The Company has been tackling the promotion of diversity for some time. We established targets with the aim of improving the ratio of women in managerial positions and ratio of men taking childcare leave, and have been implementing associated measures.

<Strategy>

■Diversity, Equity & Inclusion

The Group is aware that being with people who are different in terms of workstyles, career experience, gender, nationality, race, or beliefs, valuing each other, and working with them toward goals, leads to personal growth and the organization's growth. We consider it important to mutually recognize the value of different views and existence of diverse human resources and strive together to achieve ambitious goals.

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

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

えるぼし(2段階目)認定マーク

総合研究所にある企業内保育園「おーきっず®」

Regarding efforts to increase the ratio of employees with disabilities, we are working to identify issues in our work environment to improve that environment. For specific cases of improving the work environment, we have renovated the offices of the Tsuruga Research and Production Center and the Inuyama Plant to make them conform to universal design. At other centers as well, we are successively carrying out similar universal design-minded building renovations and the proactive hiring of persons with disabilities.

To promote the creation of a workplace that diverse human resources, gender minorities included, find comfortable to work in, we have set up a LGBTQ+ consultation counter for all our employees. We have conducted training programs for personnel in charge of actual operations, prepared guidelines and the like as well, and developed educational activities that serve to deepen employee understanding. In recognition of these activities, we were awarded the highest rank of Gold in the "PRIDE Index 2024."

○Indicator: Ratio of women in managerial positions

■Health and Productivity Management

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

- Initiatives to raise employees' health awareness (enlightenment and education)
- Initiatives to improve employees' lifestyles (including exercise, diet, helping them quit smoking, etc.)
- Initiatives to strengthen mental health improvement measures (improvement measures for highly-stressed employees and workplaces, etc.)

Since FY 3/23, we have been stepping up employee enlightenment efforts, such as seminars about smoking to lecture on passive smoking and nicotine addiction, promotion of an online quit-smoking program, and seminars to promote understanding of women's health issues. We carry out physical checkups that include more items than legally required, covering lifestyle-related diseases and cancers as well. In cooperation with the health insurance association, we offer a cancer checkup to those of employees and their dependents who want to take it, in order to detect and treat any disease in employees and their family members as early as possible. At the clinic, we also field health-related consultations, including referrals to specialized medical institutions, to help employees maintain and improve their health.

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

As our globalization efforts accelerate, the number of employees working overseas has increased year after year. We provide those employees with various support measures such as a thorough physical checkup and vaccinations, both of which are mandatory before leaving Japan, as well as assistance to receive local healthcare services and the provision of information about the region where they live.

For five consecutive years between 2021 and 2025, the Company (Toyobo Co., Ltd.) has been recognized as an enterprise (in the large enterprise category) under the Certified Health & Productivity Management Outstanding Organizations Recognition Program co-sponsored by the Ministry of Economy, Trade and Industry of Japan and the Nippon Kenko Kaigi. For the two straight years between 2023 and 2024, it was certified as one of the White 500 enterprises (in the large enterprise category) under that program. We will continue to strive to maintain and enhance employees' health and to otherwise further strengthen and advance health and productivity management, thereby aiming to achieve the further improvement of our corporate value.

2025
健康経営優良法人
KENKO Investment for Health
大規模法人部門

○Indicator: White 500 Health and Productivity Management recognition

■Establishment of a workplace environment and programs that make it comfortable for diverse human resources to do their jobs

We are engaging in workstyle reform to ensure that our employees can work efficiently with a new mindset and make their professional life and personal life more fulfilling, while also providing programs supporting their childcare and nursing care and implementing flexible working hours and remote work policies. The Company has introduced a shorter working hours policy for childcare and a nursing care leave policy, both of which offer greater benefits than legally required, in addition to a five-day childcare leave policy. To ensure that more male employees take childcare leave, we remind each male employee who has a new baby of the childcare leave policy and have his superior encourage him to take the leave. We will continue the promotion so that it will be a matter of course that a male employee takes childcare leave. Through these activities, the Company (Toyobo Co., Ltd.) has acquired the Platinum Kurumin certification as a company endeavoring to assist with childcare at a high level.

プラチナくるみん
子育てサポートしています

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

○Indicator: Ratio of men taking childcare leave (%), ratio of employees taking annual paid leave

■Elimination of health problems caused by overwork

In order to prevent the normalization of long working hours, which have the potential to cause health problems, the Company set a certain guideline for each center and plant based on agreement between labor and management to keep movements that could lead to long working hours in check and reduce excessively long working hours. Additionally, we set a No Overtime Day at each center and plant based on cooperation between labor and management, encouraging employees to leave the office at closing time and go home to use their time for their families and themselves. Moreover, when overtime work exceeds a certain level for three consecutive months, our policy is to report the situation and countermeasures to management.

○Indicator: Ratio of employees who overwork (Changed from original indicator of "Reduction of the number of employees who worked in excess of statutory working hours" starting from FY 3/25 in order to facilitate the prioritization of the prevention of health problems caused by long working hours)

■Entrenchment of a new human resource system

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

■Engagement survey

It is the belief of the Company that engaging in the above various strategies and measures will eventually tie into the improvement of employee engagement. We started an organizational culture and sense of reward survey for all officers and employees in FY 3/22. Using this survey, we will grasp the state of employee engagement regularly and develop an environment in which employees can work on their own initiative with pride and a sense of satisfaction.

○ Indicator: Rate of affirmative responses in employee engagement score

* In this document, the descriptions provided without reference to 'the Group' are those about Toyobo Co., Ltd. and its main subsidiaries Toyobo MC Corporation and Toyobo STC Co., Ltd. unless otherwise specified. Due to the differences from country to country in local attributes and business configuration/scale, including laws, regulations, and customs, as well as in human resource systems based thereon, it is difficult to make descriptions on a consolidated company basis. For that reason, the Group implements measures for the main subsidiaries of Toyobo Co., Ltd., which apply human resource systems that are identical to those of the Company.

(iv) Indicators and targets

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

Strategy item	Indicator (key performance indicator (KPI)) (Note 1)	Target (Note 2)	FY 3/24 Results	FY 3/25 Results
Human resource development	Number of overseas core personnel who participated in training programs in Japan	15 people per year	7	20
	Training investment (training time) per employee	¥50,000 per year (21 hours)	¥50,000 per year (18.22 hours)	¥44,000 per year (14.35 hours)
Building a better workplace environment (Building the foundations)	Ratio of women in managerial positions	5.0% or higher	5.5%	5.6%
	Ratio of employees taking annual paid leave	75% or higher	83.2%	79.0%
	Ratio of employees who overwork (Number of employees whose overtime work exceeded a certain level for three consecutive months/the number of employees subject to the regulations)	Improvement over previous fiscal year	— (Note 3)	0.26 %
	Ratio of men taking childcare leave (%)	Ratio: 80% or more; and average days of leave taken: 14 days or more (a 20% increase from the level of FY 3/21)	Ratio: 97.7% Average number of days of leave taken: 19.3 days	Ratio: 86.3% Average number of days of leave taken: 28.2 days
	White 500 Health and Productivity Management recognition	Obtain and maintain the recognition	Recognized as a 2024 White 500 Health & Productivity Management Outstanding enterprise (in the large enterprise category)	Recognized as a 2025 Health & Productivity Management Outstanding enterprise (in the large enterprise category)
	Rate of affirmative responses in employee engagement score (1) Items related to routine performance of duties (2) Items related to respect for diverse opinions and ways of thinking	Improvement in score (Compared to previous fiscal year)	(1) 38% (2) 50% (Note 4)	(1) 42% (2) 53%

Notes:
1. "Number of overseas core personnel who participated in training programs in Japan" denotes targets and actual figures for all consolidated subsidiaries. Other indicators denote targets and actual figures for Toyobo Co., Ltd. and its main subsidiaries Toyobo MC Corporation and Toyobo STC Co. Due to the differences from country to country in local attributes and business configuration/scale, including laws, regulations, and customs, as well as in human resource systems based thereon, it is difficult to make descriptions on a consolidated company basis. For that reason, the Group sets various indicators and targets and implements measures for the main subsidiaries of Toyobo Co., Ltd., which apply human resource systems that are identical to those of the Company.
2. The target for FY 3/26.
3. Changed from original indicator of "Reduction of the number of employees who worked in excess of statutory working hours" to "Ratio of employees who overwork" starting from FY 3/25 in order to facilitate the prioritization of the prevention of health problems caused by long working hours.)
4. Because this item has been implemented every other year since FY 3/23, it has not been implemented in FY 3/24. For that reason, results for FY 3/23 provided as a reference.

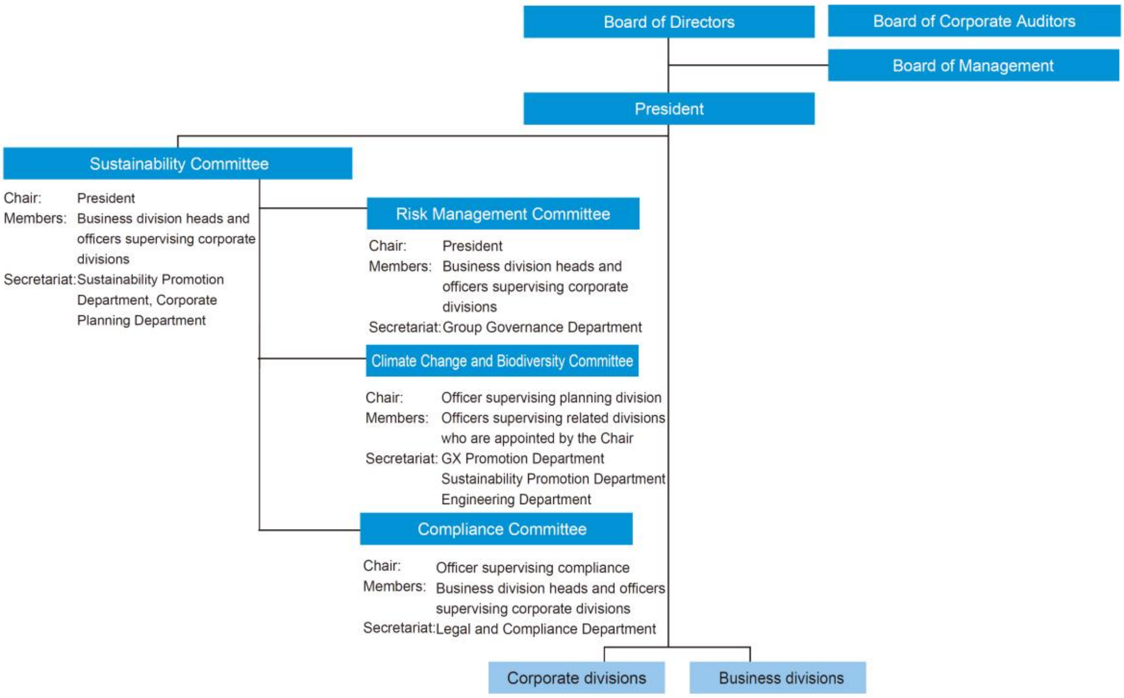
3. Risk Factors

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

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

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

Sustainability promotion structure



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

Furthermore, in the case where the external environment changes, including the case where risks in (1) to (15) below or risks other than those described below become apparent and the businesses are affected directly or indirectly, the case where various measures are taken but these measures do not work effectively, the case where unexpected situations arise, and other cases, targets set in the 2025 Medium-Term Management Plan might not be achieved and the Group's operating results, financial status, etc., could be seriously affected.

<Incurred or highly probable risks>

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

The Group conducts production and other corporate activities at various locations in Japan and overseas, and strives to prevent accidents and the spread of infectious diseases to the extent possible by replacing aging facilities and enhancing equipment management at each plant and 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, and snow, an accident such as fire, an infectious disease, or an accident at a nuclear power plant etc. occurs, or the case where any similar disaster happens to a business partner, it could seriously affect the Group's businesses and others.

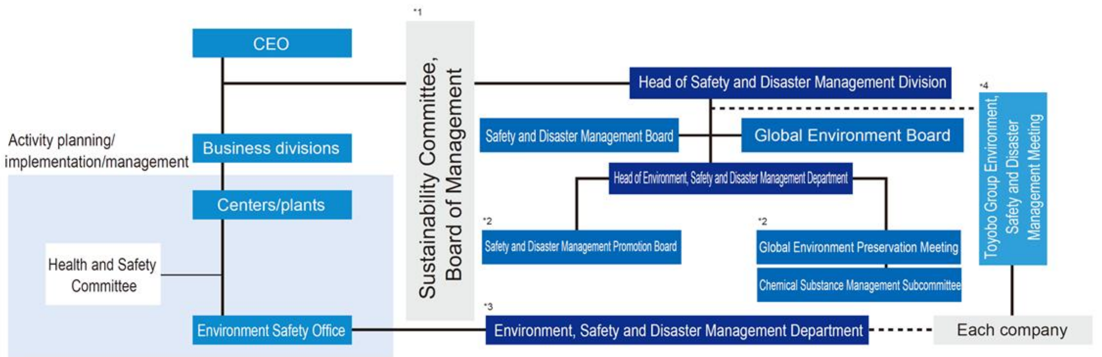
In light of the Tsuruga Plant No. 2 fire accident that occurred in September 2018 and the Inuyama Plant fire accident that occurred in September 2020, the Group is working to prevent recurrence from the dual aspects of fostering a culture of safety and improving safety infrastructure.

Believing that "ensuring health and safety is a prerequisite for corporate activities," the Group has established the "Toyobo Group Basic Policy on Health and Safety," which covers Group employees and partner companies, and is endeavoring to create a safe work environment under the slogan "Protect yourself, protect your colleagues, and tell others what you have found." The Safety and Disaster Management Division has been established as an organization directly under the president to steadily promote safety, security and disaster prevention initiatives, which constitute the highest-priority management issues. This organization organizes meetings of a Safety and Disaster Management Board whose members consist of experts from various fields as members. This Management Board evaluates the effectiveness of safety and disaster prevention activities and formulates company-wide policy proposals, with those policies decided on by the Board of Management and the Sustainability Committee. Progress is reported to the Board of Directors as appropriate.

The Safety and Disaster Management Division also spearheads efforts to visit each of the Company's centers and plants and Group companies to perform safety and environmental assessments and inspect local activities. In particular, with regard to fire and explosion risks, the local status of management is subject to regular inspections by third-party experts.

The Group is pursuing the acquisition of certification for the ISO45001 work health and safety management system in order to reduce risks in the work environment. As of March 31, 2024, we have obtained that certification at three sites: the Tsuruga Research and Production Center, the Iwakuni Production Center and the Utsunomiya Plant. We have also obtained certification at the Inuyama Plant on April 10, 2025.

The Toyobo Group Structure on "Safety," "Disaster Management," and "The Environment"



*1: Effectiveness evaluation and policy management for "safety, disaster management and environment" activities

*2: Deliberates and determines specific matters and manages progress *3: Assists with activities, provides information, and coordinates divisions *4: Briefing on policy and reporting on activity progress

(2) Worsening political and economic situations

The Group produces and sells in Japan and overseas a wide range of products in the fields of Films, Life Science, Environmental and Functional Materials, and Functional Textiles. Due to changes in U.S. trade policy and the outlook for monetary policies in each country and fluctuations in the geopolitical climate originating from growing instability in the political and social climate, there might occur serious political turmoil or an economic recession in the countries in which the Group and its suppliers have production bases or in major markets where we operate. In such an event, there is a possibility that our production and sales could be reduced. Furthermore, if the impact of any of these events is expected to continue for a long period, the Group's businesses could be seriously affected through recording of impairment losses on non-current assets and reversal of deferred tax assets.

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

(3) Litigation, etc.

As of the end of the current fiscal year, no major lawsuit that clearly has a material effect on the performance of the Company was filed against the Group.

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. In cases where the Group's claims are not eventually recognized in lawsuits or other proceedings, the businesses, etc. of the Group may be materially affected.

<Medium- to long-term risk>

(4) Purchase of raw materials

The Group's various products in the areas of Films, Life Science, Environmental and Functional Materials, Functional Textiles and so forth use petrochemical products such as polyester, nylon, and polyolefin as major raw materials. As described in "(1) Occurrence of disasters, accidents and infectious diseases" and "(2) Worsening political and economic situations," any of our customers or business partners experiencing a natural disaster, an accident, the spread of an infectious disease, business failure, withdrawal, or downsizing, or a serious supply chain disruption, could make it impossible for us to purchase a sufficient volume of raw materials. In addition, purchase prices of raw materials could rise due to fluctuations in crude oil prices and exchange rates, drastic changes in the demand and supply balance of those raw materials, and other factors and affect the Group's manufacturing and sales.

To address these risks, the Group strives to pass costs on to sales prices and reduce manufacturing costs, and has also established an appropriate trading policy whereby it works to purchase from multiple suppliers to diversify its sources of raw materials while conducting procurement and logistics responsibly so as to support the development of a sustainable society by means such as working to increase the use of green materials in our products, using more plant-derived raw materials as well as recycled raw materials. Moreover, we have established CSR Procurement Guidelines to address the likes of legal compliance, fair trading and respect for human rights as well as Green Procurement Guidelines to address consideration for the environment. By regularly reviewing and updating these CSR Procurement Guidelines to respond to the rapidly globalizing social climate, we have reinforced respect for human rights and environmental consideration in particular. In the Guidelines, we clearly state that we consider matters pertaining to human rights (such as the prohibition of child labor, forced labor, and discrimination against people of all backgrounds) upon selecting suppliers. We set the understanding of these Guidelines as one of the criteria for deciding whether or not to do business with a supplier. We have made our business partners, including major suppliers, aware that they must comply with the matters set forth in the Guidelines.

(5) Product defects

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

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

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

Note that in regard to some items from among the engineering plastic products that received certification from UL Solutions (UL), a third-party U.S. organization engaged in product safety certification, as a result of submitting for verification tests samples with a chemical composition different from those actually being sold to its customers and conducting manufacturing activities at a plant that was not registered to manufacture UL-certified products, from October 2020, the Company had its UL certification registration canceled for certain item numbers. However, as of March 31, 2025, it reacquired UL certification for all but two products. The Company is working on reacquisition while continuing to consult with its customers for the two products for which it has not acquired certification as well.

(6) Securing of human resources

The Group considers people to be our most important asset. We support the growth of each and every one of our employees, who have diverse characteristics and opinions. We believe that the continuation and development of the Group as a whole can be achieved by building an environment in which they can flourish within the company and realize their career development. On the other hand, if the Group cannot secure and develop personnel who have a high level of expertise or who have the leadership qualities to be future executives due to shrinkage of the working age population 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 as well as the creation of a workplace that allows them to independently learn and grow. 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, the employment of disabled persons and implement measures geared towards LGBTQ＋ with a focus on encouraging diversity.

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

(7) Climate change

Physical risks accompanying progression in climate change include the possibility of the temporary suspension of business activities due to natural disasters such as typhoons and torrential rain. Moreover, risks accompanying the transition to a decarbonized society include the possibility of increases in GHG emissions as a result of the introduction of carbon pricing and costs associated with the use of fossil fuels. In accordance with the recommendations by the Task Force on Climate-related Financial Disclosure (TCFD), the Group is analyzing and organizing future risks and business opportunities based on climate change scenarios under the Paris Agreement. We will determine the implications and financial impacts of these risks and opportunities, and then formulate response measures and set indicators and targets for those measures to improve the resilience of our management strategy. These risks are as described in "2. Approach and Efforts Toward Sustainability."

(8) Environmental burden

The Group handles a large number of chemical substances largely through the production of various products such as Films, Life Sciences, Environmental and Functional Materials, and Functional Textiles, and as such is subject to laws and regulations concerning water pollution, air pollution, soil contamination and chemical substance management. Further reinforcement of these laws and regulations could materially impact the businesses, etc. of the Group, resulting in the likes of higher response costs and lower Group net sales due to reduced profit opportunities.

To minimize this risk, we endeavor to improve our manufacturing processes so that we can minimize the amount of hazardous substances used and discharged, and also monitor the status of outflows of those substances. Additionally, we have organized our management structure to set forth the Toyobo Group Chemical Substance Management Classification in which we classify the chemical substances that we handle and establish how we will manage them for each classification. In doing so, we promote efficient use and substitution.

(9) Information security

The Group is tackling the acceleration and promotion of business innovation through DX and the utilization of data. It manages a high volume of important information assets in connection with the execution of its business, including customer and confidential information. Furthermore, laws and regulations for the protection of personal information and data are being reinforced around the world. The Group is required to comply with these as well. The Group has put in place various security measures for these information assets. However, in the event of communication failure due to natural disasters, etc., unauthorized access to systems, being targeted in an unforeseen cyberattack, and employee errors, among others, a suspension of its business activities resulting from system failure, leakage of customer information and confidential information, and damage from fraud, etc. could occur. As a result of the above, the Group could suffer a drop in social credibility and incur a sizable cost burden and its businesses, etc. could be seriously affected.

To respond to such risks, the Group has established an Information Security Policy and various regulations to properly manage, protect, and utilize all information assets.

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

(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 (順理則裕)" (Adhering to reason leads to prosperity), as the core of its compliance activities, and is promoting management that emphasizes compliance. At the same time, it may be difficult for the Group to completely avoid compliance-based risk in its products or services, labor or safety, or in its entire supply chain. 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.

Given such risks, in addition to the early detection, early correction and prevention of instances of misconduct through an internal reporting system and compliance questionnaires, the Group is carrying out various specific initiatives to promote compliance. With regard to the internal reporting system, in addition to the existing Japanese and English, a multilingual reporting system has been established so that national staff belonging to overseas Group companies and non-Japanese workers, technical interns, etc. working in Japan can make internal reports in the language they feel comfortable with to our compliance division. Regarding the promotion of compliance, we have established the "TOYOBO Group Staff Code of Conduct," a set of rules to be followed by all employees of the Group that corresponds to the "TOYOBO Group Charter of Corporate Behavior," and have published and distributed the "TOYOBO Group Compliance Manual," which specifically explains this code in an easy-to-understand manner, to all employees. In addition to disseminating the Code of Conduct to all employees through training (reading together) with the use of the Compliance Manual at each workplace, a global version of the code (in English and Chinese) has been published and distributed to our overseas sites. Additionally, local versions of the manuals that have been edited according to the laws, regulations and customs of each country and region are used in training programs at overseas Group companies. In addition, to help raise awareness of compliance, we conduct a compliance workshop targeted for managerial personnel from Group companies in Japan and overseas and publish a Compliance Mini Study every month that provides education in a case study format based on the likes of examples of compliance violations that are likely to cause problems in the workplace.

(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 climate change caused by global warming and trends throughout the global economy, if any country in which we operate experiences unforeseen events, including unexpected changes in laws, regulations or policies or social unrest as a result of terrorism, war, political upheaval, an epidemic or any other cause, this could have a material effect on the Group's businesses, etc.

In response to these risks, the Group has developed a Risk Management Manual for each overseas Group company to identify the risks early through each Group company's information collection, information from external consultants in addition to that from public agencies and deal with them specifically and appropriately before they become apparent. Also, as part of Group-wide risk management activities, risk assessment meetings are held for each domestic and overseas group company to form a comprehensive grasp of the impact of various risks, from natural disasters and safety and disaster prevention to information leaks and legal amendments, should they occur, and tie them into measures for improvement.

Furthermore, the Group complies with the tax laws of each country, pays taxes as appropriate, and adequately handles international tax risks such as transfer pricing taxation in each country. However, differences of views with tax authorities could result in additional tax levies.

<Financial risk>

(12) Foreign exchange rate fluctuation

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

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

(13) Substantial increase in interest rates

The Group raises funds by borrowing from financial institutions and issuing bonds, among other means. Of these interest-bearing debts, for borrowings exposed to the risk of interest rate fluctuation, derivatives (mainly interest rate swaps) are used as hedging instruments to avoid the risk of changes in interest payments. In addition, the Group focuses on a ratio of interest-bearing debt and net assets (excluding non-controlling interests) (D/E Ratio) and a ratio of net debt to EBITDA (a sum of operating profit and depreciation expenses) (Net Debt/EBITDA ratio). At the end of the current fiscal year, the D/E ratio was 1.37 and the Net Debt/EBITDA ratio was 6.1.

(14) Substantial decline in stock prices

The Group holds stocks that are traded on exchange markets and bears the risk of fluctuations in stock prices. If the prices of these stocks decline by a large margin, valuation differences in available-for-sale securities may decrease and losses may be recorded when these stocks are sold. For the Company's corporate pension, since certain pension assets are managed with stocks that are traded on exchange markets, there is a risk of pension assets decreasing in value due to a decline in stock prices. With respect to investment stocks held for purposes other than pure investment, the Company individually verifies whether the stock contributes to its sustained growth and medium- to long-term improvement in corporate value, in light of future business strategy, business relations, and other factors at the Board of Directors meetings each year to judge whether to continue holding the stock. The Company and its subsidiaries sold a portion of their investment securities, and posted a gain on sale in the amount of ¥0.1 billion.

(15) Impairment loss of non-current assets

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

Note that in the current fiscal year, total impairment losses of ¥1.9 billion were recorded on assets to be suspended and business assets included in the non-current assets held by the Company and some of its subsidiaries.

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

(1) Analysis of Operating Results

(i) Status of financial status and operating results

The business environment surrounding the Group in the fiscal year ended March 31, 2025 (hereinafter "the current fiscal year") saw heightened uncertainty about the outlook in the United States with recent signs of a slowdown in demand, despite economic activities remaining strong. In China, exports expanded, but the economy remained sluggish as effects of the policy against a prolonged real estate recession and weak consumption were limited. In Japan, the economy has recovered moderately due to an improvement in the income environment, which led to a recovery in consumer spending, as well as increased inbound tourism demand and expansion of capital investment.

Under this business environment, polarizer protective films for LCDs "COSMOSHINE SRF" and traditional Arabic fabric remained steady. Furthermore, in businesses requiring improvement, including the packaging film business, and the nonwoven materials business, measures such as product price revisions and review of the production system progressed, and profitability improved.

As a result, consolidated net sales in the current fiscal year increased 1.9% from the previous fiscal year to ¥422.0 billion, operating profit increased 85.1% from the previous fiscal year to ¥16.7 billion, ordinary profit increased 52.1% from the previous fiscal year to ¥10.6 billion, and profit attributable to owners of parent decreased 18.4% from the previous fiscal year to ¥2.0 billion.

Results by business segment were as follows:

Films

In the packaging film business, despite the impact of rising costs such as new product development expenses, profitability improved due to a moderate recovery in cargo movement as well as the promoted revision of product prices in response to increases in raw material and fuel prices and logistics expenses.

In the industrial film business, while sales of mold releasing film for multilayer ceramic capacitors (MLCC) for AI servers and other uses expanded, start-up cost for new production equipment increased. Sales of polarizer protective films for LCDs "COSMOSHINE SRF" were strong, supported by strong demand.

As a result, sales in this segment increased ¥10.3 billion (6.6%) from the previous fiscal year to ¥166.8 billion, and operating profit increased ¥4.2 billion (157.4%) to ¥6.9 billion.

Life Science

In the biotechnology business, sales increased, backed by strong demand for enzymes for diagnostic reagents both in Japan and overseas. However, the business was affected by an increase in expenses associated with the expansion of production capacity as well as a temporary decline in productivity.

In the medical products business, sales of artificial kidney hollow fiber membranes trended strong, but expenses to launch a new plant and expenses for infrastructure related investment increased.

In the contract manufacturing business of pharmaceuticals, the Warning Letter by the FDA was lifted, and progress was made in revising product prices.

As a result, sales in this segment decreased ¥0.2 billion (0.6%) from the previous fiscal year to ¥34.3 billion, and operating profit decreased ¥2.4 billion (54.7%) from the previous fiscal year to ¥2.0 billion.

Environmental and Functional Materials

In the resin and chemical business, progress was made in revising prices of engineering plastics, and sales of these products increased for automotive use for the North and Central America. Sales of photo functional materials for water-wash photosensitive printing plates increased, mainly in China and Southeast Asia.

In the environment and fiber business, environmental solutions sales of brine concentration membrane equipment for lithium recovery contributed, but sales declined for VOC recovery equipment used in the manufacturing process for lithium-ion battery separators due to the impact of the slowdown in the electric vehicle market. In high performance fibers, sales to overseas remained steady. In nonwoven materials, review of the production system in Japan proceeded, and profitability improved.

As a result, sales in this segment decreased ¥4.5 billion (3.9%) from the previous fiscal year to ¥110.8 billion, and operating profit increased ¥3.3 billion (70.6%) to ¥8.0 billion.

Functional Textiles and Trading

In the textile business, sales of traditional Arabic fabric grew due to strong demand, and exports saw an uptick in profitability due to the effect of exchange fluctuations. Furthermore, reforms of business structure such as the consolidation of production bases in Japan progressed.

In the airbag fabric business, product price revisions proceeded.

As a result, sales in this segment increased ¥2.4 billion (2.5%) from the previous fiscal year to ¥98.1 billion, and operating profit of ¥0.5 billion. (Compared with operating loss of ¥1.0 billion for the previous fiscal year.)

Real Estate and Other Businesses

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

As a result, sales in this segment decreased ¥0.2 billion (1.6%) from the previous fiscal year to ¥12.0 billion, and operating profit decreased ¥0.5 billion (15.3%) to ¥2.6 billion.

(ii) Analysis of cash flows

Cash flows from operating activities

Net cash provided by operating activities amounted to ¥30.1 billion at the end of the current fiscal year, an increase in income of ¥8.5 billion (39.5%) over the previous fiscal year. This was mainly due to a cash increase from depreciation of ¥22.7 billion and profit before income taxes ¥7.2 billion, and a cash decrease from an increase in working capital of ¥5.0 billion.

Cash flows from investing activities

Net cash used in investing activities amounted to ¥46.4 billion, a decrease in expenditure of ¥12.4 billion (21.1%) over the previous fiscal year. This was mainly due to purchase of property, plant and equipment and intangible assets of ¥45.2 billion.

Cash flows from financing activities

Net cash provided by financing activities amounted to ¥10.5 billion, an increase in income of ¥2.2 billion (27.0%) over the previous fiscal year. This was mainly due to proceeds from long-term borrowings of ¥40.5 billion and proceeds from issuance of bonds of ¥17.0 billion, and net decrease in short-term borrowings of ¥15.4 billion, redemption of bonds of ¥15.0, repayments of long-term borrowings of ¥13.3 billion and dividends paid of ¥3.5 billion.

As a result, the balance of cash and cash equivalents at the end of the subject fiscal year (March 31, 2025) stood at ¥27.4 billion, a decrease of ¥ 5.9 billion from the end of the previous fiscal year (March 31, 2024).

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

(a) Production results

Production results by segment for the fiscal year ended March 31, 2025 are as follows:

Segment	Amount (Millions of yen)	YoY change (%)
Films	168,286	8.3
Life Science	33,977	8.0
Environmental and Functional Materials	114,920	(6.6)
Functional Textiles and Trading	99,581	3.5
Real Estate	—	—
Other Businesses (of which, manufacturing)	18,891	(14.2)
Total	435,656	1.8

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, 2025 are as follows:

Segment	Amount (Millions of yen)	YoY change (%)
Films	166,842	6.6
Life Science	34,341	(0.6)
Environmental and Functional Materials	110,807	(3.9)
Functional Textiles and Trading	98,062	2.5
Real Estate	4,147	1.9
Other	7,834	(3.4)
Total	422,032	1.9

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

2. Inter-segment transactions are eliminated.

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

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

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

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

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

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

(a) Analysis of financial position

Total assets increased ¥10.8 billion (1.8%) from the end of the previous fiscal year to ¥617.8 billion. This was mainly due to an increase in property, plant and equipment due to capital investment, despite a decrease in cash and deposits.

Total liabilities increased ¥8.9 billion (2.3%) from the end of the previous fiscal year to ¥385.8 billion. This was mainly due to an increase in long-term borrowings, despite a decrease in short-term borrowings.

Net assets increased ¥2.0 billion (0.9%) from the end of the previous fiscal year to ¥232.0 billion. This was mainly due to an increase in non-controlling interests, despite a decrease in retained earnings due to dividends paid and other factors.

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

Fiscal Year		163rd term	164th term	165th term	166th term	167th term
Fiscal year-end		March 2021	March 2022	March 2023	March 2024	March 2025
Equity ratio	(%)	37.8	37.6	32.2	32.5	31.6
Equity ratio, based on market value	(%)	25.8	18.8	15.6	16.4	13.4
Return on equity	(%)	2.3	6.8	(0.3)	1.3	1.0
Interest-bearing debt to cash flow ratio	(Years)	5.3	11.2	29.4	11.5	8.9
Interest coverage ratio	(Times)	28.0	14.0	5.9	16.2	14.2
Ratio of interest-bearing debt to equity (D/E ratio)	(Times)	1.01	0.98	1.21	1.26	1.37

Equity ratio: shareholders' equity / total assets

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

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

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

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

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

The Group places particular emphasis on the ratio of interest-bearing debt and net assets (D/E ratio) as an indicator of financial soundness. At the end of the current fiscal year, the D/E ratio was 1.37.

(b) Analysis of operating results

In the current fiscal year, the third year of the 2025 Medium-Term Management Plan period, the Group set a plan at the beginning of the fiscal year to achieve net sales of ¥435.0 billion and operating profit of ¥17.0 billion and conducted business operations toward the targets. The Group, however, could not achieve the planned net sales and operating profit.

Regarding net sales, although sales of polarizer protective films for LCDs were firm, they fell under our planned figure at the beginning of the fiscal year due largely to the pace of expansion of mold releasing film for MLCC being lower than expected and net sales in the nonwoven materials business decreasing following the transfer of an affiliate's business.

Regarding operating profit, while we made more progress than planned at the beginning of the fiscal year in improving terms of trade, we fell short of our planned figure at the beginning of the fiscal year due largely due to higher new product development costs, including start-up costs for new equipment for packaging film, and other costs; delayed growth in demand for mold releasing film for MLCC ; and the impact of a temporary decline in productivity in the biotechnology business.

Profit attributable to owners of the parent halted at ¥2.0 billion mainly due to operating profit falling short of initial targets plus the booking of foreign exchange losses and impairment losses. As a result, return on equity (ROE) was 1.0%.

(Billions of yen)

	FY 3/25: (Plan*)	FY 3/25: (Results)	Change (Results - Plan)
Net sales	4,350	4,220	(130)
Operating profit	170	167	(3)
Profit attributable to owners of the parent	26	20	(6)

*Planned values at the beginning of the fiscal year

Business environment in FY 3/25 (Differences with initial assumptions)

Segment	Business	Initial assumptions	Differences with initial assumptions
Films	Packaging	Inventory adjustments completed; gradual recovery underway	(In line with initial assumptions)
	Industrial	Demand in line with previous fiscal year for polarizer protective films for LCDs	(In line with initial assumptions)
		Demand for mold releasing film for MLCC will recover from the latter half of the fiscal year	Below expected pace despite gradual expansion throughout fiscal year
Life Science	Biotechnology	Demand strong for enzymes for biochemical diagnostic reagents	(In line with initial assumptions)
	Medical materials	Demand for hollow fiber membranes for artificial kidneys progressing steadily	(In line with initial assumptions)
Environmental and Functional Materials	Resin and Chemical	Automobile production progressing steadily	Slowdown in Asian markets despite steady sales to North and Central America
		Recovery in demand for electronic material applications	(In line with initial assumptions)
	Environment and fiber	Strong demand for VOC recovery equipment	Impacted by slowdown in promotion of EVs
		Harsh competitive environment in nonwoven materials persisting	(In line with initial assumptions)
Functional Textiles and Trading	Airbags	Automobile production progressing steadily	Slowdown in Asian markets despite steady sales to North America

Based on its performance in the immediate term, the Group will tackle the improvement of its corporate value from FY 3/26 onward. Specific actions are as described in “1. Management Policy, Business Environment, and Issues to Address (4) 2050 Medium-Term Management Plan (iii) Initiatives for FY 3/26 onward.”

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

The factors that significantly affect the Group's operating results are as described in "II. Overview of Business, 3. Risk Factors." The Group is also closely monitoring the status of the launch of new equipment in the packaging film business.

(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, 2025 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	53,043	53,043	—	—	—
Long-term borrowings	126,027	11,684	27,419	35,847	51,077
Lease obligations	6,799	857	1,155	770	4,018

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

The Group's guarantees for third parties are loan guarantees for borrowings, etc. of affiliates. In the event of a default on guaranteed borrowings, etc. during the guarantee period, the Group is obliged to repay the debt. The amount of loan guarantees was ¥6,769 million as of March 31, 2025.

c. Fiscal policy

To achieve the forecast in the 2025 Medium-Term Management Plan review, the Group will continue to place top priority on safety, disaster prevention, and environmental responses and at the same time will invest aggressively in growing businesses. Necessary funds will be sourced internally or externally. Both direct and indirect finance will be used for external financing, which will be managed with a target D/E ratio of less than 1.4 times and a target Net Debt/EBITDA ratio of not less than 4 times to less than 5 times.

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

5. Material Contracts, etc

Not applicable

6. Research and Development Activities

As part of its "Sustainable Vision 2030" from 2022, 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 developing new products and creating new businesses based on the idea of open innovation, in addition to evolving our own core technologies.

The Group's R&D is handled by the departmental research and development division, which is directly operated by a responsible department in each segment, and the company-wide corporate research division, which endeavors to create new businesses, 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 Innovation Promotion Committee's policy, and promoted research and development activities that demonstrated the Group's collective capabilities while supporting the activities of the various departments and facilitating collaboration between them.

The total amount of research and development expenses for the current fiscal year amounted to ¥14.3 billion. A summary of activities by segment is as follows.

Films

In the packaging film field as well, needs for environmentally-friendly products are increasing, and the adoption of various applicable polyester, nylon and sealant film products is also growing in the form of "BIOPRANA," which contains biomass-derived raw materials. The Group commenced test sales and is currently expanding sales for an F&G type and ultra-high heat resistant type of "PYLEN EXTOP," a high heat resistance and high rigidity polypropylene films for which the Group has been working on reducing thickness as part of its plastic volume reduction efforts. Furthermore, the Group will also tackle the mono-materialization of packaging materials and actively promote it in order to contribute to the realization of a circular economy.

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

The research and development expenses for the Films segment were ¥4.4 billion.

Life Science

In the area of infectious disease diagnosis, we have successfully developed a test kit with improved detection sensitivity compared to before for Mycobacterium tuberculosis, which requires rapid testing for hospitalization of patients and infection control. We intend to commence sales of this product soon. Additionally, we have succeeded in developing a PCR test material that can be freeze-dried, which is in high demand by diagnostic reagent manufacturers. We commenced sales of this material.

In the medical equipment field, the construction of a medical research center was completed, and its operation commenced in April 2024. We are accelerating the development of the likes of coating polymers that provide biocompatibility to catheters and blood circuit tubing.

The "VolSep" ascites filtration and concentration filters in the medical membrane field have been approved for manufacture and sale by the Ministry of Health, Labour and Welfare, and are now covered by insurance. In addition to enhancing our blood purification product line, we are also promoting the development of process membranes such as virus removal membranes used in the pharmaceutical manufacturing process.

The research and development expenses for the Life Sciences segment were ¥2.1 billion.

Environmental and Functional Materials

In the resins and chemical field, we have developed polyphenylene ether (PPE) that is soluble in organic solvents despite its high molecular weight. PPE is expected to be developed into heat-resistant coatings, adhesives for electronic materials, and so forth by taking advantage of its heat resistance, insulation, low dielectric, and other properties. However, conventional products require the addition of a heat treatment process following the drying process in order to increase molecular weight. As developed product can obtain a high molecular weight coating film only through the drying process, it is hoped that the process will be simplified and that the strength of the coating film will be improved. We will continue endeavoring to further improve performance and as well as to pursue the exploration of new applications.

"PERPRENE," a polyester-based resin material with rubber elasticity, exhibits fluidity when heated, can be molded, and is recyclable. We developed the "PERPRENE" eco-series, which contains plant-derived biomass materials as part of its raw materials to make it a more environmentally compatible, but simultaneously has the same physical properties as conventional fossil-derived products, For initial samples, we will ready two grades, 25% and 55%, and are expecting they will be deployed in automotive parts as well as sporting goods, apparel-related products, and daily necessities intended to replace urethane.

In the environmental and fiber field, we are working on expanding the use of our hollow fiber type "HOLLOSEP" BC membranes in the process of recovering lithium from used lithium-ion batteries. As it is possible to significantly shorten the evaporation process in the next step by concentrating the solution, energy consumption can be reduced by a large margin compared to cases where "HOLLOSEP" BC membranes are not used.

Although ultra-high-strength polyethylene fiber is lightweight, has high strength, a high elastic modulus, and high weather resistance, it had a drawback called creep, which causes progressive deformation if force is continuously applied. In order to use the fiber in mooring floating offshore wind turbines installed on a foundation floating in the ocean, it was necessary to improve its creep characteristics by a large margin. We developed "IZANAS" ULC which successfully made those improvements. This was the first product of its kind in Japan to receive approval from the Nippon Kaiji Kyokai (ClassNK). Currently, we have begun demonstration experiments using the TLP type, system that has yet to be implemented in Japan. TLP has little impact on the fishing industry, but is difficult to install.

"BREATHAIR" won The Technology Award of The Society of Fiber Science and Technology, Japan for its three-layer structure type. A horizontal material recycling type, "BREATHAIR MEBIUS" was also recognized with the Eco Mark Award 2024 for best product. Also, we jointly developed the "TWINWAVE" mattress for nursing care with FRANCE BED CO., LTD., for which we commenced sales and rentals. We also jointly implemented a "BREATHAIR MEBIUS" recycling program with DINOS CORPORATION. In this and other ways, there was no shortage of news for the current fiscal year. Going forward, we will continue to pursue he development of "BREATHAIR" products that also boast environmental compatibility while simultaneously refining their functionality and comfort.

The research and development expenses for the Environmental and Functional Materials segment were ¥3.8 billion.

Functional Textiles and Trading

In the textile field, as the development of new texture processing for Middle East Tove has seen progress followed by an increase in adoption, we are moving to augment our facilities at the Shogawa Plant. Additionally, for the recycled nylon "looplon" as well, we have increased our lineup with new temporarily twisted products. The use of the material in outerwear and knitwear applications is growing.

In a "create new value" initiative of ours, we work on "CfC yarn," a hybrid yarn that combines carbon fibers and thermoplastic resin fibers, and "GfC yarn," a hybrid yarn that combines glass fibers and thermoplastic resin fibers. After exhibiting them at various trade shows, we received associated development proposals from more than 10 companies, and are currently working on them. Additionally, we recently received the Senken Synthetic Fiber Award in the Technical Category.

In order to accelerate these development related to creating new value, it is essential that we promote the development of production technology and develop human resources development at our plants. For that reason, we established a New Business Development Department in the Shogawa Plant in FY 3/26.

In the functional materials field, we collaborated with a major domestic user to conduct product development and launch a "dialysis kit." In the industrial materials field, we are expanding our product offerings that improve working environments in blast furnaces and other high-temperature work conditions by combining flame-retardant, soft, radiant heat-reducing and heat-insulating materials with sewing technology.

In the airbag fabrics business, as a carbon neutral initiative, the Group will tackle the development of new woven fabrics using polyethylene terephthalate (PET) fibers made from recycled materials and processing agents with reduced carbon dioxide emitted from the manufacturing process.

The research and development expenses for the Functional Textiles and Trading segment were ¥0.4 billion.

Company total

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

The Corporate Research Center, which is a company-wide research and development organization, developed new products and technologies that will carry the future of the Group. It also functions as company-wide infrastructure that supports research and development in general and the Company's manufacturing and sales activities through various analysis/evaluation work, as well as analysis work using computer simulations and other digital technologies. In August 2024, the department in charge of the above computer simulations was certified for a Grant-in-Aid for Scientific Research (KAKENHI).

In planning and developing new businesses, based on the idea of open innovation, we proactively participated in national projects and collaborated with companies, universities, and research institutions in and outside Japan in cooperation with research and development functions under our business divisions.

Specific examples of research and development include the development of new separation membrane devices for pharmaceutical manufacturing processes, environmentally friendly high heat-resistant adhesive films for bonding dissimilar materials, and "CATAROSEV," which separates and purifies exosomes with ease. Exosomes have been shown to play important roles in information transmission between living cells and in cell repair. Going forward, the Group will further accelerate research and development aimed at bringing products to market early on in order to resolve social issues.

Meanwhile, in FY 3/22, we launched a publicly-open research program (TOYOBO POLYMER SCIENCE Award) to support university and other researchers in research and development fields that we focus on utilizing the mechanism of a grant system operated by a private company. We made the decision to provide assistance to two young university researchers in FY 3/25. Going forward, will continue working towards promoting open innovation through active support of young researchers and collaboration with universities and research institutions while simultaneously endeavoring to do our part for the forward development of academic fields related to our core technologies.

The research and development expenses for these businesses ¥3.6 billion.

III. Information about Facilities

1. Overview of Capital Expenditures

The Group made capital expenditures of ¥43.2 billion in total (including intangible assets) during the current fiscal year, such as by reinforcing film production facilities and investing in productivity enhancement. Primary purpose, details, and investment amount by segment are as follows:

Films

The Films segment spent a total of ¥18.6 billion on capital expenditures, including ¥15.0 billion used for reinforcing the Company's film production facilities.

Life Science

The Life Science segment spent a total of ¥9.3 billion on capital expenditures, including ¥8.8 billion used for reinforcing the Company's enzyme fabric production facilities.

Environmental and Functional Materials

The Environmental and Functional Materials segment spent a total of ¥6.6 billion on capital expenditures, including ¥5.7 billion used to improve polymer manufacturing facilities at Toyobo MC Corporation, a consolidated subsidiary of the Company.

Functional Textiles and Trading

The Functional Textiles and Trading segment spent a total of ¥3.5 billion on capital expenditures, including investments to save labor at consolidated subsidiary Japan Exlan Co., Ltd.

Real Estate

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

Other Businesses

Other Businesses spent a total of ¥1.3 billion on capital expenditures.

2. Major Facilities

Major facilities of the Group are as follows:

(1) Reporting company

As of March 31, 2025

Production center name (Location)	Segment	Facility details	Book value (Millions of yen)						Number of employees (People)
			Buildings and structures	Machinery, equipment, and vehicles	Land (Area)	Leased assets	Other Businesses	Total	
[Tsuruga Research and Production Center] Tsuruga Polymers Plant, etc. (Tsuruga, Fukui)	Films	Production facilities for functional resins and other facilities (Note 3)	7,015	3,711	23,397 (674,000 m2)	―	407	34,530	253 [19]
Inuyama Plant (Inuyama, Aichi)	Films	Film production facility	10,125	16,035	8,878 (227,000 m2)	2	1,235	36,275	422 [11]
[Tsuruga Research and Production Center] Tsuruga Films Plant (Tsuruga, Fukui)	Films	Film production facility	4,142	5,999	491 (18,000 m2)	15	312	10,958	253 [1]
[Tsuruga Research and Production Center] Tsuruga Biochemicals Plant (Tsuruga, Fukui)	Life Science	Enzyme production facility	5,041	6,363	195 (7,000 m2)	―	6,724	18,323	238 [32]
[Iwakuni Production Center] Iwakuni Functional Membranes Plant, etc. (Iwakuni, Yamaguchi)	Life Science	Production facilities for functional membranes, etc. and other facilities	5,239	3,653	8,605 (344,000 m2)	4,651	2,479	24,627	185 [10]
Shogawa Plant (Imizu, Toyama)	Functional Textiles and Trading	Yarn and fabric production facilities and facilities for dyeing and sorting	5,641	1,522	4,311 (183,000 m2)	―	162	11,636	105 [134]
Utsunomiya Plant (Utsunomiya, Tochigi)	Films	Film production facility	3,461	5,940	― (―)	―	24,561	33,962	311 [27]
Fujita Toyobo Building Kita-ku, Osaka Two other facilities	Real Estate, sales business	Rental buildings and other facilities	974	10	2,049 (2,000 m2)	―	―	3,033	29 [4]
Research Center (Otsu, Shiga)	Company-wide research and development business	Research and development facilities, etc.	7,366	1,959	5 (214,000 m2)	20	5,195	14,545	459 [65]

(2) Domestic subsidiaries

As of March 31, 2025

Company name	Production center name (Location)	Segment	Facility details	Book value (Millions of yen)						Number of employees (People)
				Buildings and structures	Machinery, equipment, and vehicles	Land (Area)	Leased assets	Other Businesses	Total	
Toyobo MC Corporation	[Tsuruga Site] Tsuruga Environment and Fiber Plant (Tsuruga, Fukui)	Environmental and Functional Materials	Production facilities for nonwoven fabrics and chemical synthetic fibers (Note 4)	1,698	1,343	1,820 (53,000 m2)	—	179	5,040	154 [6]
	[Iwakuni Site] Iwakuni Resin and Chemical Plant Iwakuni Environment and Fiber Plant (Iwakuni, Yamaguchi)	Environmental and Functional Materials	Production facilities for functional resins, nonwoven fabrics and chemical synthetic fibers (Notes 2, 4)	1,582	2,938	3,637 (146,000 m2)	—	5,745	13,902	228 [6]
	Takasago Plant (Takasago, Hyogo)	Environmental and Functional Materials	Chemical production facility (Note 4)	1,863	3,286	224 (67,000 m2)	—	685	6,058	173 [9]
	[Katata Site] (Otsu, Shiga)	Research and development business	Research and development facilities, etc. (Note 4)	228	462	0 (12,000 m2)	—	349	1,039	170 [13]
Toyo Cloth Co., Ltd.	Head office, Tarui Production Center (Sennan, Osaka)	Films	Cloth and film production facilities	1,171	666	1,159 (36,000 m2)	—	246	3,242	227 [45]
Japan Exlan Co., Ltd.	Saidaiji Plant (Higashi-ku, Okayama)	Functional Textiles and Trading	Chemical production facility (Note 4)	663	583	3,867 (297,000 m2)	—	273	5,386	255 [18]
Miyukikeori Co., Ltd.	Head office (Nishi-ku, Nagoya)	Real Estate, sales business	Rental buildings and other facilities	785	—	2,031 (26,000 m2)	—	39	2,855	39 [22]
	Miyuki Mall (Nishi-ku, Nagoya)	Real Estate	Rental stores and rental housing	1,267	—	1,221 (11,000 m2)	1	13	2,502	— [—]

(3) Foreign subsidiaries

As of March 31, 2025

Company name	Production center name (Location)	Segment	Facility details	Book value (Millions of yen)						Number of employees (People)
				Buildings and structures	Machinery, equipment, and vehicles	Land (Area)	Leased assets	Other Businesses	Total	
TOYOBO SAHA SAFETY WEAVE CO., LTD.	Head office plant (Samutprakarn Thailand)	Functional Textiles and Trading	Airbag fabric production facilities	2,334	1,563	— (—)	—	922	4,819	241 [—]

(Notes) 1. ‘Other Businesses’ 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 m2) leased to Hokuriku Air Chemicals, Inc., an associate.
4. Includes land leased from the reporting company (book value for lessors).
5. The square brackets in the number of employees field indicate the separate number of temporary employees.

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

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

Major planned addition

Company name Production center name	Location	Segment	Facility details	Planned investment amount		Financing method	Scheduled year and month for starting and completing work		Increased capacity after completion
				Total amount (Millions of yen)	Amount already paid (Millions of yen)		Commencement	Completion	
The Company Tsuruga Biochemicals Plant	Tsuruga, Fukui	Life Science	Enzyme production facility	6,500	6,201	Own funds, borrowings and bond issuance funds	March 2023	April 2025	An increase of about 200%

IV. Information about the Reporting Company

1. Company’s Shares, etc.

(1) Total Number of Shares

(i) Total number of shares

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

(ii) Issued shares

Class	Number of issued shares at the fiscal year-end (Shares) (March 31, 2025)	Number of issued shares at the filing date (Shares) (June 24, 2025)	Name of stock exchange on which the Company is listed or names of authorized financial instruments trade associations	Description
Common shares	89,048,792	89,048,792	Tokyo Stock Exchange Prime Market	The number of shares per unit of shares is 100 shares.
Total	89,048,792	89,048,792	—	—

(2) Share Acquisition Rights

(i) Content of stock option systems

Not applicable

(ii) Content of rights plans

Not applicable

(iii) Other share acquisition rights

Not applicable

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

Not applicable

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

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

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

(5) Shareholdings by Shareholder Category

As of March 31, 2025

Category	Status of shares (One unit equals 100 shares)								Status of shares in amounts of less than one unit (Shares)
	Government and municipalities	Financial institutions	Financial instruments business operators	Other corporations	Foreign corporations, etc.		Other individuals	Total	
					Other than individuals	Individuals			
Number of shareholders (People)	2	39	45	576	170	124	56,429	57,385	—
Number of shares held (Units)	14	279,941	26,597	46,507	143,443	742	389,485	886,729	375,892
Ratio of shares held (%)	0.00	31.57	3.00	5.25	16.18	0.08	43.92	100.00	—

(Notes) 1. Of the Company's 876,140 treasury shares, 8,761 units are presented in "Other individuals" and 40 shares are presented in "Status of shares in amounts less than one unit."

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

(6) Major Shareholders

As of March 31, 2025

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.	1-8-1 Akasaka, Minato-ku, Tokyo	13,650	15.48
Custody Bank of Japan, Ltd.	1-8-12, Harumi, Chuo-ku, Tokyo	8,987	10.19
Toyobo Employees Stockholders' Association	1-13-1 Umeda, Kita-ku, Osaka, Japan	2,531	2.87
Toyukai	1-13-1 Umeda, Kita-ku, Osaka, Japan	2,137	2.42
NIPPON LIFE INSURANCE COMPANY	1-6-6, Marunouchi, Chiyoda-ku, Tokyo	1,750	1.99
Meiji Yasuda Life Insurance Company	2-1-1, Marunouchi, Chiyoda-ku, Tokyo	1,402	1.59
STATE STREET BANK AND TRUST COMPANY 505001 (Standing proxy: Mizuho Bank, Ltd.)	ONE CONGRESS STREET, SUITE 1, BOSTON, MASSACHUSETTS (2-15-1, Konan, Minato-ku, Tokyo)	1,231	1.40
GOVERNMENT OF NORWAY (Standing proxy: Citibank, N.A., Tokyo Branch)	BANKPLASSEN 2,0107 OSLO 1 OSLO 0107 NO (6-27-30, Shinjuku, Shinjuku-ku, Tokyo)	1,159	1.32
NORTHERN TRUST GLOBAL SERVICES SE, LUXEMBOURG RE LUDU RE: UCITS CLIENTS 15. 315 PCT NON TREATY ACCOUNT (Standing proxy: HSBC, Tokyo Branch)	10 RUE DU CHATEAU D' EAU L－3364 LEUDELANGE GRAND DUCHY OF LUXEMBOURG (3-11-1 Nihombashi, Chuo-ku, Tokyo, Japan)	1,147	1.30
STATE STREET BANK AND TRUST COMPANY 505223 (Standing proxy: Mizuho Bank, Ltd.)	P. O. BOX 351 BOSTON MASSACHUSETTS 02101 U.S.A. (2-15-1, Konan, Minato-ku, Tokyo)	1,101	1.25
Total	—	35,101	39.81

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

(7) Voting Rights

(i) Issued shares

As of March 31, 2025

Category	Number of shares (Shares)		Number of voting rights	Description
Shares with no voting rights		—	—	—
Shares with limited voting rights (treasury shares, etc.)		—	—	—
Shares with limited voting rights (other)		—	—	—
Shares with full voting rights (treasury shares, etc.)	Common shares	876,100	—	—
Shares with full voting rights (other)	Common shares	87,796,800	877,968	—
Shares less than one unit	Common shares	375,892	—	—
Total number of issued shares		89,048,792	—	—
Voting rights of all shareholders		—	877,968	—

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

(ii) Treasury shares

As of March 31, 2025

Owner's name	Owner's address	Number of shares held under own name (Shares)	Number of shares held under the names of others (Shares)	Total owned shares (Shares)	Ratio of shares held to total number of issued shares (%)
Toyobo Co., Ltd.	1-13-1 Umeda, Kita-ku, Osaka, Japan	876,100	—	876,100	0.98
Total	—	876,100	—	876,100	0.98

2. Acquisition, etc. of Treasury Shares

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

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

Not applicable

(2) Acquisition by resolution of the Board of Directors

Not applicable

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

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

Category	Number of shares (Shares)	Total amount (Yen)
Treasury shares acquired during the current fiscal year	1,705	1,714,964
Treasury shares acquired during the current period	79	67,971

(Note) Treasury shares acquired during the current period exclude shares in amounts less than one unit purchased from June 1, 2025 to the date of filing the Annual Securities Report.

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

Category	Number of shares (Shares)	Total amount (Yen)
Treasury shares acquired during the current fiscal year	2,343	—
Treasury shares acquired during the current period	4,577	—

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

2. Treasury shares acquired during the current period exclude shares acquired without consideration from June 1, 2025 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)	77,802	82,173,694	—	—
Other (Sale of shares in amounts less than one unit)	98	103,502	—	—
Number of treasury shares held	876,140	—	880,796	—

(Notes) 1. Treasury shares disposed of during the current period exclude shares in amounts less than one unit sold from June 1, 2025 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, 2025 to the date of filing the Annual Securities Report.

3. Dividend Policy

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

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

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

Resolution date	Total dividend (Millions of yen)	Dividend per share (Yen)
June 25, 2025 Resolution by the Annual General Meeting of Shareholders (tent.)	3,527	40

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

4. Corporate Governance

(1) Overview of Corporate Governance

(i) Basic views on corporate governance

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

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

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

As of the filing date of the Annual Securities Report, 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).

(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. Additionally, the Board of Directors is to possess the expertise and skills necessary to appropriately provide strategic direction and make decisions on the execution of business as well as the independence necessary to reinforce management supervision. Moreover, in order to ensure diversity in terms of employment history, gender, age, and so forth while simultaneously maintaining an overall balanced structure, the Board of Directors is composed of the Chairman who chairs the Board of Directors, 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 of the Board of Directors is prescribed as 14 or less in the Articles of Incorporation. Regular Board of Directors meetings are held once a month, with extraordinary meetings being held as necessary. In addition to the deliberation and determination of basic management policies and other matters stipulated by laws, regulations and the Articles of Incorporation as well as important management matters stipulated in the Board of Directors Regulations, reporting on progress in the foregoing and the status of the execution of duties takes place at meetings of the Board of Directors, which supervises the execution of duties by Directors and Executive Officers.

During the current fiscal year, the Board of Directors convened seventeen times. In addition to matters prescribed in laws, regulations and the Articles of Incorporation, the Board of Directors made decisions on important management matters such as business portfolio reforms, reviews of the 2025 Medium-Term Management Plan, revisions of institutional design, safety and disaster prevention, quality, innovation, research and development, risk management, DX promotion, human capital and next-generation human resource development, and also reported on business execution and deliberated medium- to long-term topics.

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

Title	Name	Attendance	Remarks
Chair of the Board & Director	Seiji Narahara	17/17 (100%)	
President & Representative Director, CEO & Co-COO	Ikuo Takeuchi	17/17 (100%)	
Representative Director	Taichi Sakai	17/17 (100%)	
Director	Takahito Sagara	13/13 (100%)	Assumed the office of Director on June 25, 2024
Director	Takehiko Inada	13/13 (100%)	Assumed the office of Director on June 25, 2024
Outside Director	Takafumi Isogai	17/17 (100%)	
Outside Director	Kimie Sakuragi	17/17 (100%)	
Outside Director	Masaaki Harima	17/17 (100%)	
Outside Director	Hiroshi Fukushi	17/17 (100%)	
Outside Director	Shoko Takase	17/17 (100%)	
Director	Chikao Morishige	4/4 (100%)	Retired on June 25, 2024
Director	Hiroshi Otsuki	4/4 (100%)	Retired on June 25, 2024

(b) Business execution

There are 19 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 Management, which consists of Executive Officers supervising divisions, deliberates in advance on matters to be resolved by the Board of Directors, and determines matters related to business execution that have been entrusted by the Board of Directors. The Corporate Planning Committee and the Financial Control Committee are established under the Board of Management. 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.

(c) Board of Corporate Auditors

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

(d) Voluntary committee (Nomination and Compensation Advisory Committee)

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

In the current fiscal year, the committee held eight meetings, deliberating on proposals on Director candidates and setting of the Company's overall performance target and non-financial indicators to determine Directors and Officers compensation.

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

	Name (Title)	Attendance
Chairperson	Hiroshi Fukushi (Outside Director)	8/8 (100%)
Committee Member	Kimie Sakuragi (Outside Director)	8/8 (100%)
Committee Member	Seiji Narahara (Chair of the Board & Director)	8/8 (100%)
Observer	Wakyu Shinmen (Outside Corporate Auditor)	8/8 (100%)

Note: As a matter for resolution at the 167th Annual General Meeting of Shareholders scheduled to be held on June 25, 2025, the Company has submitted a proposal of a "Partial Amendment to the Articles of Incorporation." Should this proposal be approved and adopted, the Company will transition to a company with Audit and Supervisory Committee. To promptly respond to a drastically changing business environment, following the transition, the authority to make certain decisions on business execution will be delegated to the President and Chief Operating Officer (Representative Director), etc., as necessary.

The Board of Directors will further strengthen its supervisory function by increasing the ratio of Outside Directors and placing focus on deliberation and decision-making regarding basic management policies, etc. and on the supervision of business execution as well as by granting voting rights at the Board of Directors meetings to officers responsible for auditing. Through the above, a system will be adopted that simultaneously realizes prompt and efficient business execution and a high level of management supervision.

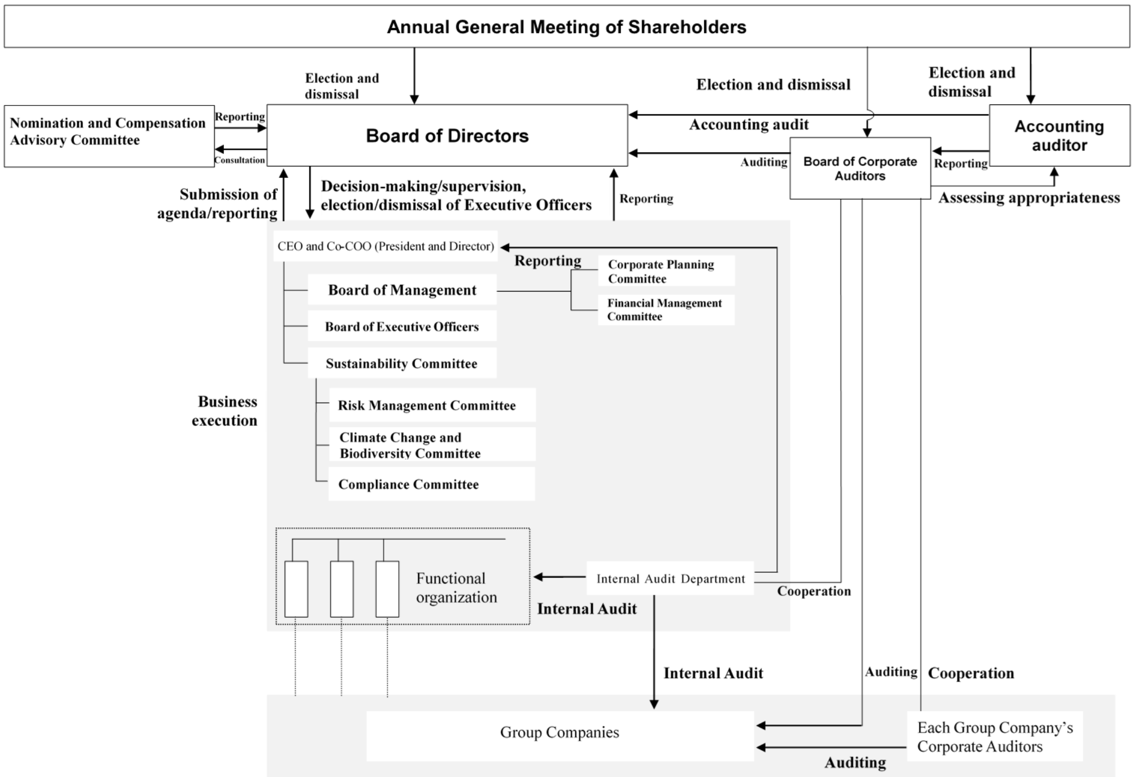
Additionally, at the Annual General Meeting of Shareholders in question, the Company also proposed "Election of Eight Directors (Excluding Directors Who Are Audit and Supervisory Committee Members)" and "Election of Three Directors Who Are Audit and Supervisory Committee Members" as agenda. Should each of these proposals be approved and adopted, the Board of Directors will consist of eleven members (including six Outside Directors).

The Audit and Supervisory Committee will consist of three Directors who are Audit and Supervisory Committee Members (including two Outside Directors). From the standpoint of ensuring the effectiveness of auditing and supervising the execution of duties by the Directors, the Committee will also include as members individuals with expertise and skills in finance and accounting as well as knowledge of the businesses of the Group.

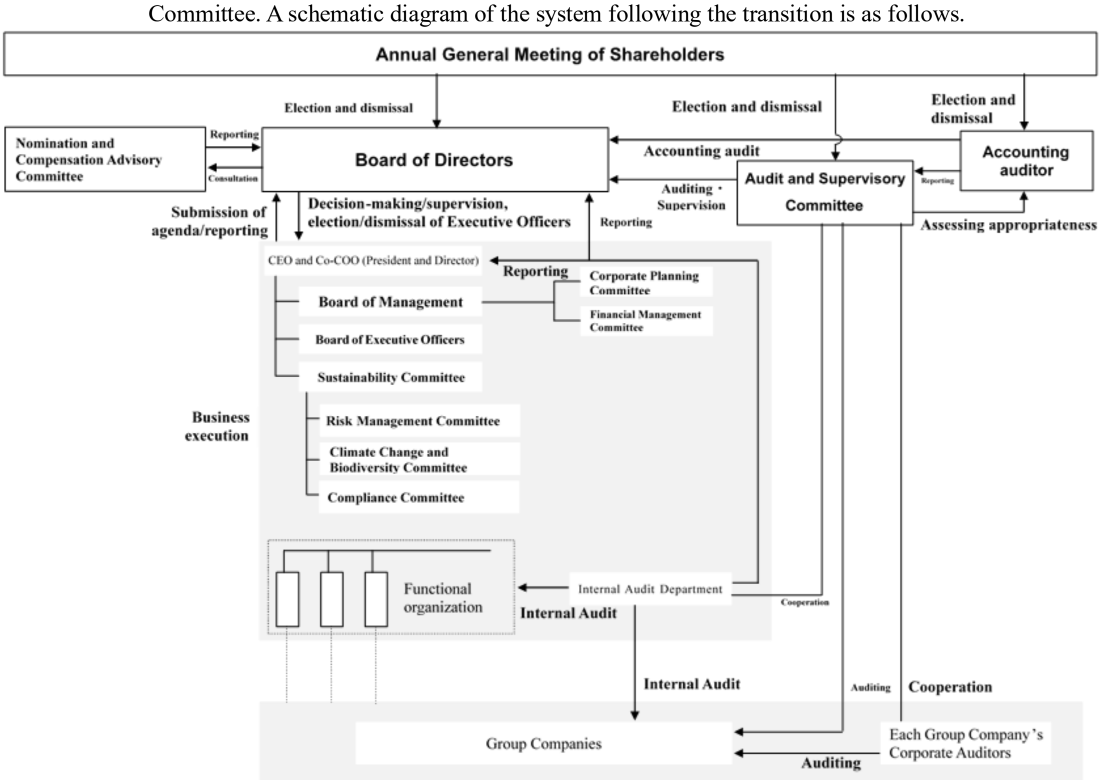
Note that "Members of the Nomination and Compensation Advisory Committee" is scheduled to be submitted as an agenda to be resolved at the meeting of the Board of Directors scheduled to be held immediately after the Annual General Meeting of Shareholders in question.

(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 of the Annual Securities Report)



Note: As a matter for resolution at the 167th Annual General Meeting of Shareholders scheduled to be held on June 25, 2025, the Company has submitted a proposal of a "Partial Amendment to the Articles of Incorporation." Should this proposal be approved and adopted, the Company will transition to a company with Audit and Supervisory Committee. A schematic diagram of the system following the transition is as follows.



(iv) Status of establishment of internal control system (as of the filing date of the Annual Securities Report)

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

- The Company adopts an executive officer system in order to improve the transparency and fairness of management by clearly separating decision-making/oversight and business execution. Under the executive officer system, which is clearly defined by the Articles of Incorporation, the Board of Directors oversees the business execution of Executive Officers. The Executive Officer Regulations also clearly define that Executive Officers have an obligation to comply with laws and regulations, and the Articles of Incorporation.
- The Company establishes a Compliance Committee which is chaired by the Executive Officer in charge of compliance, and the Legal and Compliance Department promotes compliance throughout the Group. Furthermore, the Company establishes compliance consultation centers as a contact point for reporting internal problems.
- The Company formulates the Toyobo Group Charter of Corporate Behavior and the Toyobo Groups Staff Code of Conduct, which will be distributed to the Group's officers and employees to ensure thorough compliance with laws and regulations, as well as corporate ethics.

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

- The executive officer system enables timely decision-making and oversight by the Board of Directors and efficient business execution by the Executive Officers.
- The Board of Directors is in charge of decision-making/oversight and the Chairman serves as Chair of the Board of Directors. In addition, to increase the effectiveness of the Board of Directors, the secretariat office has dedicated staff members.
- For business execution, the President leads business execution and serves as Chair of the Board of Management and Chair of the Board of Executive Officers. The Board of Management deliberates in advance on matters to be resolved by the Board of Directors, and determines matters related to business execution that has been entrusted by the Board of Directors. The Board of Executive Officers discusses management issues and communicates management policies. Through this system, the Company strives for efficient business execution.
- The Sustainability Committee, chaired by the President, determines policies, measures, and goals regarding medium-to long-term material issues and manages and reports to the Board of Directors the progress on these matters.

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

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

(d) Rules and framework for managing risks of loss

- The Corporate Planning Committee and the Financial Control Committee are established under the Board of Management. They deliberate on important investments and new projects, important investment and financing projects, etc. from their respective expert standpoints, thereby managing business risk.
- The Risk Management Committee, chaired by the President, identifies major risks and manages the progress on the efforts to avoid and reduce those risks.

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

- Business operations are managed by a responsible department or the Corporate Business Management Department*1 of the Company, depending on the business content of the group company.
- Regarding governance, the Corporate Business Management Department*1 collaborates with responsible departments and the corporate divisions to offer support for developing a risk management system.
- The Company ensures the propriety of operations by clarifying the scope in which it can be involved in the important decision-making matters of group companies in accordance with the Companies Act based on the Board of Directors Regulations, the Board of Management Regulations, the Subsidiaries and Associates Management Rules, and other regulations.
- The Company promotes compliance with laws and regulations across the entire group.
- To ensure the reliability of financial reports, the Company constructs an internal control system that includes group companies, and effectively manages and evaluates the system.

  *1: Said activities will be transferred from the Corporate Business Management Department to the Risk Management Department, which will be newly established in April 2025.

(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 Management and the Board of Executive Officers, and provide their opinions. The same rules are clearly stated for the Sustainability Committee and other committees.
- Corporate Auditors regularly hold Group auditor liaison meetings targeting major group companies, where they aim to enhance auditing related to the construction of an appropriate internal control.
- Corporate Auditors receive reports on the results of internal audits from the Internal Audit Department, receive reports on the status of evaluations of internal control related to financial report, and exchange information.

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

Note: As a matter for resolution at the 167th Annual General Meeting of Shareholders scheduled to be held on June 25, 2025, the Company has submitted a proposal of a “Partial Amendment to the Articles of Incorporation." Should this proposal be approved and adopted, the Company will transition to a company with Audit and Supervisory Committee. Details of the system following the transition are as follows.

(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 department supervising compliance 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 decision-making/oversight by the Board of Directors and efficient business execution by the Executive Officers.
- The Board of Directors is in charge of decision-making/oversight and the Chairman serves as Chair of the Board of Directors. In addition, to increase the effectiveness of the Board of Directors, the secretariat office has dedicated staff members.
- For business execution, the President leads business execution and serves as Chair of the Board of Management and Chair of the Board of Executive Officers. The Board of Management 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 or Directors. The Board of Executive Officers discusses management issues and communicates management policies. Through this system, the Company strives for efficient business execution.
- The Sustainability Committee, chaired by the President, determines policies, measures, and goals regarding medium- to long-term material issues and manages and reports to the Board of Directors the progress on these matters.

(c) Framework for storing and managing information related to execution of duties by Directors
- Directors and Executive Officers shall appropriately store and manage documents related to the execution of their duties and other information, in accordance with the Company’s Document and Information Management Rules.

(d) Rules and framework for managing risks of loss
- The Corporate Planning Committee and the Financial Control Committee are established under the Board of Management. They deliberate on important investments and new projects, important investment and financing projects, etc. from their respective expert standpoints, thereby managing business risk.
- The Risk Management Committee, chaired by the President, identifies major risks and manages the progress on the efforts to avoid and reduce those risks.

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

- Business operations are managed by a responsible department of the Company depending on the business content of the group company.
- Regarding governance, the department supervising risk collaborates with responsible departments and the corporate divisions to offer support for developing a risk management system.
- The Company ensures the propriety of operations by clarifying the scope in which it can be involved in the important decision-making matters of group companies in accordance with the Companies Act based on the Board of Directors Regulations, the Board of Management Regulations, the Subsidiaries and Associates Management Rules, and other regulations.
- The Company promotes compliance with laws and regulations across the entire group.
- To ensure the reliability of financial reports, the Company constructs an internal control system that includes group companies, and effectively manages and evaluates the system.

(f) Framework ensuring the effectiveness of auditing by the Audit and Supervisory Committee

a. Matters related to employees who assist in the duties of the Audit and Supervisory Committee, 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 the Audit and Supervisory Committee, Audit and Supervisory Committee staff will be assigned. The Audit and Supervisory Committee maintains the authority to provide directions and orders to the staff. The consent of the Audit and Supervisory Committee 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 Audit and Supervisory Committee 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 the Audit and Supervisory Committee; Other systems related to reporting to the Audit and Supervisory Committee; Systems to ensure that employees will not receive disadvantageous treatment due to reporting

- The Company and group companies regularly undergo audits by the Audit and Supervisory Committee and report the status of their business operations. Furthermore, when the Audit and Supervisory Committee of the Company requests 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 the Audit and Supervisory Committee of the Company.
- The Company thoroughly communicates that people who consult with or report to the Audit and Supervisory Committee 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 the Audit and Supervisory Committee, and other expenses incurred in the said execution of duties, or handling of debts

- When there is a request from the Audit and Supervisory Committee or an individual Audit and Supervisory Committee Member 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 Audit and Supervisory Committee

- It shall be clearly stated in the internal regulations that Audit and Supervisory Board Members attend important meetings related to group management such as the Board of Management and the Board of Executive Officers, and provide their opinions. The same rules are clearly stated for the Sustainability Committee and other committees.
- The Audit and Supervisory Committee receives reports on the results of internal audits and reports on the status of evaluations of internal control related to financial report from the Internal Audit Department, and exchange information.
- The Audit and Supervisory Committee regularly holds Group auditor liaison meetings targeting major group companies, where it aims to enhance auditing related to the construction of an appropriate internal control.

(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

As of the filing date of the Annual Securities Report, 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.

Note: As a matter for resolution at the 167th Annual General Meeting of Shareholders scheduled to be held on June 25, 2025, the Company has submitted a proposal of a “Partial Amendment to the Articles of Incorporation." Should this proposal be approved and adopted, the Company will transition to a company with Audit and Supervisory Committee. Additionally, “Execution of Agreements with Outside Directors to Limit Liability for Damages” is scheduled to be submitted as an agenda to be resolved at the meeting of the Board of Directors scheduled to be held immediately after the Annual General Meeting of Shareholders in question.

(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

As of the filing date of the Annual Securities Report, the Articles of Incorporation stipulate that the number of Directors shall be not more than 14.

Note: As a matter for resolution at the 167th Annual General Meeting of Shareholders scheduled to be held on June 25, 2025, the Company has submitted a proposal of a “Partial Amendment to the Articles of Incorporation." Should this proposal be approved and adopted, the Company will transition to a company with Audit and Supervisory Committee, and the number of Directors shall be prescribed as 15 or less (of which the number of Directors who are Audit and Supervisory Committee Members shall be five or less) in the Articles of Incorporation.

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

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

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

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

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

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

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

(2) Directors (and Other Officers)

(i) List of officers

(a) The status of officers of the Company as of the filing date of the Annual Securities Report is as follows.

11 men, 2 women (ratio of female officers: 15.4%)

Title	Name	Date of birth	Career summary	Term of office	Number of shares held (Hundred shares)
Chair of the Board & Director	Seiji Narahara	October 17, 1956	January 1988 Joined the Company April 2009 Deputy Director, General Manager, Finance Department April 2010 Executive Officer June 2011 Director and Executive Officer April 2014 Director, President and Chief Operating Officer April 2021 Chair of the Board & Director (current position) June 2023 Director (Outside) Member of the Board, SCREEN Holdings Co., Ltd. (current position) May 2025 Representative Director and Chairman, Sen-i Kaikan Co., Ltd.	(Note) 3	613
President & Director, CEO and Co-COO (Representative Director) Controlling Supervisor, Internal Audit Department	Ikuo Takeuchi	October 15, 1962	April 1985 Joined the Company October 2015 Deputy Director, General Manager, Corporate Planning Office April 2018 Executive Officer April 2020 Managing Executive Officer June 2020 Director and Managing Executive Officer April 2021 President and Director, CEO and Co-COO (current position)	(Note) 3	459
Director and Senior Managing Executive Officer (Representative Director) Head of Environment, Safety and Disaster Management Division Production engineering department, procurement/logistics Controlling Supervisor,	Taichi Sakai	November 26, 1962	April 1986 Joined the Company April 2016 Deputy Director, Senior General Manager of the Production Technology Division and Global Business Planning Division Officer December 2020 Executive Officer April 2023 Managing Executive Officer June 2023 Director and Managing Executive Officer April 2024 Director and Senior Managing Executive Officer (current position)	(Note) 3	183
Director and Managing Executive Officer Head of Life Science Division	Takahito Sagara	January 6, 1967	April 1990 Joined the Company April 2020 Deputy Director, General Manager, Medical Membranes Department, Medical Products Operating Department, Technological Innovation Officer and Corporate Planning Officer (special project under President) April 2021 Executive Officer April 2023 Managing Executive Officer June 2024 Director and Managing Executive Officer (current position)	(Note) 3	142
Director and Managing Executive Officer HR, Administration and Legal Division	Takehiko Inada	March 20, 1965	April 1988 Joined the Company April 2022 Deputy Director, General Manager in charge of Board of Directors, Corporate Planning Department April 2023 Executive Officer April 2024 Managing Executive Officer June 2024 Director and Managing Executive Officer (current position)	(Note) 3	83
Director (Outside Director)	Takafumi Isogai	April 4, 1949	January 1987 Assistant Professor, Faculty of Liberal Arts, Osaka University April 1996 Assistant Professor, Graduate School of Engineering Science, Osaka University April 2002 Professor, Faculty of Mercantile Marine, Kobe University of Mercantile Marine October 2003 Professor, Faculty of Maritime Sciences, Kobe University April 2013 Professor, School of Commerce, University of Marketing and Distribution Sciences April 2018 Part Time Lecturer, University of Marketing and Distribution Sciences June 2018 Director, the Company (current position)	(Note) 3	—

Title	Name	Date of birth	Career summary	Term of office	Number of shares held (Hundred shares)
Director (Outside Director)	Kimie Sakuragi	September 6, 1958	March 1981 Joined Fukutake Publishing Co., Ltd. (currently Benesse Holdings, Inc.) January 2003 Manager, Business Ethics and Compliance Office June 2003 Standing Audit & Supervisory Board member (Resigned in June 2019) April 2007 Adjunct Professor, the University of Aizu Graduate School (current position) June 2019 Director, the Company (current position) June 2021 Outside Director of the Board (Audit and Supervisory Committee Member), Isuzu Motors Limited (current position) June 2021 Outside Director, Kumagai Gumi Co., Ltd. (current position)	(Note) 3	—
Director (Outside Director)	Masaaki Harima	December 9, 1950	April 1977 Assistant Judge, Osaka District Court April 1980 Fukushima District / Family Court Assistant Judge, Fukushima Summary Court Judge May 1981 Registered as an attorney at law (Osaka Bar Association) September 1987 Founded Harima Law Office (currently Fushimimachi Lawyer's Office) April 2010 Chairman, Osaka City Fair Work Committee June 2011 Outside Corporate Auditor, Ishihara Sangyo Kaisha, Ltd. March 2014 Chairman, Osaka Prefecture Labor Relations Board June 2014 Independence Committee, the Company November 2018 Member, Osaka Prefecture Pollution Examination Committee October 2019 Sakai City Audit Committee Member June 2020 Director, the Company (current position) April 2021 Chairman, Osaka Prefecture Pollution Examination Committee	(Note) 3	—
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 May 2021 Vice Chairman, Japan Food Hygiene Association June 2021 Representative Executive Officer & Executive Vice President, Ajinomoto Co., Ltd. April 2022 Director and Executive Officer June 2022 Senior Corporate Advisor June 2022 Director, the Company (current position) June 2022 Outside Director of MEGMILK SNOW BRAND Co., Ltd. (current position)	(Note) 3	23

Title	Name	Date of birth	Career summary	Term of office	Number of shares held (Hundred shares)
Director (Outside Director)	Shoko Takase	January 4, 1965	April 1987 Joined IBM Japan Ltd. January 2005 Seconded to IBM Corporation (IBM Corporation USA Headquarters) January 2007 Manager of Strategy and Marketing, Global Technology Services, IBM Japan Ltd. January 2010 Brand Executive of Tivoli, Software Group July 2015 Mobile County Leader, Growth Initiatives July 2016 Brand Executive of Resiliency Services, Global Technology Services July 2018 Director, Head of the IBM Cloud Solutions Center, IBM Japan, Ltd. April 2019 Managing Director for Enterprise Sector, Cisco Systems G.K. July 2021 Advisor of TechnoPro Holdings, Inc. September 2021 Outside Director of TechnoPro Holdings, Inc. (current position) June 2023 Director, the Company (current position) June 2023 Outside Director of GLOBERIDE, Inc. (current position)	(Note) 3	10
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
Corporate Auditor (Outside Corporate Auditor)	Akihiko Irie	September 18, 1956	April 1980 Joined Osaka Gas Co., Ltd. June 2009 Corporate Officer April 2012 Corporate 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. June 2021 Corporate Auditor, the Company (current position)	(Note) 4	42
Corporate Auditor (Outside Corporate Auditor)	Wakyu Shinmen	January 14, 1957	October 1982 Joined Tohmatsu Awoki & Co. (currently Deloitte Touche Tohmatsu LLC) March 1983 Registered as a certified public accountant August 1997 Appointed as a Designated Engagement Partner (currently Partner) at Deloitte Touche Tohmatsu LLC October 2013 General Manager of the Kansai Business Department, Audit Business Division at Deloitte Touche Tohmatsu LLC September 2021 Retired from Deloitte Touche Tohmatsu LLC September 2022 Representative of Shinmen Certified Public Accountant Office June 2023 Corporate Auditor, the Company (current position) June 2023 Outside Audit & Supervisory Board Member, SEKISUI CHEMICAL CO., LTD. (current position)	(Note) 4	—
Total					1,617

(Notes) 1. Directors Takafumi Isogai, Kimie Sakuragi, Masaaki Harima, Hiroshi Fukushi, and Shoko Takase are Outside Directors.
2. Corporate Auditors Akihiko Irie and Wakyu Shinmen are Outside Corporate Auditors.
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 an attorney at law	–
		April 1996	Joined Takagi Motaichi Law Office	
		February 2006	Outside Corporate Auditor, Zojirushi Corporation	
		June 2015	Outside Corporate Auditor, NCS&A Co., Ltd.	
		June 2015	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 19 Executive Officers. Executive Officers who do not serve concurrently as Directors are as follows.

Title	Name
Co-COO Executive Assistant to President, and Head, Environmental and Functional Materials Division	Chikao Morishige
Managing Executive Officer Head, Functional Textiles and Trading Division	Eiichi Shimizu
Managing Executive Officer Head, Films Division, and Head, Tokyo Branch	Masanao Kudo
Executive Officer Management Division	Taizo Ono
Executive Officer Controlling Supervisor, TX and Operational Reforms	Tetsuro Yabuki
Executive Officer Deputy Head, Life Science Division, Controlling Supervisor, Medical Products Business	Atsushi Sogabe
Executive Officer General Manager, Airbag Operating Department	Tadao Kuroki
Executive Officer Head, Quality Assurance Division	Masakazu Iwasaki
Executive Officer General Manger, Corporate Communication Department	Sonoko Ishimaru
Executive Officer Innovation Division	Katsuya Ito
Executive Officer Environmental and Functional Materials Division	Kazuhito Ikeda
Executive Officer Head, Tsuruga Research and Production Center	Katsuya Toita
Executive Officer Sustainability and Planning Division	Norio Iizuka
Executive Officer Head, Iwakuni Production Center	Shingo Ito
Executive Officer Senior General Manager of the Film Innovation Division	Toshiyuki Oya

(b) “Election of Eight Directors (Excluding Directors Who Are Audit and Supervisory Committee Members)” and “Election of Three Directors Who Are Audit and Supervisory Committee Members” have been submitted for review as agenda (items for resolution) at the Annual General Meeting of Shareholders scheduled to be held on June 25, 2025, Should each of these proposals be approved and adopted, the status of officers of the Company and terms of office thereof is scheduled to be as follows.
Note that the titles, etc. of officers are stated with inclusion of the content (title, etc.) of the items for resolution of the meeting of the Board of Directors scheduled to be held directly after the Annual General Meeting of Shareholders in question.
9 men, 2 women (ratio of female officers: 18.2%)

Title	Name	Date of birth	Career summary		Term of office	Number of shares held (Hundred shares)
Chair of the Board & Director	Seiji Narahara	October 17, 1956	January 1988	Joined the Company	(Note) 2	613
			April 2009	Deputy Director, General Manager, Finance Department		
			April 2010	Executive Officer		
			June 2011	Director and Executive Officer		
			April 2014	Director, President and Chief Operating Officer		
			April 2021	Chair of the Board & Director (current position)		
			June 2023	Director (Outside) Member of the Board, SCREEN Holdings Co., Ltd. (current position)		
			May 2025	Representative Director and Chairman, Sen'i Kaikan Co., Ltd.		
President & Director, CEO and Co-COO (Representative Director) Controlling Supervisor, Internal Audit Department	Ikuo Takeuchi	October 15, 1962	April 1985	Joined the Company	(Note) 2	459
			October 2015	Deputy Director, General Manager, Corporate Planning Office		
			April 2018	Executive Officer		
			April 2020	Managing Executive Officer		
			June 2020	Director and Managing Executive Officer		
			April 2021	President and Director, CEO and Co-COO (current position)		
Director and Senior Managing Executive Officer (Representative Director) Head of Environment, Safety and Disaster Management Division Production engineering department, procurement/logistics Controlling Supervisor,	Taichi Sakai	November 26, 1962	April 1986	Joined the Company	(Note) 2	183
			April 2016	Deputy Director, Senior General Manager of the Production Technology Division and Global Business Planning Division Officer		
			December 2020	Executive Officer		
			April 2023	Managing Executive Officer		
			June 2023	Director and Managing Executive Officer		
			April 2024	Director and Senior Managing Executive Officer (current position)		
Director and Managing Executive Officer Head of Life Science Division	Takahito Sagara	January 6, 1967	April 1990	Joined the Company	(Note) 2	142
			April 2020	Deputy Director, General Manager, Medical Membranes Department, Medical Products Operating Department, Technological Innovation Officer and Corporate Planning Officer (special project under President)		
			April 2021	Executive Officer		
			April 2023	Managing Executive Officer		
			June 2024	Director and Managing Executive Officer (current position)		
Director (Outside Director)	Masaaki Harima	December 9, 1950	April 1977	Assistant Judge, Osaka District Court	(Note) 2	—
			April 1980	Fukushima District / Family Court Assistant Judge, Fukushima Summary Court Judge		
			May 1981	Registered as an attorney at law (Osaka Bar Association)		
			September 1987	Founded Harima Law Office (currently Fushimimachi Lawyer’s Office)		
			April 2010	Chairman, Osaka City Fair Work Committee		
			June 2011	Outside Corporate Auditor, Ishihara Sangyo Kaisha, Ltd.		
			March 2014	Chairman, Osaka Prefecture Labor Relations Board		
			June 2014	Independence Committee, the Company		
			November 2018	Member, Osaka Prefecture Pollution Examination Committee		
			October 2019	Sakai City Audit Committee Member		
			June 2020	Director, the Company (current position)		
			April 2021	Chairman, Osaka Prefecture Pollution Examination Committee		

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 May 2021 Vice Chairman, Japan Food Hygiene Association June 2021 Representative Executive Officer & Executive Vice President, Ajinomoto Co., Ltd. April 2022 Director and Executive Officer June 2022 Senior Corporate Advisor June 2022 Director, the Company (current position) June 2022 Outside Director of MEGMILK SNOW BRAND Co., Ltd. (current position)	(Note) 2	23
Director (Outside Director)	Shoko Takase	January 4, 1965	April 1987 Joined IBM Japan Ltd. January 2005 Seconded to IBM Corporation (IBM Corporation USA Headquarters) January 2007 Manager of Strategy and Marketing, Global Technology Services, IBM Japan Ltd. January 2010 Brand Executive of Tivoli, Software Group July 2015 Mobile County Leader, Growth Initiatives July 2016 Brand Executive of Resiliency Services, Global Technology Services July 2018 Director, Head of the IBM Cloud Solutions Center, IBM Japan, Ltd. April 2019 Managing Director for Enterprise Sector, Cisco Systems G.K. July 2021 Advisor of TechnoPro Holdings, Inc. September 2021 Outside Director of TechnoPro Holdings, Inc. (current position) June 2023 Director, the Company (current position) June 2023 Outside Director of GLOBERIDE, Inc. (current position)	(Note) 2	10
Director (Outside Director)	Yuki Kanzaki	April 24, 1963	March 1992 Joined Kirin Brewery Co., Ltd. (current Kirin Holdings Company, Limited) March 2016 Executive Officer, General Manager of Kobe Plant of Production Division at Kirin Brewery Co., Ltd. March 2017 Executive Officer, General Manager of Yokohama Plant of Production Division March 2019 Senior Executive Officer, General Manager of Yokohama Plant of Production Division March 2020 Senior Executive Officer and General Manager of Corporate Strategy Department at Kyowa Hakko Bio Co., Ltd. January 2022 President and CEO March 2022 Managing Executive Officer of Kirin Holdings Company, Limited and President and CEO of Kyowa Hakko Bio Co., Ltd. March 2025 Outside Director of Daifuku Co., Ltd. (current position) June 2025 Director, the Company (tent.)	(Note) 2	―

Title	Name	Date of birth	Career summary	Term of office	Number of shares held (Hundred shares)
Director (Standing Audit and Supervisory Committee Member)	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) June 2025 Director, the Company (Standing Audit and Supervisory Committee Member) (tent.)	(Note) 3	57
Director (Audit and Supervisory Committee Member)	Akihiko Irie	September 18, 1956	April 1980 Joined Osaka Gas Co., Ltd. June 2009 Corporate Officer April 2012 Corporate 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. June 2021 Corporate Auditor, the Company (current position) June 2025 Director, the Company (Audit and Supervisory Committee Member) (tent.)	(Note) 3	42
Director (Audit and Supervisory Committee Member)	Wakyu Shinmen	January 14, 1957	October 1982 Joined Tohmatsu Awoki & Co. (currently Deloitte Touche Tohmatsu LLC) March 1983 Registered as a certified public accountant August 1997 Appointed as a Designated Engagement Partner (currently Partner) at Deloitte Touche Tohmatsu LLC October 2013 General Manager of the Kansai Business Department, Audit Business Division at Deloitte Touche Tohmatsu LLC September 2021 Retired from Deloitte Touche Tohmatsu LLC September 2022 Representative of Shinmen Certified Public Accountant Office June 2023 Corporate Auditor, the Company (current position) June 2023 Outside Audit & Supervisory Board Member, SEKISUI CHEMICAL CO., LTD. (current position) June 2025 Director, the Company (Audit and Supervisory Committee Member) (tent.)	(Note) 3	—
Total					1,534

(Notes) 1. Directors Masaaki Harima, Hiroshi Fukushi, Shoko Takase and Yuki Kanzaki and Directors (Audit and Supervisory Board Members) Akihiko Irie and Wakyu Shinmen are Outside Directors.

2. The term of office of Directors (excluding Directors who are Audit and Supervisory Committee Members) expires at the conclusion of the Annual General Meeting of Shareholders for the last fiscal year ending within one year after election.

3. The term of office of Directors (Audit and Supervisory Committee Members) expires at the conclusion of the Annual General Meeting of Shareholders for the last fiscal year ending within two years after election.

4. The Company has will elect one Substitute Director who is an Audit and Supervisor Committee Member as stipulated in Article 329, paragraph (3) of the Companies Act to be ready to fill a vacant position should the number of Directors who are Audit and Supervisor Committee Members fall below the number required by laws and regulations. The career summary of the Substitute Director who is an Audit and Supervisor Committee Member is as follows.

Name	Date of birth	Career summary	Number of shares held (Hundred shares)
Yoshinori Satoi	December 10, 1962	April 1996 Registered as an attorney at law April 1996 Joined Takagi Motaichi Law Office February 2006 Outside Corporate Auditor, Zojirushi Corporation June 2015 Outside Corporate Auditor, NCS&A Co., Ltd. June 2015 Outside Corporate Auditor, the Company December 2016 Joined Yasaka Law Office June 2019 Substitute Corporate Auditor, the Company (current position) June 2025 Substitute Director, the Company (Audit and Supervisory Committee Member) (tent.)	—

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

Title	Name
Co-COO Executive Assistant to President, and Head, Environmental and Functional Materials Division	Chikao Morishige
Managing Executive Officer Head, Functional Textiles and Trading Division	Eiichi Shimizu
Managing Executive Officer HR, Administration and Legal Division	Takehiko Inada
Managing Executive Officer Head, Films Division, and Head, Tokyo Branch	Masanao Kudo
Executive Officer Management Division	Taizo Ono
Executive Officer Controlling Supervisor, TX and Operational Reforms	Tetsuro Yabuki
Executive Officer Deputy Head, Life Science Division, Controlling Supervisor, Medical Products Business	Atsushi Sogabe
Executive Officer General Manager, Airbag Operating Department	Tadao Kuroki
Executive Officer Head, Quality Assurance Division	Masakazu Iwasaki
Executive Officer General Manger, Corporate Communication Department	Sonoko Ishimaru
Executive Officer Innovation Division	Katsuya Ito
Executive Officer Environmental and Functional Materials Division	Kazuhito Ikeda
Executive Officer Head, Tsuruga Research and Production Center	Katsuya Toita
Executive Officer Sustainability and Planning Division	Norio Iizuka
Executive Officer Head, Iwakuni Production Center	Shingo Ito
Executive Officer Senior General Manager of the Film Innovation Division	Toshiyuki Oya

(ii) Outside officers

As of the filing date of the Annual Securities Report, the Company has five Outside Directors and two Outside Corporate Auditors. There are no special interests between any of the outside officers and the Company.

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

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

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

(b) Independence standards for outside officers

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

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

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

Note: As a matter for resolution at the 167th Annual General Meeting of Shareholders scheduled to be held on June 25, 2025, the Company has submitted a proposal of a “Partial Amendment to the Articles of Incorporation." Should this proposal be approved and adopted, the Company will transition to a company with Audit and Supervisory Committee. Additionally,, the Company also proposed “Election of Eight Directors (Excluding Directors Who Are Audit and Supervisory Committee Members)” and “Election of Three Directors Who Are Audit and Supervisory Committee Members” as agenda. Should each of these proposals be approved and adopted, while the number of Outside Directors will come to six, there is no special interest between any of the Outside Directors and the Company.

Note that the reasons for the appointment of each Outside Director and the status of their independence is as follows. The Company has deemed that all of the Outside Directors 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.

Outside Director Masaaki Harima	Omitted
Outside Director Hiroshi Fukushi	Omitted
Outside Director Shoko Takase	Omitted
Outside Director Yuki Kanzaki	The Company elected Yuki Kanzaki as an Outside Director so that it could request her to leverage her extensive experience and wide-ranging knowledge as a manager and high level of expertise in fields such as production technology and research and development in providing advice and supervision to Company management. Yuki Kanzaki worked for Kyowa Hakko Bio Co., Ltd., a business partner of the Company. Transactions between the Company and Kyowa Hakko Bio make up less than 1% of either company's sales on average for the past three years.
Outside Director (Audit and Supervisory Committee Member) Akihiko Irie	The Company elected Akihiko Irie as an Outside Director who is an Audit and Supervisory Committee Member so that it could request him to leverage his extensive experience and wide-ranging knowledge in audits, including that gained by serving an auditor of listed and other companies, in providing advice and supervision to Company management. Akihiko Irie worked for Osaka Gas Co., Ltd., a business partner of the Company. Transactions between the Company and Osaka Gas make up less than 1% of either company's sales on average for the past three years.
Outside Director (Audit and Supervisory Committee Member) Wakyu Shinmen	The Company elected Wakyu Shinmen as an Outside Director who is an Audit and Supervisory Committee Member so that it could request him to leverage his extensive experience and wide-ranging knowledge in audits gained as a Certified Public Accountant as well as his extensive experience in audits, including that gained by serving an auditor of listed companies, in providing advice and supervision to Company management.

(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

As of the filing date of the Annual Securities Report, 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 regularly exchange information in addition to receiving reports on the audit plans and results from the Accounting Auditor.

Note: As a matter for resolution at the 167th Annual General Meeting of Shareholders scheduled to be held on June 25, 2025, the Company has submitted a proposal of a “Partial Amendment to the Articles of Incorporation." Should this proposal be approved and adopted, the Company will transition to a company with Audit and Supervisory Committee. Following the transition to a company with an Audit and Supervisory Committee, Audit and Supervisory Committee Members will 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. Additionally, the Audit and Supervisory Committee also regularly exchanges 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

As of the filing date of the Annual Securities Report, the Board of Corporate Auditors of the Company consists of three members: one full-time Corporate Auditor 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.

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

Note: As a matter for resolution at the 167th Annual General Meeting of Shareholders scheduled to be held on June 25, 2025, the Company has submitted a proposal of a "Partial Amendment to the Articles of Incorporation." Should this proposal be approved and adopted, the Company will transition to a company with Audit and Supervisory Committee. Following the transition, Takayuki Tabo, Akihiko Irie and Wakyu Shinmen are scheduled to assume the post of Audit and Supervisory Committee Member.

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

i) 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	Remarks
Full-time Corporate Auditor	Takayuki Tabo	15/15 (100%)	17/17 (100%)	
Full-time Corporate Auditor	Yasuo Ota	15/15 (100%)	17/17 (100%)	As of March 31, 2025, resigned
Part-time Corporate Auditor (Outside)	Akihiko Irie	15/15 (100%)	17/17 (100%)	
Part-time Corporate Auditor (Outside)	Wakyu Shinmen	15/15 (100%)	17/17 (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 60 minutes.

ii) Specific matters for consideration at the Board of Corporate Auditors

Specific 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.

iii) Priority audit items

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

iv) Main activities of Corporate Auditors

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.

Note that during the current fiscal year, Corporate Auditors mainly conducted the following activities, which were spearheaded by Full-time Corporate Auditors and conducted in cooperation with Outside Corporate Auditors.

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

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

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

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

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

(ii) Internal audits

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

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

Note: As a matter for resolution at the 167th Annual General Meeting of Shareholders scheduled to be held on June 25, 2025, the Company has submitted a proposal of a “Partial Amendment to the Articles of Incorporation." Should this proposal be approved and adopted, the Company will transition to a company with Audit and Supervisory Committee. Following the transition, reports and briefings on activity status will be made to the Audit and Supervisory Committee as appropriate, and meetings to exchange opinions will be held.

(iii) Accounting audits

a. Name of audit corporation

KPMG AZSA LLC

b. Continuous audit period

56 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
Hideto Yoshimochi

d. Composition of assistants relating to audit work

The total number of assistants related to the accounting audit of the Company was 42, including 13 certified public accountants and 29 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	76	6	84	4
Consolidated subsidiaries	50	16	48	16
Total	126	22	132	20

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

In addition, fees for non-audit services with respect to consolidated subsidiaries are related to referred work, which falls outside services under Article 2, paragraph (1) of the Certified Public Accountants Act.

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

In addition, fees for non-audit services with respect to consolidated subsidiaries are related to referred work, which falls outside services under Article 2, paragraph (1) of the Certified Public Accountants Act.

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	—	20	—	20
Consolidated subsidiaries	39	5	52	8
Total	39	24	52	28

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

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

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

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

c. Fees for other significant audit and attestation services

Not applicable

d. Determination policy for audit fees

Not applicable

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

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

(4) Compensation

(i) Matters concerning amounts of compensation, etc. or the determination of the calculation method thereof (as of the filing date of the Annual Securities Report)

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

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

The current Determination Policy was decided by a resolution of the Board of Directors on April 25, 2024.

(Content of the Determination Policy (Summary))

(a) Basic policy

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

i) Provide incentives that lead to the Group's sustained growth and enhance corporate value over the longer term

ii) Secure highly talented management personnel

iii) Set determination procedures that are objective and highly transparent

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

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

a. Composition of monetary compensation

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

i) Basic component based on position (basic compensation)

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

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

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

Chair of the Board & Director	Company's overall performance only
Representative Director (concurrently serving as Executive Officer)	Company's overall performance : Individual performance = 2 : 1
Director (concurrently serving as Executive Officer)	Company's overall performance : Individual performance = 1 : 1
Executive Officer (full-time)	Company's overall performance : Individual performance = 1 : 2

ii) The short-term incentive compensation for each Director and officer is calculated by taking into account the Company's overall performance and individual performance.

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

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

v) For individual performance, the performance of the supervised department and individual targets are set. Taking the degree of achievement of both into comprehensive consideration, performance is evaluated on a five-point scale, and is given a variance between 0% to 200%.

vi) Non-financial indicators are set as items for evaluation and added in accordance with the degree of achievement. Those non-financial indicators shall be targets that will be shared by all Executive Officers based on the annual management policy.

(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) to Directors (excluding Outside Directors) and Executive Officers.

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

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

<Reference> Comparison ratio of compensation for Directors (excluding Outside Directors) and Executive Officers

Monetary compensation		Non-monetary compensation
Basic compensation	Performance-based compensation, etc. (Short-term incentive compensation)	Restricted share compensation
60%	30%	10%

(e) Other matters related to deciding on the determination policy for content of individual compensation, etc.

a. Compensation for Outside Directors is to be fixed monetary compensation in view of their role and independence.

b. Compensation for Corporate Auditors is to be fixed monetary compensation in accordance with their duties and responsibilities, and is to be decided by discussions with the Corporate Auditors in view of their duties and responsibilities.

c. The Nomination and Compensation Advisory Committee, in which Outside Directors account for a majority of the members, has been established as an advisory body to the Board of Directors to ensure the transparency and objectivity of decisions on compensation. The Nomination and Compensation Advisory Committee is chaired by an Outside Director. The Nomination and Compensation Advisory Committee receives a request for advice from the Board of Directors and deliberates on the system, level, and method of calculating the compensation, in addition to the target value set for the evaluation of the Company's overall performance that forms part of the compensation by position. The Board of Directors makes the final decision on the amount of individual compensation based upon the report from the Nomination and Compensation Advisory Committee.

(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.

Note: As a matter for resolution at the 167th Annual General Meeting of Shareholders scheduled to be held on June 25, 2025, the Company has submitted a proposal of a "Partial Amendment to the Articles of Incorporation." Should this proposal be approved and adopted, the Company will transition to a company with Audit and Supervisory Committee. Additionally, "Partial Amendment to Determination Policy for Content of Individual Compensation, etc. for officers" is scheduled to be submitted as an agenda to be resolved at the meeting of the Board of Directors scheduled to be held immediately after the Annual General Meeting of Shareholders in question.

(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)	256	181	45	30	7
Corporate Auditors (excluding Outside Corporate Auditors)	53	53	—	—	2
Outside officers	71	71	—	—	7

(Notes) 1. 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.

Note that as a matter for resolution at the 167th Annual General Meeting of Shareholders scheduled to be held on June 25, 2025, the Company has submitted a proposal of a “Partial Amendment to the Articles of Incorporation." Should this proposal be approved and adopted, the Company will transition to a company with Audit and Supervisory Committee. Additionally,, the Company also proposed “Setting of the Amount of Compensation for Directors (Excluding Directors Who Are Audit and Supervisory Committee Members),” "Setting of the Amount of Compensation for Directors Who Are Audit and Supervisory Committee Members," and "Setting of the Amount of Compensation to Grant Restricted Shares for Directors

(Excluding Directors Who Are Audit and Supervisory Committee Members)” as agenda. Should each of these proposals be approved and adopted, the amount of monetary compensation for Directors (excluding Directors who are Audit and Supervisory Committee Members) will be set at not more than ¥35 million monthly, the amount of monetary compensation for Directors who are Audit and Supervisory Committee Members will be set at not more than ¥5 million monthly, and the amount of compensation to grant restricted shares to Directors (excluding Directors who are Audit and Supervisory Committee Members) will be set at not more than ¥35 million annually.

2. Matters related to performance-based compensation, etc.

(1) Certain compensation (short-term incentive compensation) is designed to incorporate company-wide performance and individual performance for the previous fiscal year in order to adequately motivate Directors (excluding Outside Directors). In addition to these, targets for non-financial indicators will be set and added according to the degree of achievement.

(2) The KPI for company-wide performance is EBITDA, which is a KPI under the "2025 Medium-Term Management Plan." With regards to the specific target amount and the formula for calculating it in accordance with the degree of achievement, the Board of Directors presents a draft to the Nomination and Compensation Advisory Committee, the majority of whose members are Outside Directors with a high degree of independence, then seeks the advice of the Committee. The Board of Directors makes its decision based on the resulting report by the Committee. Additionally, individual performance is determined after taking the performance of the supervised department (degree of achievement of operating profit, degree of ROA improvement, etc.) and the degree of achievement of individual targets into comprehensive consideration.

(3) Target and actual EBITDA are shown in the following table.

EBITDA	165th term	166th term
Target (Hundred million yen)	450	367
Actual (Hundred million yen)	291	288

(Note) In evaluations of company-wide performance, results for the 165th term are reflected in compensation for the period between April 2024 and June 2024 and results for the 166th term are reflected in compensation for the period between July 2024 and March 2025.

(4) Non-financial indicators set as items for evaluation for short-term incentive compensation (set for the two elements of safety, disaster prevention and human capital) have not been added due to not being achieved.

(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 2025 at its meeting held on May 23, 2025, 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	45	1,554
Shares other than unlisted shares	5	830

(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	—	—	—
Shares other than unlisted shares	1	3	The issuer is a key customer of the Company's packaging films business, and the Company holds its shares to maintain a stable relationship. The increase in shares held is due to the Shareholding Association.

(Stocks that decreased during the current fiscal year)

	Number of stocks (Stock)	Total selling prices for the decrease in stocks (Millions of yen)
Unlisted shares	4	2
Shares other than unlisted shares	1	93

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

Specified equity investments

Stocks	Current fiscal year	Previous fiscal year	Purpose of holding, outline of business alliance, quantitative effects from holdings, and reason for share increase	Shares held in the Company
	Number of shares (Shares)	Number of shares (Shares)		
	Carrying amount (Millions of yen)	Carrying amount (Millions of yen)		
Mitsubishi Gas Chemical Company, Inc.	191,800	225,600	The Company holds its shares to maintain and strengthen the relationship with the issuer as a strategic partner for supplying raw materials for high-performance products. In the current fiscal year, the Company sold some stocks.	Yes
	446	584		
Taisei Lamick Co., Ltd. (Note) 2	110,663	109,386	The issuer is a key customer of the Company's packaging films business, and the Company holds its shares to maintain a stable relationship. The increase in shares held is due to the Shareholding Association.	No
	275	326		
Hisamitsu Pharmaceutical Co., Inc.	20,000	20,000	The issuer is a key customer of the Company's industrial films business, and the Company holds its shares to maintain a stable relationship.	No
	80	79		
Sun A Kaken Co., Ltd.	35,000	35,000	The issuer is a key customer of the Company's industrial films and packaging films businesses, and the Company holds its shares to maintain a stable relationship.	No
	19	18		
Maruto Sangyo Co., Ltd.	4,575	4,575	The issuer is a key customer of the Company's packaging films business, and the Company holds its shares to maintain a stable relationship.	No
	8	9		

(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. Taisei Lamick Co., Ltd. changed its trade name to Taisei Lamick Group Head Quarter & Innovation Co., Ltd. on April 1, 2025.

(iii) Equity investments held for pure investment purposes

Not applicable

V. Financial Information

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

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

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

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

2. Audit and attestation

The consolidated and non-consolidated financial statements of the Company for the current fiscal year (from April 1, 2024 to March 31, 2025) 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)

	Previous fiscal year (As of March 31, 2024)	Current fiscal year (As of March 31, 2025)
Assets		
Current assets		
Cash and deposits	*2 33,796	*2 28,581
Notes receivable - trade	*5 3,775	1,743
Accounts receivable - trade	*5 83,968	90,802
Contract assets	140	207
Electronically recorded monetary claims - operating	*5 14,921	13,400
Merchandise and finished goods	69,996	65,055
Work in process	20,566	22,023
Raw materials and supplies	31,421	31,904
Other	15,488	14,109
Allowance for doubtful accounts	(337)	(330)
Total current assets	273,733	267,495
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	*8 64,575	*8 73,763
Machinery, equipment and vehicles, net	*8 59,855	*8 63,720
Land	*7 91,049	*7 90,203
Construction in progress	53,025	55,958
Other, net	12,972	12,875
Total property, plant and equipment	*1,*2 281,475	*1,*2 296,518
Intangible assets		
Other	4,670	5,032
Total intangible assets	4,670	5,032
Investments and other assets		
Investment securities	*4 11,072	*4 12,274
Retirement benefit asset	3,196	4,358
Deferred tax assets	21,400	21,427
Other	*4 12,712	*4 10,762
Allowance for doubtful accounts	(1,268)	(68)
Total investments and other assets	47,112	48,754
Total non-current assets	333,257	350,304
Total assets	606,990	617,799

(Millions of yen)

	Previous fiscal year (As of March 31, 2024)	Current fiscal year (As of March 31, 2025)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	*5 49,782	48,389
Electronically recorded obligations - operating	*5 4,229	3,436
Short-term borrowings	68,385	53,043
Commercial papers	-	5,000
Current portion of bonds payable	15,000	10,000
Current portion of long-term borrowings	13,069	11,684
Provision for bonuses	5,253	5,260
Other	*2,*5,*6 28,430	*2,*6 23,509
Total current liabilities	184,148	160,320
Non-current liabilities		
Bonds payable	60,000	67,000
Long-term borrowings	85,637	114,343
Deferred tax liabilities for land revaluation	18,762	18,990
Provision for retirement benefits for directors (and other officers)	274	209
Provision for environmental measures	11	-
Retirement benefit liability	15,901	14,122
Other	12,171	10,770
Total non-current liabilities	192,755	225,435
Total liabilities	376,903	385,755
Net assets		
Shareholders' equity		
Share capital	51,730	51,730
Capital surplus	33,187	32,661
Retained earnings	70,315	68,967
Treasury shares	(1,006)	(925)
Total shareholders' equity	154,227	152,433
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,801	1,857
Deferred gains or losses on hedges	(1)	12
Revaluation reserve for land	*7 40,603	*7 40,174
Foreign currency translation adjustment	(548)	(603)
Remeasurements of defined benefit plans	951	1,439
Total accumulated other comprehensive income	42,806	42,879
Non-controlling interests	33,054	36,732
Total net assets	230,087	232,044
Total liabilities and net assets	606,990	617,799

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

Consolidated Statements of Income

(Millions of yen)

(Consolidated Statements of Income)	Previous fiscal year (From April 1, 2023 to March 31, 2024)	Current fiscal year (From April 1, 2024 to March 31, 2025)
Net sales	*1 414,265	*1 422,032
Cost of sales	*2,*4 326,267	*2,*4 324,977
Gross profit	87,998	97,055
Selling, general and administrative expenses	*3,*4 79,003	*3,*4 80,402
Operating profit	8,995	16,653
Non-operating income		
Dividend income	323	321
Foreign exchange gains	1,333	-
Compensation income	9	575
Subsidy income	583	890
Other	1,454	1,368
Total non-operating income	3,702	3,153
Non-operating expenses		
Interest expenses	1,355	2,182
Salaries paid to dispatched employees	793	693
Other	3,587	6,340
Total non-operating expenses	5,735	9,216
Ordinary profit	6,962	10,591
Extraordinary income		
Gain on sale of non-current assets	-	*5 737
Gain on sale of shares of subsidiaries and associates	-	1,489
Gain on sale of investment securities	*6 3,312	*6 124
Total extraordinary income	3,312	2,350
Extraordinary losses		
Impairment losses	*8 799	*8 1,929
Loss on disposal of non-current assets	*7 3,511	*7 3,718
Other	377	126
Total extraordinary losses	4,687	5,772
Profit before income taxes	5,587	7,168
Income taxes - current	5,303	3,246
Income taxes - deferred	(3,295)	(1,277)
Total income taxes	2,007	1,969
Profit	3,580	5,199
Profit attributable to non-controlling interests	1,125	3,196
Profit attributable to owners of parent	2,455	2,003

Consolidated Statements of Comprehensive Income

(Millions of yen)

(Consolidated Statements of Comprehensive Income)	Previous fiscal year (From April 1, 2023 to March 31, 2024)	Current fiscal year (From April 1, 2024 to March 31, 2025)
Profit	3,580	5,199
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,623)	55
Deferred gains or losses on hedges	(25)	(58)
Revaluation reserve for land	72	(292)
Foreign currency translation adjustment	4,505	(634)
Remeasurements of defined benefit plans, net of tax	5,583	488
Share of other comprehensive income of entities accounted for using equity method	362	669
Total other comprehensive income	* 8,873	* 227
Comprehensive income	12,454	5,426
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	10,872	2,260
Comprehensive income attributable to non-controlling interests	1,581	3,166

(iii) Consolidated Statements of Changes in Net Assets

For the fiscal year ended March 31, 2024

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	51,730	32,402	70,490	(781)	153,840
Changes during period					
Dividends of surplus			(3,533)		(3,533)
Profit attributable to owners of parent			2,455		2,455
Reversal of revaluation reserve for land			904		904
Purchase of treasury shares				(321)	(321)
Disposal of treasury shares		(4)		95	92
Capital increase of consolidated subsidiaries		790			790
Net changes in items other than shareholders' equity					
Total changes during period	―	786	(174)	(225)	386
Balance at end of period	51,730	33,187	70,315	(1,006)	154,227

	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	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	3,434	67	41,435	(4,556)	(4,632)	35,748	31,834	221,422
Changes during period								
Dividends of surplus								(3,533)
Profit attributable to owners of parent								2,455
Reversal of revaluation reserve for land								904
Purchase of treasury shares								(321)
Disposal of treasury shares								92
Capital increase of consolidated subsidiaries								790
Net changes in items other than shareholders' equity	(1,633)	(68)	(832)	4,008	5,583	7,058	1,220	8,278
Total changes during period	(1,633)	(68)	(832)	4,008	5,583	7,058	1,220	8,665
Balance at end of period	1,801	(1)	40,603	(548)	951	42,806	33,054	230,087

For the fiscal year ended March 31, 2025

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	51,730	33,187	70,315	(1,006)	154,227
Changes during period					
Dividends of surplus			(3,524)		(3,524)
Profit attributable to owners of parent			2,003		2,003
Reversal of revaluation reserve for land			137		137
Purchase of treasury shares				(2)	(2)
Disposal of treasury shares		0		82	82
Change in scope of consolidation		342			342
Change in scope of equity method			36		36
Purchase of investments in capital of consolidated subsidiaries		14			14
Capital increase of consolidated subsidiaries		(884)			(884)
Net changes in items other than shareholders' equity					
Total changes during period	—	(526)	(1,348)	81	(1,793)
Balance at end of period	51,730	32,661	68,967	(925)	152,433

	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	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	1,801	(1)	40,603	(548)	951	42,806	33,054	230,087
Changes during period								
Dividends of surplus								(3,524)
Profit attributable to owners of parent								2,003
Reversal of revaluation reserve for land								137
Purchase of treasury shares								(2)
Disposal of treasury shares								82
Change in scope of consolidation								342
Change in scope of equity method								36
Purchase of investments in capital of consolidated subsidiaries								14
Capital increase of consolidated subsidiaries								(884)
Net changes in items other than shareholders' equity	56	13	(429)	(55)	488	73	3,678	3,750
Total changes during period	56	13	(429)	(55)	488	73	3,678	1,957
Balance at end of period	1,857	12	40,174	(603)	1,439	42,879	36,732	232,044

(iv) Consolidated Statements of Cash Flows

(Millions of yen)

	Previous fiscal year (From April 1, 2023 to March 31, 2024)	Current fiscal year (From April 1, 2024 to March 31, 2025)
Cash flows from operating activities		
Profit before income taxes	5,587	7,168
Depreciation	19,806	22,698
Impairment losses	799	1,929
Increase (decrease) in allowance for doubtful accounts	171	(1,186)
Increase (decrease) in retirement benefit liability	(34)	(625)
Decrease (increase) in retirement benefit asset	(1,005)	(1,021)
Interest and dividend income	(612)	(612)
Interest expenses	1,355	2,182
Foreign exchange losses (gains)	(1,333)	662
Share of loss (profit) of entities accounted for using equity method	60	129
Loss (gain) on sales and disposal of property, plant and equipment, net	3,511	3,107
Loss (gain) on sale and valuation of investment securities	(3,147)	(124)
Loss (gain) on sale of shares of subsidiaries and associates	-	(1,489)
Decrease (increase) in trade receivables	60	(6,855)
Decrease (increase) in inventories	2,033	1,168
Increase (decrease) in trade payables	(6,357)	729
Increase/decrease in consumption taxes payable/consumption taxes refund receivable	900	2,376
Other, net	3,884	5,544
Subtotal	25,681	35,779
Income taxes refund (paid)	(4,085)	(5,661)
Net cash provided by (used in) operating activities	21,595	30,118
Cash flows from investing activities		
Purchase of property, plant and equipment and intangible assets	(56,629)	(45,225)
Proceeds from sale of property, plant and equipment and intangible assets	113	1,079
Proceeds from sale of investment securities	3,834	160
Proceeds from sale of shares of subsidiaries resulting in change in scope of consolidation	-	1,946
Long-term loan advances	(68)	-
Proceeds from collection of long-term loans receivable	36	23
Interest and dividends received	628	628
Other, net	(6,698)	(4,997)
Net cash provided by (used in) investing activities	(58,784)	(46,386)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(3,594)	(15,350)
Net increase (decrease) in commercial papers	-	5,000
Proceeds from long-term borrowings	50,143	40,500
Repayments of long-term borrowings	(30,422)	(13,329)
Proceeds from issuance of bonds	10,000	17,000
Redemption of bonds	(10,000)	(15,000)
Purchase of treasury shares	(321)	(2)
Interest paid	(1,330)	(2,122)
Dividends paid	(3,531)	(3,525)
Dividends paid to non-controlling interests	(14)	(752)
Purchase of investments in capital of subsidiaries without change in scope consolidation	-	(219)
Other, net	(2,670)	(1,711)
Net cash provided by (used in) financing activities	8,260	10,490
Effect of exchange rate change on cash and cash equivalents	2,034	(105)
Net increase (decrease) in cash and cash equivalents	(26,894)	(5,883)
Cash and cash equivalents at beginning of period	60,204	33,310
Cash and cash equivalents at end of period	* 33,310	* 27,427

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: 49

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

As the Company has transferred all of its shareholdings in Kureha Ltd., Toyobo Kankyo Techno Co., Ltd., and TOYOBO KUREHA AMERICA CO., LTD., they are excluded in the scope of consolidation starting from the current fiscal year.

(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 Toyoshina Film Co., Ltd.

As Toyobo Indorama Advanced Fibers Co., Ltd. has increased in significance, it is included in the scope of consolidation starting from the current fiscal year.

(2) Unconsolidated subsidiaries other than those in the preceding item (1) (Toho Kako Co., Ltd., etc.) and associates (Hokuriku Air Chemicals Corporation, 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 three 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 three companies pertaining to the current fiscal year.

However, the Company has made the necessary adjustments for consolidation for significant transactions that occurred between that fiscal year-end and the consolidated fiscal year-end.

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

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

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)

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

Leased assets

Leased assets concerning finance lease transactions that transfer ownership

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

Leased assets concerning finance lease transactions that do not transfer ownership

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

(3) Standards for recording significant provisions

Allowance for doubtful accounts

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

Provision for bonuses

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

Provision for retirement benefits for directors (and other officers)

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

(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 differences and unrecognized prior service costs

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

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

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

(6) Method of significant hedge accounting

Method of hedge accounting

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

Hedging instruments and hedged items

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

Hedging policy

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

Method for evaluating hedging effectiveness

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

(7) Method for goodwill amortization and amortization period

Goodwill is amortized over five years.

(8) Application of group tax sharing system

The Company and certain consolidated subsidiaries apply the group tax sharing system.

(9) 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.

(10) 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)

	Previous fiscal year	Current fiscal year
Property, plant and equipment	281,475	296,518
Retirement benefit asset	3,196	4,358
Retirement benefit liability	15,901	14,122
Deferred tax assets	21,400	21,427

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

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

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

(1) Property, plant and equipment

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

Regarding the Company's packaging film business, the Company has determined whether impairment losses need to be recognized because signs of impairment were recognized due to ongoing negative operating profit. However, the measurement of impairment losses was determined to be unnecessary due to undiscounted cash flow exceeding the book value of property, plant and equipment excluding assets to be suspended by ¥13,168 million. Note that the future business plan used to calculate undiscounted future cash flows includes estimates such as those of costs related to the startup of new production equipment. Should these estimates and assumptions change, they could adversely affect this assessment and materially impact the determination of whether impairment losses need to be recognized and on the amount of impairment losses.

(2) Retirement benefit asset and liability

The Group has defined benefit and defined contribution retirement benefit plans for employees and retirees. Plan assets and retirement benefit liability are determined based on actuarial calculation, and the assumptions for actuarial calculation include estimates of discount rate, retirement rate, mortality rate, rate of salary increase, expected long-term rate of return on plan assets 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 1.5% is primarily used for the end of the current fiscal year) used for accounting estimates to measure retirement benefit liability.

(Millions of yen)

	Amount of impact on retirement benefit liability at the end of the current fiscal year
Discount rates: decrease of 0.5 percentage points	2,828
Discount rates: increase of 0.5 percentage points	(2,626)

(3) Deferred tax assets

The Company and some of its domestic consolidated subsidiaries apply the group tax sharing system. The collectability of deferred tax assets is determined based on the schedule for reversing deductible temporary differences, future taxable income, tax planning, and other factors for the tax-sharing group as a whole.

Estimates of future taxable income are based on business plans prepared by management. Said estimates of taxable income include estimates such as those of costs related to the start-up of new production equipment in the Company's packaging films business.

The status of the incurrence of taxable income may be affected by uncertain future changes in economic conditions. Should the actual amount generated differ from estimates, it may significantly impact the amount of deferred tax assets recognized in the consolidated financial statements in the following fiscal year or later.

(Unapplied accounting standards, etc.)

- Accounting Standard for Leases (ASBJ Statement No. 34, September 13, 2024)
- Implementation Guidance on Accounting Standard for Leases (ASBJ Guidance No. 33, September 13, 2024), etc.

(1) Overview

As part of its initiatives to make Japanese accounting standards internationally consistent, the ASBJ has been examining the development of an accounting standard for leases that recognizes assets and liabilities for all leases of a lessee, factoring into account international accounting standards. As its basic policy in this regard, the ASBJ announced a lease accounting standard, etc. in which the single accounting model of IFRS 16 is used as the basis, but rather than adopt all the stipulations of IFRS 16, only the main stipulations are adopted. The aim behind this is to make for a simpler, more convenient accounting standard, etc. that basically require no amendment even if the stipulations of IFRS 16 are applied to individual financial statements.

For the accounting treatment of a lessee, a single accounting model for allocating the cost of a lease to the lessee is applied in which, similar to IFRS 16, depreciation on right-of-use assets and interest expenses on lease liabilities is recorded for all leases regardless of whether the lease is a finance lease or an operating lease.

(2) Scheduled application date

The accounting standard, etc. will be applied from the beginning of the fiscal year ended March 31, 2028.

(3) Impact of application of accounting standard, etc.

The impact of the "Accounting Standard for Leases," etc. on the consolidated financial statements is currently being assessed.

(Changes in presentation method)

(Consolidated statements of income)

Compensation income, which was included in ‘other’ under non-operating income in the previous fiscal year, is presented separately in the current fiscal year because the item now accounts for 10% or more of total non-operating income. Also, insurance claim income, which was presented separately under non-operating income in the previous fiscal year, is displayed as part of 'other' in the current fiscal year because its monetary significance has decreased. To reflect these changes in presentation method, the consolidated financial statements for the previous fiscal year have been reclassified.

As a result, for the consolidated statement of income for the previous fiscal year, ¥219 million that was previously displayed as insurance claim income and ¥1,244 million that was previously displayed as ‘other’ under non-operating income have been reclassified into compensation income of ¥9 million and ‘other’ of ¥1,454 million.

(Consolidated statements of cash flows)

Foreign exchange gains (losses) and decrease/increase in consumption taxes receivable/payable, which were included in ‘other’ in cash flows from operating activities in the previous fiscal year, are presented separately in the current fiscal year because their monetary significance has increased. To reflect this change in presentation method, the consolidated financial statements for the previous fiscal year have been reclassified.

As a result, for the consolidated statements of cash flows for the previous fiscal year, ¥3,451 million that was previously presented as ‘other’ in cash flows from operating activities has been reclassified into foreign exchange gains (losses) of ¥(1,333) million, decrease/increase in consumption taxes receivable/payable of ¥900 million yen, and ‘other’ of ¥3,884 million.

(Consolidated balance sheets)

*1. Accumulated depreciation directly deducted from property, plant, and equipment was ¥447,077 million for the previous fiscal year and ¥445,978 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, 2024	As of March 31, 2025
Cash and deposits	¥2 million	¥25 million
Property, plant and equipment	193	176
Total	¥195 million	¥201 million

Collateralized debt obligations are as follows:

	As of March 31, 2024	As of March 31, 2025
Other current liabilities (deposits received)	¥106 million	¥118 million
Total	¥106 million	¥118 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, 2024		As of March 31, 2025	
Toyobo Indorama Advanced Fibers Co.,Ltd.	¥3,850 million	Toyobo Indorama Advanced Fibers Co.,Ltd.	¥3,662 million
PT.TRIAS TOYOBO ASTRIA	1,713	PT.TRIAS TOYOBO ASTRIA	1,142
Indorama Ventures Mobility Obernburg GmbH	1,012	Cast Film Japan Co., Ltd.	1,025
Cast Film Japan Co., Ltd.	800	Indorama Ventures Mobility Obernburg GmbH	940
Total	¥7,375 million	Total	¥6,769 million

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

	As of March 31, 2024	As of March 31, 2025
Investment securities (shares)	¥5,545 million	¥6,530 million
[of which, the amount on the right is the amount of investment in companies under common control]	(2,340)	(2,297)
'Other' under investments and other assets (investments)	2,484	2,142

*5. Regarding the accounting treatment of bills matured on the last day of the current fiscal year and cash payments on the determination date (method in which cash is paid on the bill maturity date with the same condition as bills), although the last day of the previous fiscal year was a holiday for financial institutions, the Company treated payment as if it was conducted on the maturity date. Amounts of bills matured on the last day of the previous fiscal year, etc. are as follows:

	As of March 31, 2024	As of March 31, 2025
Notes receivable - trade	¥605 million	¥- million
Accounts receivable - trade	4,413	—
Electronically recorded monetary claims - operating	1,129	—
Notes and accounts payable - trade	5,404	—
Electronically recorded monetary obligations - operating	916	—
'Other' under current liabilities.	974	—

*6. 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.”

*7. Revaluation reserve for land

In accordance with the Act on Revaluation of Land (Act No. 34 published on March 31, 1998), the Company and two consolidated subsidiaries (in the previous fiscal year, the Company and two consolidated subsidiaries) revaluated land for business purposes, and recorded the revaluation reserve for land in net assets.

(1) The Company and one consolidated subsidiary

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

	As of March 31, 2024	As of March 31, 2025
Difference between the year-end fair value of land subject to revaluation and the carrying amount after the revaluation	¥29,851 million	¥29,435 million

(2) One consolidated subsidiary

- Method for land revaluation: Calculated by making reasonable adjustments to the roadside land price as prescribed in Article 2, paragraph 4 of the Order for Enforcement of the Act on Revaluation of Land (Cabinet Order No. 119 published on March 31, 1998)
- Land revaluation date: March 31, 2000

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

*8. 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, 2024	As of March 31, 2025
Amount of accelerated depreciation for tax purposes	¥607 million	¥607 million
[Of which, the amount on the right is the amount of buildings and structures]	(281)	(281)
[Of which, the amount on the right is the amount of machinery, equipment, and vehicles]	(327)	(327)

*9. 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, 2024	As of March 31, 2025
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, 2024	For the fiscal year ended March 31, 2025
¥2,350 million	¥767 million

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

	For the fiscal year ended March 31, 2024	For the fiscal year ended March 31, 2025
Transport and storage costs	¥13,207 million	¥13,340 million
Salaries and bonuses	18,634	18,717
Provision for bonuses	1,974	2,097
Retirement benefit expenses	1,489	1,323
Research and development expenses	15,392	14,364

*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, 2024	For the fiscal year ended March 31, 2025
¥15,310 million	¥14,261 million

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

For the fiscal year ended March 31, 2024		For the fiscal year ended March 31, 2025	
Buildings and structures	¥- million	Buildings and structures	¥1 million
Machinery, equipment, and vehicles	—	Machinery, equipment, and vehicles	46
Land	—	Land	689
'Other' under property, plant, and equipment	—	'Other' under property, plant, and equipment	1
Total	¥- million	Total	¥737 million

*6. Gain on sale of investment securities

For the fiscal year ended March 31, 2024

All are related to available-for-sale securities.

For the fiscal year ended March 31, 2025

All are related to available-for-sale securities.

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

For the fiscal year ended March 31, 2024		For the fiscal year ended March 31, 2025	
Buildings and structures	¥1,571 million	Buildings and structures	¥2,172 million
Machinery, equipment, and vehicles	1,568	Machinery, equipment, and vehicles	1,489
'Other' under property, plant, and equipment	372	'Other' under property, plant, and equipment	57
Total	¥3,511 million	Total	¥3,718 million

*8. Impairment losses

For the fiscal year ended March 31, 2024

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 INDUSTRIAL MATERIALS AMERICA, INC. (Alabama, U.S.A.)	Business assets (Airbag fabric manufacturing facilities)	Buildings and structures Machinery, equipment, and vehicles Construction in progress, etc.
Xenomax - Japan Co., Ltd. Head office plant (Tsuruga, Fukui)	Business assets (Film production facility)	Machinery, equipment, and vehicles
Toyobo Co., Ltd. Inuyama Plant and others (Inuyama, Aichi and others)	Assets to be suspended	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 ¥799 million.

The breakdown is as follows:

Buildings and structures	¥116 million
Machinery, equipment, and vehicles	¥580 million
Construction in progress	¥53 million
Other	¥50 million
Total	¥799 million

Regarding the recoverable amount of the aforementioned asset groups, the Group used the estimated net selling price based on third-party appraisals and other values.

For the fiscal year ended March 31, 2025

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 MC Corporation Iwakuni Site, Tsuruga Site, and others. (Iwakuni, Yamaguchi; Tsuruga, Fukui; and others.)	Business assets (Nonwoven fabric production facilities)	Buildings and structures Machinery, equipment, and vehicles Construction in progress, etc.
Xenomax - Japan Co., Ltd. Head office plant (Tsuruga, Fukui)	Business assets (Film production facility)	Buildings and structures
Toyobo Co., Ltd. Inuyama Plant and others (Inuyama, Aichi and others)	Assets to be suspended	Buildings and structures Machinery, equipment, and vehicles Construction in progress, 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 ¥1,929 million.

The breakdown is as follows:

Buildings and structures	¥258 million
Machinery, equipment, and vehicles	¥1,413 million
Land	¥5 million
Construction in progress	¥163 million
Other	¥90 million
Total	¥1,929 million

The recoverable amount of the aforementioned asset groups is based on the value in use, which is calculated based on future cash flow using rational estimates, etc.

(Consolidated statements of comprehensive income)

* Reclassification adjustments, income taxes and tax effects relating to other comprehensive income

	For the fiscal year ended March 31, 2024	For the fiscal year ended March 31, 2025
Valuation difference on available-for-sale securities:		
Amount arising during the period	¥916 million	¥218 million
Reclassification adjustment	(3,312)	(125)
Amount before income taxes and tax effects	(2,396)	93
Income taxes and tax effects	773	(38)
Valuation difference on available-for-sale securities	(1,623)	55
Deferred gains or losses on hedges:		
Amount arising during the period	(20)	(83)
Reclassification adjustment	(18)	—
Amount before income taxes and tax effects	(38)	(83)
Income taxes and tax effects	13	25
Deferred gains or losses on hedges	(25)	(58)
Revaluation reserve for land		
Income taxes and tax effects	72	(292)
Revaluation reserve for land	72	(292)
Foreign currency translation adjustment:		
Amount arising during the period	4,530	(633)
Reclassification adjustment	—	(3)
Amount before income taxes and tax effects	4,530	(636)
Income taxes and tax effects	(26)	1
Foreign currency translation adjustment	4,505	(634)
Adjustment of defined benefit plans:		
Amount arising during the period	7,341	395
Reclassification adjustment	751	312
Amount before income taxes and tax effects	8,091	707
Income taxes and tax effects	(2,509)	(219)
Remeasurements of defined benefit plans, net of tax	5,583	488
Share of other comprehensive income of entities accounted for using the equity method:		
Amount arising during the period	362	669
Reclassification adjustment	—	—
Share of other comprehensive income of entities accounted for using the equity method	362	669
Total other comprehensive income	8,873	227

(Consolidated statements of changes in net assets)

For the fiscal year ended March 31, 2024

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	723	316	90	949
Total	723	316	90	949

(Notes) 1. The increase of 316,000 shares in common shares of treasury shares consists of an increase of 311,000 shares due to purchases of treasury shares based on a resolution of the Board of Directors, 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 share compensation.

2. The decrease of 90,000 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 28, 2023	Common shares	3,533	40	March 31, 2023	June 29, 2023

(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 25, 2024	Common shares	3,524	Retained earnings	40	March 31, 2024	June 26, 2024

For the fiscal year ended March 31, 2025

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	949	4	77	876
Total	949	4	77	876

(Notes) 1. The increase of 4,000 shares in common shares of treasury shares consists of an increase of 1,000 shares due to purchases of shares in amounts less than one unit and an increase of 2,000 shares due to acquisition without consideration of common shares allotted as restricted share compensation.

2. The decrease of 77,000 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 25, 2024	Common shares	3,524	40	March 31, 2024	June 26, 2024

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

The following are scheduled to be submitted as agenda for the Annual General Meeting of Shareholders to be held on June 25, 2025.

(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 25, 2025	Common shares	3,527	Retained earnings	40	March 31, 2025	June 26, 2025

(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, 2024	For the fiscal year ended March 31, 2025
Cash and deposits	33,796 million	28,581 million
Time deposits maturing after three months	(486)	(1,155)
Cash and cash equivalents	33,310 million	27,427 million

(Leases)

1. Finance leases

(Lessee)

(1) Finance lease transactions that transfer ownership

(i) Type of leased asset

Property, plant and equipment

Mainly production facilities (Machinery, equipment, and vehicles)

(ii) Method of depreciating lease assets

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

(2) Finance lease transactions that do not transfer ownership

(i) Type of leased asset

(a) Property, plant, and equipment

Mainly OA devices (other property, plant and equipment)

(b) Intangible assets

Software (other intangible assets)

(ii) Method of depreciating lease assets

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

2. Operating leases

(Lessee)

Lease payables for non-cancelable operating leases

	As of March 31, 2024	As of March 31, 2025
Lease payables at end of period		
Within 1 year	¥1,473 million	¥1,470 million
Over 1 year	2,828	1,430
Total	¥4,302 million	¥2,900 million

(Lessor)

Lease receivables for non-cancelable operating leases

	As of March 31, 2024	As of March 31, 2025
Lease receivables at end of period		
Within 1 year	¥588 million	¥507 million
Over 1 year	4,596	4,583
Total	¥5,184 million	¥5,090 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 and commercial papers 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, 2024 and 2025.

As of March 31, 2024

(Millions of yen)

	Book value	Fair value	Difference
(1) Investment securities (*2)			
Available-for-sale securities	3,067	3,067	—
Total assets	3,067	3,067	—
(2) Bonds payable	75,000	74,664	(336)
(3) Long-term borrowings	98,706	98,340	(365)
Total liabilities	173,706	173,004	(702)
Derivatives (*4)			
(i) Derivatives to which hedge accounting is not applied	(115)	(115)	—
(ii) Derivatives to which hedge accounting is applied	61	61	—
Total derivatives	(55)	(55)	—

As of March 31, 2025

(Millions of yen)

	Book value	Fair value	Difference
(1) Investment securities (*2)			
Available-for-sale securities	3,095	3,095	—
Total assets	3,095	3,095	—
(2) Bonds payable	77,000	75,559	(1,441)
(3) Long-term borrowings	126,027	124,043	(1,984)
Total liabilities	203,027	199,603	(3,424)
Derivatives (*4)			
(i) Derivatives to which hedge accounting is not applied	(82)	(82)	—
(ii) Derivatives to which hedge accounting is applied	(23)	(23)	—
Total derivatives	(105)	(105)	—

(*1) Cash and deposits, notes receivable - trade, accounts receivable - trade, notes and accounts payable - trade, short-term borrowings, and commercial papers 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, 2024	As of March 31, 2025
Unlisted shares	7,457	8,519

(*3) The Company adopts the treatment that does not require notes on fair value of investments in partnerships for which equity interests are recorded on a net basis or in any other similar entities, and therefore has omitted the notes on fair value. The carrying amounts of these financial instruments were ¥548 million at the end of the previous fiscal year and ¥660 million at the end of the current fiscal year.

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

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

As of March 31, 2024

(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	33,796	–	–	–
Notes receivable - trade	3,775	–	–	–
Accounts receivable - trade	83,968	–	–	–
Total	121,539	–	–	–

As of March 31, 2025

(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	28,581	–	–	–
Notes receivable - trade	1,743	–	–	–
Accounts receivable - trade	90,802	–	–	–
Total	121,126	–	–	–

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

As of March 31, 2024

(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 Within 5 years	Over 5 years
Short-term borrowings	68,385	–	–	–	–	–
Bonds payable	15,000	10,000	10,000	20,000	20,000	–
Long-term borrowings	13,069	10,666	10,939	14,716	12,706	36,611
Total	96,453	20,666	20,939	34,716	32,706	36,611

As of March 31, 2025

(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 Within 5 years	Over 5 years
Short-term borrowings	53,043	–	–	–	–	–
Commercial papers	5,000	–	–	–	–	–
Bonds payable	10,000	10,000	20,000	20,000	–	17,000
Long-term borrowings	11,684	11,821	15,597	13,588	22,259	51,077
Total	79,727	21,821	35,597	33,588	22,259	68,077

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, 2024

(Millions of yen)

Category	Fair value			
	Level 1	Level 2	Level 3	Total
Investment securities Available-for-sale securities Shares	3,067	－	－	3,067
Total assets	3,067	－	－	3,067
Derivatives Currency-related	－	(55)	－	(55)
Total derivatives	－	(55)	－	(55)

As of March 31, 2025

(Millions of yen)

Category	Fair value			
	Level 1	Level 2	Level 3	Total
Investment securities Available-for-sale securities Shares	3,095	－	－	3,095
Total assets	3,095	－	－	3,095
Derivatives Currency-related	－	(105)	－	(105)
Total derivatives	－	(105)	－	(105)

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

As of March 31, 2024

(Millions of yen)

Category	Fair value			
	Level 1	Level 2	Level 3	Total
Bonds payable	—	74,664	—	74,664
Long-term borrowings	—	98,340	—	98,340
Total liabilities	—	173,004	—	173,004

As of March 31, 2025

(Millions of yen)

Category	Fair value			
	Level 1	Level 2	Level 3	Total
Bonds payable	—	75,559	—	75,559
Long-term borrowings	—	124,043	—	124,043
Total liabilities	—	199,603	—	199,603

(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 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, 2024

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	2,970	948	2,022
(2) Bonds			
(i) Government bonds, local government bonds, etc.	—	—	—
(ii) Corporate bonds	—	—	—
(iii) Others	—	—	—
(3) Others	—	—	—
Total	2,970	948	2,022

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

(Millions of yen)

	Book value	Acquisition cost	Difference
(1) Shares	97	121	(24)
(2) Bonds			
(i) Government bonds, local government bonds, etc.	—	—	—
(ii) Corporate bonds	—	—	—
(iii) Others	—	—	—
(3) Others	548	548	—
Total	645	669	(24)

(Note) Shares, etc. with no market price (carrying amount of ¥7,457 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, 2024

(Millions of yen)

Class	Sales proceeds	Total gain on sale	Total loss on sale
(1) Shares	3,834	3,312	—
(2) Bonds			
(i) Government bonds, local government bonds, etc.	—	—	—
(ii) Corporate bonds	—	—	—
(iii) Others	—	—	—
(3) Others	—	—	—
Total	3,834	3,312	—

As of March 31, 2025

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	3,013	780	2,233
(2) Bonds			
(i) Government bonds, local government bonds, etc.	—	—	—
(ii) Corporate bonds	—	—	—
(iii) Others	—	—	—
(3) Others	—	—	—
Total	3,013	780	2,233

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

(Millions of yen)

	Book value	Acquisition cost	Difference
(1) Shares	82	100	(18)
(2) Bonds			
(i) Government bonds, local government bonds, etc.	—	—	—
(ii) Corporate bonds	—	—	—
(iii) Others	—	—	—
(3) Others	660	660	—
Total	742	760	(18)

(Note) Shares, etc. with no market price (carrying amount of ¥8,519 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, 2025

(Millions of yen)

Class	Sales proceeds	Total gain on sale	Total loss on sale
(1) Shares	160	124	—
(2) Bonds			
(i) Government bonds, local government bonds, etc.	—	—	—
(ii) Corporate bonds	—	—	—
(iii) Others	—	—	—
(3) Others	—	—	—
Total	160	124	—

(Derivatives)

As of March 31, 2024

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	4,382	－	(102)	(102)
	Euro	415	－	(8)	(8)
	Thai baht	5,969	－	(16)	(16)
	Long position				
	U.S. dollars	290	－	8	8
	Euro	115	－	2	2
	Thai baht	48	－	0	0
	Chinese yuan	23	－	1	1
Total		11,242	－	(115)	(115)

2. Derivatives to which hedge accounting is applied

(1) Currency-related

(Millions of yen)

Method of hedge accounting	Type of transactions	Main hedged item	Contract amount, etc.	Contract amount, etc. excluding a current portion	Fair value
General treatment	Foreign exchange forward transactions	Accounts payable - trade			
	Long position				
	U.S. dollars		1,044	－	25
	Euro		168	－	36
	Chinese yuan		31	－	(0)
Designation treatment of foreign exchange forward contracts	Foreign exchange forward transactions	Accounts payable - trade			(Note)
	Long position				
	U.S. dollars		271	－	
	Chinese yuan		5	－	
Total			1,519	－	61

(Note) Derivatives subject to designation treatment are accounted for together with hedged items, which are accounts payable - trade. The accounts payable - trade that incorporate the fair value are settled in a short period of time, and the fair value approximates the carrying amount. Therefore, notes on the accounts payable - trade have been omitted.

(2) Interest rate-related

Not applicable

As of March 31, 2025

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	4,323	—	(30)	(30)
	Euro	348	—	(11)	(11)
	Thai baht	5,306	—	(44)	(44)
	Long position				
	U.S. dollars	750	—	4	4
	Thai baht	65	—	0	0
Total		10,793	—	(82)	(82)

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 Long position U.S. dollars	Accounts payable - trade	1,893	—	(23)
Designation treatment of foreign exchange forward contracts	Foreign exchange forward transactions Long position U.S. dollars	Accounts payable - trade	210	—	(Note)
Total			2,103	—	(23)

(Note) Derivatives subject to designation treatment are accounted for together with hedged items, which are accounts payable - trade. The accounts payable - trade that incorporate the fair value are settled in a short period of time, and the fair value approximates the carrying amount. Therefore, notes on the accounts payable - trade have been omitted.

(2) Interest rate-related

Not applicable

(Retirement benefits)

1. Overview of defined benefit plans

The Company and certain consolidated subsidiaries have established funded and unfunded defined benefit plans and defined contribution plans.

Under the defined benefit corporate pension plan and lump-sum severance payment plan, a lump-sum payment or pension payment based on the employee's salary at the time of retirement or termination and length of service is provided.

In certain cases, the Company pays employees who are retiring additional retirement benefits that are not considered to be retirement benefit obligations as calculated under actuarial methods according to retirement benefit accounting principles.

Although one consolidated subsidiary subscribes to a corporate pension plan under a multi-employer type employee pension fund plans, as it is unable to rationally calculate amounts of pension assets corresponding to the Company's contribution for this plan, the Group adopts an accounting procedure that treats the plan as being equivalent to a defined contribution plan.

2. Defined benefit plans

(1) Reconciliation of the opening balance and the closing balance of retirement benefit obligations

(Millions of yen)

	For the fiscal year ended March 31, 2024	For the fiscal year ended March 31, 2025
Retirement benefit obligations at beginning of year	66,727	61,062
Service cost	2,836	2,494
Interest cost	408	870
Actuarial differences incurred	(4,945)	(1,201)
Retirement benefits paid	(4,039)	(4,610)
Other	75	(619)
Retirement benefit obligations at end of year	61,062	57,996

(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, 2024	For the fiscal year ended March 31, 2025
Plan assets at beginning of year	45,001	48,357
Expected return on plan assets	859	926
Actuarial differences incurred	2,396	(806)
Employer's contribution	2,876	2,771
Retirement benefits paid	(2,775)	(3,016)
Other	1	(1)
Plan assets at end of year	48,357	48,231

(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, 2024	As of March 31, 2025
Funded retirement benefit obligations	46,942	45,547
Plan assets	(48,357)	(48,231)
	(1,415)	(2,684)
Unfunded retirement benefit obligations	14,120	12,449
Net liability and asset recorded on the consolidated balance sheets	12,705	9,764
Retirement benefit liability	15,901	14,122
Retirement benefit asset	(3,196)	(4,358)
Net liability and asset recorded on the consolidated balance sheets	12,705	9,764

(4) Retirement benefit expenses and their components

(Millions of yen)

	For the fiscal year ended March 31, 2024	For the fiscal year ended March 31, 2025
Service cost	2,836	2,494
Interest cost	408	870
Expected return on plan assets	(859)	(926)
Amortization of actuarial differences	891	452
Amortization of prior service cost	(140)	(140)
Additional retirement benefits	130	296
Retirement benefit expenses for defined benefit plans	3,266	3,045

(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 income taxes and tax effects) are as follows:

(Millions of yen)

	For the fiscal year ended March 31, 2024	For the fiscal year ended March 31, 2025
Actuarial differences	8,231	847
Prior service cost	(140)	(140)
Total	8,091	707

(6) Accumulated adjustment of defined benefit plans

Components of accumulated adjustment of defined benefit plans (before income taxes and tax effects) are as follows:

(Millions of yen)

	As of March 31, 2024	As of March 31, 2025
Unrecognized actuarial differences	(982)	(1,829)
Unrecognized prior service cost	(396)	(256)
Total	(1,378)	(2,085)

(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, 2024	As of March 31, 2025
Bonds	29%	25%
Shares	22	22
General accounts	38	37
Cash and deposits	0	3
Other	11	13
Total	100%	100%

(ii) Method used to determine the expected long-term rate of return on plan assets

The expected long-term rate of return on plan assets is based on the current and expected allocation of plan assets and the current and expected long-term rate of return on the various plan assets.

(8) Assumptions used for actuarial calculation

The major assumptions used for the actuarial calculation were as follows:

	As of March 31, 2024	As of March 31, 2025
Discount rate	1.5%	1.5%
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 ¥523 million and ¥567 million for the fiscal years ended March 31, 2024 and 2025, 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 ¥3 million and ¥4 million for both the years ended March 31, 2024 and 2025.

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

(Millions of yen)

	Previous fiscal year (As of March 31, 2023)	Current fiscal year (As of March 31, 2024)
Plan assets	12,983	14,768
Total amount of actuarial liabilities in calculation of pension finance and minimum actuarial reserve	13,836	13,935
Difference	(853)	833

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

FY 3/24: 0.5% (as of March 31, 2023)

FY 3/25: 0.7% (as of March 31, 2024)

(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, 2024	As of March 31, 2025
Deferred tax assets		
Provision for bonuses	¥1,918 million	¥1,921 million
Write-off of inventories	1,734	1,557
Retirement benefit liability	4,892	3,168
Allowance for doubtful accounts	426	158
Impairment losses	7,696	5,419
Write-off of investment securities	725	809
Tax loss carry-forwards (Note)	11,143	13,409
Unrealized gain eliminated as inter-company transactions	9,504	9,476
Other	2,194	2,268
Subtotal deferred tax assets	40,232	38,185
Valuation allowance pertaining to tax loss carry-forwards (Note)	(7,548)	(6,985)
Valuation allowance pertaining to total future deductible temporary difference	(5,442)	(3,388)
Valuation allowance subtotal	(12,990)	(10,373)
Total deferred tax assets	27,242	27,812
Deferred tax liabilities		
Adjustments to allowance for doubtful accounts due to consolidation	(1)	(1)
Reserve for tax purpose reduction entry	(529)	(558)
Retained earnings of foreign subsidiaries	(1,848)	(1,555)
Valuation difference on subsidiary assets	(2,416)	(2,475)
Qualified post-formation acquisition	(1,335)	(1,335)
Qualified company split	(497)	(497)
Valuation difference on available-for-sale securities	(592)	(631)
Total deferred tax liabilities	(7,218)	(7,053)
Net deferred tax assets	¥20,024 million	¥20,759 million

In addition to the above, deferred tax liabilities for land revaluation were recorded under non-current liabilities in the amount of ¥18,762 million for the fiscal year ended March 31, 2024 and ¥18,990 million for the fiscal year ended March 31, 2025.

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

As of March 31, 2024 (Millions of yen)

	Within 1 year	Over 1 year Within 2 years	Over 2 years Within 3 years	Over 3 years Within 4 years	Over 4 years Within 5 years	Over 5 years	Total
Tax loss carry-forwards (*1)	220	647	371	54	622	9,230	11,143
Valuation allowance	(220)	(532)	(313)	(33)	(603)	(5,847)	(7,548)
Deferred tax assets	–	114	58	20	19	3,383	3,595

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

As of March 31, 2025 (Millions of yen)

	Within 1 year	Over 1 year Within 2 years	Over 2 years Within 3 years	Over 3 years Within 4 years	Over 4 years Within 5 years	Over 5 years	Total
Tax loss carry-forwards (*1)	762	309	34	609	557	11,138	13,409
Valuation allowance	(710)	(256)	(34)	(594)	(472)	(4,919)	(6,985)
Deferred tax assets	52	53	–	15	85	6,219	(*2)6,423

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

(*2) Deferred tax assets relating to tax loss carry-forwards have been judged to be recoverable based on estimates of future taxable income, etc.

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, 2024	As of March 31, 2025
Effective tax rate	31.0%	31.0%
(Reconciliation)		
Entertainment and other expenses excluded from deductible expenses	1.2	0.5
Dividend and other income excluded from taxable income	(0.9)	(0.7)
Tax credit	(4.4)	(1.8)
Valuation allowance	5.2	(0.8)
Equity in earnings (loss) of associates	1.5	0.6
Retained earnings of foreign subsidiaries	(4.2)	(3.0)
Tax rate difference from parent company	(9.3)	(8.3)
Unrealized gains or losses	14.0	(0.5)
Income taxes for prior periods	1.4	3.8
Resident tax on a per-capita basis	2.1	1.6
Effects of exclusion from scope of consolidation	—	(1.6)
Reversal of revaluation reserve for land	(14.5)	—
Foreign taxes	10.0	5.2
Effects of changes in tax rate	—	(1.6)
Other	2.7	3.0
Actual effective tax rate	35.9%	27.5%

3. Accounting treatment for national and local corporate taxes and accounting tax effect accounting therefor

The Company and some of its domestic consolidated subsidiaries transitioned from the non-consolidated taxation system to the group tax sharing system from the current fiscal year. Additionally, in accordance with "the Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System (Practical Solution No. 42, August 12, 2021)," the Company conducts accounting treatment for national and local corporate taxes or accounting treatment and disclosure of tax effect accounting therefor.

4. Revision of amounts of deferred tax assets and deferred tax liabilities due to changes in tax rates for income tax

In line with the enactment of the "Act on Partial Revision of the Income Tax Act (Act No. 13 of 2025)" by the National Diet on March 31, 2025, starting from the consolidated fiscal year beginning on April 1, 2026 or thereafter, a "Defense Special Corporation Tax" will be imposed.

To accompany this, deferred tax assets and deferred tax liabilities related to temporary differences expected to be eliminated in the consolidated fiscal year beginning on April 1, 2026 and thereafter have been calculated after changing the statutory effective tax rate from 31.0% to 31.5%.

As a result of this change, deferred tax assets (net of deferred tax liabilities) for the current fiscal year increased by ¥104 million, income taxes-deferred for the current fiscal year decreased by ¥118 million, and valuation difference on available-for-sale securities decreased by ¥14 million.

Also, deferred tax liabilities for land revaluation increased by ¥292 million and revaluation reserve for land decreased by the same amount.

(Business combinations)

Statements omitted due to a lack of monetary significance.

(Investment and rental property)

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

For the previous fiscal year, rental income (principal rental revenue is recorded in net sales, and principal rental expenses are recorded in cost of sales) on these real estate properties was ¥2,112 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 ¥2,003 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, 2024	For the fiscal year ended March 31, 2025
Book value			
	Opening balance	29,331	29,598
	Changes during period	267	(357)
	Closing balance	29,598	29,241
Fair value at end of period		36,845	37,806

(Notes) 1. Carrying amounts are acquisition costs less accumulated depreciation.

2. The change during the previous fiscal year was mainly attributable to an increase due to acquisition (¥784 million and) decrease due to depreciation (¥440 million).
   The change during the current fiscal year was mainly attributable to a decrease due to depreciation (¥444 million).
3. The fair value at March 31, 2024 and 2025 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), *7. Revaluation reserve for land," the difference due to investment and rental property was ¥2,692 million and ¥2,302 million as of March 31, 2024 and 2025, respectively.

(Revenue recognition)

1. Disaggregation of revenue from contracts with customers

For the fiscal year ended March 31, 2024

(Millions of yen)

	Reportable segments						Other Businesses	Total
	Films	Life Science	Environmental and Functional Materials	Functional Textiles and Trading	Real Estate	Total		
Japan	115,192	16,863	58,354	47,630	678	238,717	7,115	245,832
China	15,544	3,708	18,947	9,025	—	47,223	38	47,261
Southeast Asia	23,034	1,587	15,560	21,658	—	61,839	179	62,018
Other regions	2,762	12,406	22,465	17,353	—	54,986	776	55,762
Revenue from contracts with customers	156,531	34,564	115,327	95,665	678	402,765	8,108	410,873
Other revenue	—	—	—	—	3,392	3,392	—	3,392
Net sales to outside customers	156,531	34,564	115,327	95,665	4,070	406,157	8,108	414,265

(Notes) 1. Other includes design/construction of buildings, machinery, etc., information processing services, and logistics services.

2. Other revenue include rental revenue based on accounting standards for lease transactions.

For the fiscal year ended March 31, 2025

(Millions of yen)

	Reportable segments						Other Businesses	Total
	Films	Life Science	Environmental and Functional Materials	Functional Textiles and Trading	Real Estate	Total		
Japan	127,168	17,228	53,311	45,325	828	243,859	6,699	250,559
China	17,280	3,072	17,218	8,138	—	45,709	33	45,742
Southeast Asia	19,607	1,822	17,476	25,553	—	64,458	237	64,695
Other regions	2,788	12,219	22,802	19,047	—	56,855	864	57,719
Revenue from contracts with customers	166,842	34,341	110,807	98,062	828	410,880	7,834	418,714
Other revenue	—	—	—	—	3,319	3,319	—	3,319
Net sales to outside customers	166,842	34,341	110,807	98,062	4,147	414,199	7,834	422,032

(Notes) 1. Other includes design/construction of buildings, machinery, etc., information processing services, and logistics services.

2. Other revenue include rental revenue based on accounting standards for lease transactions.

2. Information useful for understanding revenue from contracts with customers

The information useful for understanding revenue from contracts with customers is as described in "(Significant accounting policies for preparation of consolidated financial statements), 4. Disclosure of accounting policies, (5) Standards for recognizing significant revenue and expenses."

3. Relationship between the satisfaction of performance obligations based on contracts with customers and cash flows generated from the contracts, and amounts and timing of revenue expected to be recognized in the following fiscal year or later from contracts with customers that existed as of the end of the current fiscal year

(1) Balances, etc. of contract assets and contract liabilities

For the fiscal year ended March 31, 2024

(Millions of yen)

	As of April 1, 2023	As of March 31, 2024
Receivables from contracts with customers	100,722	102,664
Contract assets	407	140
Contract liabilities	1,469	1,556

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.

For the fiscal year ended March 31, 2025

(Millions of yen)

	As of April 1, 2024	As of March 31, 2025
Receivables from contracts with customers	102,664	105,945
Contract assets	140	207
Contract liabilities	1,556	2,095

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 business headquarters and business divisions within the head office, separated by the type, nature and market region for products and services. Each business headquarters and business division formulates comprehensive strategies for its domestic and overseas operations and conducts business activities.

Accordingly, the Company comprises segments by market region. Its five reportable segments are: Films, Life Science, Environmental and Functional Materials, Functional Textiles and Trading and Real Estate.

The Films segment manufactures and sells packaging film, industrial film and other products. The Life Science segment manufactures and sells bio-products such as enzymes for diagnostics, pharmaceuticals, medical membranes, medical devices and other products. The Environmental and Functional Materials segment manufactures and sells engineering plastics, industrial adhesives, photo functional materials, water treatment membranes, functional filters, high performance fibers, nonwoven fabrics and other products. The Functional Textiles and Trading segment manufactures and sells airbag fabrics, functional textiles, apparel products, apparel textiles, apparel fibers and other products. The Real Estate segment mainly leases and manages real estate properties and others.

2. Methods of calculating net sales, profit or loss, assets, and other items by reportable segment

The methods of accounting for business segments are the same as those stated in "Significant accounting policies for preparation of consolidated financial statements."

Profit of the reportable segments is based on operating profit.

Inter-segment revenue and transfers are based on prevailing market prices.

3. Net sales, profit or loss, assets and other items by reportable segment

For the fiscal year ended March 31, 2024

(Millions of yen)

	Reportable segments						Other (Note) 1	Total	Adjustment (Note) 2	Carrying amount (Note) 3
	Films	Life Science	Environmental and Functional Materials	Functional Textiles and Trading	Real Estate	Total				
Net sales (1) Outside customers	156,531	34,564	115,327	95,665	4,070	406,157	8,108	414,265	—	414,265
(2) Inter-segment sales and transfers	2,185	118	8,848	1,238	1,151	13,540	17,383	30,923	(30,923)	—
Total	158,716	34,682	124,175	96,903	5,221	419,697	25,491	445,188	(30,923)	414,265
Segment profit (loss)	2,688	4,438	4,668	(1,044)	2,018	12,768	995	13,763	(4,768)	8,995
Assets	203,361	71,315	139,730	108,425	49,113	571,945	14,578	586,523	20,467	606,990
Others Depreciation and amortization	8,946	2,135	3,770	2,541	498	17,891	114	18,005	1,802	19,806
Capital expenditure	18,621	20,710	10,933	6,072	1,409	57,746	152	57,897	3,672	61,569

(Notes) 1. Other includes design/construction of buildings, machinery, etc., information processing services, and logistics services.

2. (1) Segment profit or loss adjustment of ¥(4,768) million includes elimination of inter-segment transactions of ¥(516) million and company-wide expenses that are not allocated across reportable segments of ¥(4,252) million. The principal components of company-wide expenses are those related to basic research and development.

(2) The adjustment of segment assets of ¥20,467 million includes corporate assets of ¥58,806 million that are not allocated to the reportable segments.

(3) The adjustment of increases in property, plant, and equipment and intangible assets of ¥3,672 million represents the amount of capital investment related to research and development expenses.

3. Segment profit or loss has been adjusted with operating profit in the consolidated financial statements.

For the fiscal year ended March 31, 2025

(Millions of yen)

	Reportable segments						Other (Note) 1	Total	Adjustment (Note) 2	Carrying amount (Note) 3
	Films	Life Science	Environmental and Functional Materials	Functional Textiles and Trading	Real Estate	Total				
Net sales (1) Outside customers	166,842	34,341	110,807	98,062	4,147	414,199	7,834	422,032	—	422,032
(2) Inter-segment sales and transfers	2,120	128	8,173	1,211	1,158	12,790	14,095	26,885	(26,885)	—
Total	168,963	34,469	118,980	99,273	5,305	426,989	21,929	448,917	(26,885)	422,032
Segment profit	6,920	2,010	7,961	539	1,775	19,206	778	19,984	(3,331)	16,653
Assets	206,034	78,745	121,253	107,117	49,163	562,313	13,184	575,497	42,302	617,799
Others Depreciation and amortization	9,728	3,258	4,506	2,598	539	20,629	113	20,742	1,956	22,698
Capital expenditure	18,582	9,279	6,635	3,491	537	38,524	1,303	39,827	3,331	43,158

(Notes) 1. Other includes design/construction of buildings, machinery, etc., information processing services, and logistics services.

2. (1) Segment profit adjustment of ¥(3,331) million includes elimination of inter-segment transactions of ¥269 million and company-wide expenses that are not allocated across reportable segments of ¥(3,600) million. The principal

components of company-wide expenses are those related to basic research and development.

(2) The adjustment of segment assets of ¥42,302 million includes corporate assets of ¥71,524 million that are not allocated to the reportable segments.

(3) The adjustment of increases in property, plant, and equipment and intangible assets of ¥3,331 million represents the amount of capital investment related to research and development expenses.

3. Segment profit has been adjusted with operating profit in the consolidated financial statements.

[Related information]

For the fiscal year ended March 31, 2024

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
248,769	47,261	62,018	56,216	414,265

(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: U.S.A., Germany, Spain, Brazil, Saudi Arabia, etc.

(2) Property, plant and equipment

The information has been omitted because the balance of non-current assets in Japan accounts for over 90% of the total non-current assets.

3. Information by major customer

The information has been omitted because no single customer accounts for 10% or more of net sales in the consolidated statements of income.

For the fiscal year ended March 31, 2025

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
253,491	45,742	64,695	58,105	422,032

(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: U.S.A., 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, 2024

(Millions of yen)

	Films	Life Science	Environmental and Functional Materials	Functional Textiles and Trading	Real Estate	Other Businesses	Total	Adjustment	Total
Impairment losses	50	30	4	715	—	—	799	—	799

For the fiscal year ended March 31, 2025

(Millions of yen)

	Films	Life Science	Environmental and Functional Materials	Functional Textiles and Trading	Real Estate	Other Businesses	Total	Adjustment	Total
Impairment losses	953	—	971	—	5	—	1,929	—	1,929

[Information on amortization of goodwill and unamortized balances]

For the fiscal year ended March 31, 2024

Not applicable

For the fiscal year ended March 31, 2025

Not applicable

[Information on gain on negative goodwill by reportable segment]

For the fiscal year ended March 31, 2024

Not applicable

For the fiscal year ended March 31, 2025

Not applicable

[Related-party information]

For the fiscal year ended March 31, 2024

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

For the fiscal year ended March 31, 2025

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, 2024	For the fiscal year ended March 31, 2025
Net assets per share	¥2,236.50	¥2,215.11
Net profit per share	¥27.87	¥22.73

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

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

		For the fiscal year ended March 31, 2024	For the fiscal year ended March 31, 2025
Net assets per share			
Total net assets	(Millions of yen)	230,087	232,044
Deduction from total net assets	(Millions of yen)	33,054	36,732
[Non-controlling interests]	(Millions of yen)	(33,054)	(36,732)
Net assets at end of period pertaining to common shares	(Millions of yen)	197,033	195,312
Number of common shares at end of period used for calculating net assets per share	(Thousand shares)	88,098	88,172

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

		For the fiscal year ended March 31, 2024	For the fiscal year ended March 31, 2025
Net profit per share			
Profit attributable to owners of the parent	(Millions of yen)	2,455	2,003
Amount not attributable to common shareholders	(Millions of yen)	—	—
Profit attributable to owners of the parent related to common stock	(Millions of yen)	2,455	2,003
Average number of common shares during the period	(Thousand shares)	88,096	88,149

(Significant subsequent events)

(Issuance of unsecured straight bonds in the Japanese market)

At the meeting of the Board of Directors held on April 25, 2025, a comprehensive resolution regarding the issuance of unsecured straight bonds on the Japanese market was passed. Based on this resolution, the 46th unsecured straight bonds (with limited inter-bond pari passu clause) were issued on June 11, 2025 The details of this resolution are as follows:

(1) Total issuance amount	¥10.0 billion
(2) Issue price	¥100 for each bond with a par value of ¥100
(3) Interest rate	1.632% per annum
(4) Paid-in date	June 11, 2025
(5) Maturity date	June 11, 2030
(6) Redemption method	Lump-sum redemption at maturity
(7) Use of funds	Funds for redemption of bonds payable
(8) Special provisions	These bonds will include a negative pledge clause.

(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)	40th unsecured straight bonds	August 30, 2018	10,000	10,000 (10,000)	0.29	None	August 29, 2025
Toyobo Co., Ltd. (The Company)	41st unsecured straight bonds	June 20, 2019	15,000 (15,000)	—	0.18	None	June 20, 2024
Toyobo Co., Ltd. (The Company)	42nd unsecured straight bonds	December 12, 2019	10,000	10,000	0.23	None	December 11, 2026
Toyobo Co., Ltd. (The Company)	43rd unsecured straight bonds	December 7, 2021	10,000	10,000	0.25	None	December 7, 2028
Toyobo Co., Ltd. (The Company)	44th unsecured straight bonds	March 9, 2023	20,000	20,000	0.63	None	March 9, 2028
Toyobo Co., Ltd. (The Company)	45th unsecured straight bonds	December 7, 2023	10,000	10,000	0.80	None	December 7, 2028
Toyobo Co., Ltd. (The Company)	1st unsecured bonds with an interest deferrable clause and early redemption clause (subordinated)	September 12, 2024	—	17,000	2.885	None	September 12, 2061
Total	—	—	75,000 (15,000)	77,000 (10,000)	—	—	—

(Notes) 1. The figures in parentheses represent the amounts of bonds to be redeemed within one year.

2. The redemption schedule of bonds for five years subsequent to the end of the current fiscal year is as follows:

(Millions of yen)

Within 1 year	Over 1 year and within 2 years	Over 2 years within 3 years	Over 3 years within 4 years	Over 4 years and within 5 years
10,000	10,000	20,000	20,000	—

[Schedule of borrowings]

Category	Balance at the beginning of the current fiscal year (Millions of yen)	Balance at the end of the current fiscal year (Millions of yen)	Average interest rate (%)	Maturity
Short-term borrowings	68,385	53,043	1.05	―
Current portion of long-term borrowings	13,069	11,684	1.43	―
Current portion of lease obligations	1,136	857	―	―
Long-term borrowings (excluding current portion)	85,637	114,343	0.76	2026-2059
Lease obligations (excluding current portion)	6,018	5,943	―	2026-2040
Other interest-bearing debt Commercial papers (scheduled to be repaid within one year)	―	5,000	0.27	―
Total	174,244	190,869	―	―

(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 within 3 years	Over 3 years within 4 years	Over 4 years and within 5 years
Long-term borrowings	11,821	15,597	13,588	22,259
Lease obligations	629	526	389	381

[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) Interim financial information for the current fiscal year

	Six months ended September 30, 2024	Current fiscal year
Net sales (Millions of yen)	209,161	422,032
Interim (current fiscal year) profit before income taxes (Millions of yen)	2,314	7,168
Interim (current fiscal year) profit attributable to owners of the parent (Millions of yen)	114	2,003
Interim (current fiscal year) profit per share (Yen)	1.29	22.73

(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, 2024)	Current fiscal year (As of March 31, 2025)
Assets		
Current assets		
Cash and deposits	*1 10,427	*1 9,259
Notes receivable - trade	*4 586	518
Accounts receivable - trade	*3,*4 48,651	*3 56,365
Electronically recorded monetary claims - operating	*4 3,469	3,545
Finished goods	36,725	32,549
Work in process	7,122	9,588
Raw materials and supplies	13,295	14,663
Prepaid expenses	1,400	1,449
Short-term loans receivable	*3 16,141	*3 9,550
Other	*3 14,081	*3 12,637
Total current assets	151,895	150,122
Non-current assets		
Property, plant and equipment		
Buildings	36,523	45,390
Structures	6,229	7,049
Machinery and equipment	40,311	45,376
Vehicles	120	102
Tools, furniture and fixtures	3,373	3,700
Land	79,530	79,351
Leased assets	5,419	4,888
Construction in progress	46,877	44,393
Total property, plant and equipment	218,383	230,250
Intangible assets		
Software	1,618	2,102
Other	1,897	1,543
Total intangible assets	3,515	3,645
Investments and other assets		
Investment securities	3,058	3,044
Shares of subsidiaries and associates	76,458	74,682
Capital investments by subsidiaries and associates	10,919	10,920
Long-term loans receivable	*3 10,916	*3 14,471
Deferred tax assets	11,075	12,394
Other	*3 8,350	*3 8,977
Allowance for doubtful accounts	(1,764)	(2,093)
Total investments and other assets	119,013	122,396
Total non-current assets	340,910	356,290
Total assets	492,805	506,412

(Millions of yen)

	Previous fiscal year (As of March 31, 2024)	Current fiscal year (As of March 31, 2025)
Liabilities		
Current liabilities		
Accounts payable - trade	*3,*4 24,758	*3 28,311
Electronically recorded obligations - operating	*3,*4 1,375	*3 1,370
Short-term borrowings	53,200	46,000
Commercial papers	-	5,000
Current portion of bonds payable	15,000	10,000
Current portion of long-term borrowings	11,807	8,704
Lease liabilities	607	379
Accounts payable - other	*3,*4 21,053	*3 12,018
Accrued expenses	*3 2,221	*3 2,105
Income taxes payable	247	395
Advances received	303	147
Deposits received	*3 30,318	*3 23,843
Provision for bonuses	2,622	2,676
Other	*4 1,950	943
Total current liabilities	165,461	141,891
Non-current liabilities		
Bonds payable	60,000	67,000
Long-term borrowings	82,575	114,143
Lease liabilities	4,804	4,544
Deferred tax liabilities for land revaluation	18,140	18,359
Provision for retirement benefits	12,642	12,061
Provision for loss on guarantees	1,179	1,277
Other	*3 1,785	*3 1,647
Total non-current liabilities	181,125	219,031
Total liabilities	346,586	360,922
Net assets		
Shareholders' equity		
Share capital	51,730	51,730
Capital surplus		
Legal capital surplus	19,224	19,224
Other capital surplus	13,297	13,297
Total capital surplus	32,521	32,522
Retained earnings		
Other retained earnings		
Retained earnings brought forward	23,856	23,605
Total retained earnings	23,856	23,605
Treasury shares	(1,006)	(925)
Total shareholders' equity	107,101	106,931
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	585	449
Deferred gains or losses on hedges	25	-
Revaluation reserve for land	38,508	38,110
Total valuation and translation adjustments	39,118	38,559
Total net assets	146,219	145,490
Total liabilities and net assets	492,805	506,412

(ii) Non-consolidated Statements of Income

(Millions of yen)

	Previous fiscal year (From April 1, 2023 to March 31, 2024)	Current fiscal year (From April 1, 2024 to March 31, 2025)
Net sales	*4 183,625	*4 191,896
Cost of sales	*4 146,553	*4 151,509
Gross profit	37,072	40,388
Selling, general and administrative expenses	*1 38,071	*1 38,433
Operating profit (loss)	(999)	1,955
Non-operating income		
Interest and dividend income	*4 8,281	*4 10,096
Other	*4 1,361	*4 1,340
Total non-operating income	9,642	11,436
Non-operating expenses		
Interest expenses	*4 798	*4 1,674
Other	*4 5,634	*4 6,784
Total non-operating expenses	6,433	8,458
Ordinary profit	2,211	4,933
Extraordinary income		
Gain on sale of investment securities	183	-
Gain on extinguishment of tie-in shares	549	-
Gain on sale of non-current assets	-	*2 688
Total extraordinary income	731	688
Extraordinary losses		
Impairment losses	72	950
Loss on disposal of non-current assets	*3 3,056	*3 3,332
Loss on valuation of shares of subsidiaries and associates	227	-
Other	-	225
Total extraordinary losses	3,356	4,506
Profit (loss) before income taxes	(413)	1,115
Income taxes - current	845	(727)
Income taxes - deferred	(1,295)	(1,307)
Total income taxes	(450)	(2,034)
Profit	37	3,149

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

For the fiscal year ended March 31, 2024

(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 beginning of period	51,730	19,224	13,301	32,525	27,352	(781)	110,827
Changes during period							
Dividends of surplus					(3,533)		(3,533)
Profit					37		37
Reversal of revaluation reserve for land							–
Purchase of treasury shares						(321)	(321)
Disposal of treasury shares			(4)	(4)		95	92
Net changes in items other than shareholders' equity							
Total changes during period	–	–	(4)	(4)	(3,496)	(225)	(3,725)
Balance at end of period	51,730	19,224	13,297	32,521	23,856	(1,006)	107,101

	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 beginning of period	672	67	38,508	39,246	150,073
Changes during period					
Dividends of surplus					(3,533)
Profit					37
Reversal of revaluation reserve for land					–
Purchase of treasury shares					(321)
Disposal of treasury shares					92
Net changes in items other than shareholders' equity	(87)	(42)	–	(129)	(129)
Total changes during period	(87)	(42)	–	(129)	(3,854)
Balance at end of period	585	25	38,508	39,118	146,219

For the fiscal year ended March 31, 2025

(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 beginning of period	51,730	19,224	13,297	32,521	23,856	(1,006)	107,101
Changes during period							
Dividends of surplus					(3,524)		(3,524)
Profit					3,149		3,149
Reversal of revaluation reserve for land					124		124
Purchase of treasury shares						(2)	(2)
Disposal of treasury shares			0	0		82	82
Net changes in items other than shareholders' equity							
Total changes during period	―	―	0	0	(251)	81	(170)
Balance at end of period	51,730	19,224	13,297	32,522	23,605	(925)	106,931

	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 beginning of period	585	25	38,508	39,118	146,219
Changes during period					
Dividends of surplus					(3,524)
Profit					3,149
Reversal of revaluation reserve for land					124
Purchase of treasury shares					(2)
Disposal of treasury shares					82
Net changes in items other than shareholders' equity	(136)	(25)	(398)	(559)	(559)
Total changes during period	(136)	(25)	(398)	(559)	(729)
Balance at end of period	449	―	38,110	38,559	145,490

Notes to Consolidated Financial Statements

(Significant accounting policies)

1. Evaluation standards and methods for assets

(1) Evaluation standards and methods for securities

Held-to-maturity securities: Stated at amortized cost (straight-line method).

Shares of subsidiaries and associates: Stated at cost using the moving-average method.

Available-for-sale securities

Other than shares, etc. with no market price: Stated at fair value (Unrealized gains and losses on valuation are reported, net of applicable income taxes, as a separate component of net assets; cost of sales is calculated using the moving-average method).

Shares, etc. with no market price: Stated at cost using the moving-average method.

(2) Evaluation standards and methods for inventories

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

2. Method of depreciating non-current assets

(1) Property, plant and equipment (excluding lease assets)

Depreciated using the straight-line method.

(2) Intangible assets (excluding lease assets)

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

(3) Lease assets

Leased assets concerning finance lease transactions that transfer ownership

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

Leased assets concerning finance lease transactions that do not transfer ownership

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

3. Standards for recording provisions

(1) Allowance for doubtful accounts

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

(2) Provision for bonuses

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

(3) Provision for retirement benefits

To prepare for retirement benefits for employees, provision for retirement benefits is recorded based on estimated amounts of retirement benefit obligations and plan assets at the end of the current fiscal year. However, under the corporate pension plan of the Company, provision for retirement benefits is recorded as prepaid pension costs because estimated plan assets exceed the estimated amount of retirement benefit obligations after reflecting unrecognized prior service cost and unrecognized actuarial differences.

(i) Attribution method for estimated amounts of retirement benefits

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

(ii) Amortization of actuarial differences and prior service costs

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

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

(4) Provision for 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, Life Science, Environmental and Functional Materials, Functional Textiles and Trading, Real Estate and Other. Performance obligations for domestic sales are deemed to be satisfied when the product is delivered to the customer, unless otherwise specified in the contract, while those for export sales are deemed to be satisfied when the customer is deemed to have gained control of the product based on trade terms and conditions. Revenue is recognized at the time such performance obligations are satisfied. However, when the period between shipment and delivery for domestic sales is a normal period, the 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 Group 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 Group 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.

(4) Application of group tax sharing system

The Company applies the group tax sharing system.

(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	218,383	230,250
Deferred tax assets	11,075	12,394

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."

(Non-consolidated balance sheets)

*1. Assets pledged as collateral and collateralized debt obligations

Assets pledged as collateral are as follows:

	As of March 31, 2024	As of March 31, 2025
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, 2024		As of March 31, 2025	
Toyobo MC Corporation	¥4,590 million	Toyobo Indorama Advanced Fibers Co.,Ltd.	¥3,662 million
Toyobo Indorama Advanced Fibers Co.,Ltd.	3,850	TOYOBO SAHA SAFETY WEAVE Co.,LTD.	1,886
TOYOBO SAHA SAFETY WEAVE Co.,LTD.	2,035	PT. TRIAS TOYOBO ASTRIA	1,142
PT. TRIAS TOYOBO ASTRIA	1,713	Cast Film Japan Co., Ltd.	1,025
PT. TOYOBO TRIAS ECOSYAR	1,341	Indorama Ventures Mobility Obernburg GmbH	940
Indorama Ventures Mobility Obernburg GmbH	1,012	PT. TOYOBO TRIAS ECOSYAR	901
Cast Film Japan Co., Ltd.	800	Toyobo Automotive Textiles (CHANGSHU) CO., LTD.	485
Toyobo Automotive Textiles (CHANGSHU) CO., LTD.	617	PT. INDONESIA TOYOBO FILM SOLUTIONS	374
PT. INDONESIA TOYOBO FILM SOLUTIONS	333	Toyobo MC Corporation	306
Xenomax - Japan Co., Ltd.	46	Xenomax - Japan Co., Ltd.	35
Total	¥16,336 million	Total	¥10,755 million

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

	As of March 31, 2024	As of March 31, 2025
Short-term monetary claims	¥40,925 million	¥32,330 million
Long-term monetary claims	10,920	14,480
Short-term monetary obligations	45,211	34,339
Long-term monetary obligations	283	283

*4. Regarding the accounting treatment of bills matured on the last day of the fiscal year and cash payments on the determination date (method in which cash is paid on the bill maturity date with the same condition as bills), although the last day of the previous fiscal year was a holiday for financial institutions, the Company treated payment as if it was conducted on the maturity date. Amounts of bills matured on the last day of the previous fiscal year, etc. are as follows:

	As of March 31, 2024	As of March 31, 2025
Notes receivable - trade	¥303 million	¥- million
Accounts receivable - trade	4,848	—
Electronically recorded monetary claims - operating	233	—
Accounts payable - trade	4,150	—
Electronically recorded monetary obligations - operating	868	—
Accounts payable - other	1,878	—
‘Other’ under current liabilities.	277	—

5. 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, 2024	As of March 31, 2025
Total amount of committed lines of credit	¥17,500 million	¥17,500 million
Executed loan balance	—	—
Unexecuted loan balance	¥17,500 million	¥17,500 million

(Non-consolidated statements of income)

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

	For the fiscal year ended March 31, 2024	For the fiscal year ended March 31, 2025
Transport and storage costs	¥7,704 million	¥7,746 million
Salaries and bonuses	6,949	6,846
Provision for bonuses	819	771
Retirement benefit expenses	645	455
Depreciation	1,113	1,233
Research and development expenses	9,508	10,162

Selling expenses accounted for approximately 51% for both the fiscal years ended March 31, 2024 and 2025, while general and administrative expenses accounted for approximately 49% for both the fiscal years ended March 31, 2024 and 2025.

*2. Main details of gain on sale of non-current assets are as follows:

For the fiscal year ended March 31, 2024		For the fiscal year ended March 31, 2025	
Land	¥- million	Land	¥658 million
Machinery and equipment	—	Machinery and equipment	29

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

For the fiscal year ended March 31, 2024		For the fiscal year ended March 31, 2025	
Buildings	¥1,009 million	Buildings	¥1,755 million
Structures	418	Structures	215
Machinery and equipment	1,354	Machinery and equipment	1,320

*4. Transactions with subsidiaries and associates

	For the fiscal year ended March 31, 2024	For the fiscal year ended March 31, 2025
Transaction amounts through sales transactions		
Net sales	¥52,992 million	¥53,418 million
Purchases	32,729	34,016
Transaction amounts through transactions other than sales transactions	13,083	10,066

(Securities)

Shares of subsidiaries and associates

As of March 31, 2024

Shares, etc. with no market price

	Carrying amount (Millions of yen)
Shares of subsidiaries	73,407
Shares of associates	3,051
Total	76,458

As of March 31, 2025

Shares, etc. with no market price

	Carrying amount (Millions of yen)
Shares of subsidiaries	71,631
Shares of associates	3,051
Total	74,682

(Tax-effect accounting)

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

	As of March 31, 2024	As of March 31, 2025
Deferred tax assets		
Provision for bonuses	¥1,013 million	¥1,034 million
Write-off of inventories	942	929
Provision for retirement benefits	4,088	2,771
Allowance for doubtful accounts	912	1,061
Impairment losses	2,313	1,792
Write-off of investment securities	4,434	4,563
Asset retirement obligations	261	266
Successor enterprise shares	2,814	2,857
Loss carried forward	3,566	5,717
Other	942	1,471
Subtotal deferred tax assets	21,284	22,461
Valuation allowance	(7,202)	(7,108)
Total deferred tax assets	14,082	15,353
Deferred tax liabilities		
Qualified post-formation acquisition	(2,269)	(2,304)
Valuation difference on available-for-sale securities	(261)	(204)
Other	(477)	(451)
Total deferred tax liabilities	(3,007)	(2,958)
Net deferred tax assets	¥11,075 million	¥12,394 million

In addition to the above, deferred tax liabilities for land revaluation were recorded in non-current liabilities in the amount of ¥18,140 million for the fiscal year ended March 31, 2024 and ¥18,359 million for the fiscal year ended March 31, 2025.

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, 2024	As of March 31, 2025
Effective tax rate	Notes have been omitted for the previous fiscal year because the Company posted a loss before income taxes.	31.0%
(Reconciliation)		
Entertainment and other expenses excluded from deductible expenses		1.6
Dividend and other income excluded from taxable income		(290.9)
Effects of changes in tax rate		(11.8)
Valuation allowance		30.2
Foreign taxes		33.7
Resident tax on a per-capita basis		4.2
Other		19.5
Actual effective tax rate		(182.4%)

3. Accounting treatment for national and local corporate taxes and accounting tax effect accounting therefor

The Company transitioned from the non-consolidated taxation system to the group tax sharing system from the current fiscal year. Additionally, in accordance with “the Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System (Practical Solution No. 42, August 12, 2021),” the Company conducts accounting treatment for national and local corporate taxes or accounting treatment and disclosure of tax effect accounting therefor.

4. Revision of amounts of deferred tax assets and deferred tax liabilities due to changes in tax rates for income tax

In line with the enactment of the "Act on Partial Revision of the Income Tax Act (Act No. 13 of 2025)" by the National Diet on March 31, 2025, starting from the consolidated fiscal year beginning on April 1, 2026 or thereafter, a "Defense Special Corporation Tax" will be imposed.

To accompany this, deferred tax assets and deferred tax liabilities related to temporary differences expected to be eliminated in the consolidated fiscal year beginning on April 1, 2026 and thereafter have been calculated after changing the statutory effective tax rate from 31.0% to 31.5%.

As a result of this change, deferred tax assets (net of deferred tax liabilities) for the current fiscal year increased by ¥128 million, income taxes-deferred for the current fiscal year decreased by ¥131 million, and valuation difference on available-for-sale securities decreased by ¥3 million.

Also, deferred tax liabilities for land revaluation increased by ¥274 million and revaluation reserve for land decreased by the same amount.

(Business combinations)

Not applicable

(Revenue recognition)

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

(Significant subsequent events)

At the meeting of the Board of Directors held on April 25, 2025, a comprehensive resolution regarding the issuance of unsecured straight bonds on the Japanese market was passed. Based on this resolution, 46th unsecured straight bonds (with limited inter-bond pari passu clause) were issued on June 11, 2025. 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	36,523	11,735	355 [107]	2,513	45,390	49,254
	Structures	6,229	1,473	45 [29]	608	7,049	11,677
	Machinery and equipment	40,311	15,400	1,024 [738]	9,311	45,376	188,144
	Vehicles	120	35	0 [0]	52	102	750
	Tools, furniture, and fixtures	3,373	1,563	25 [13]	1,211	3,700	12,478
	Land	79,530 (56,648)	—	179 (179)	—	79,351 (56,469)	—
	Leased assets	5,419	12	—	543	4,888	3,110
	Construction in progress	46,877	27,867	30,351 [62]	—	44,393	—
	Total	218,383	58,084	31,980 [949]	14,238	230,250	265,413
Intangible assets	Software	1,618	1,265	18 [1]	764	2,102	—
	Other	1,897	1,051	1,269	136	1,543	—
	Total	3,515	2,316	1,286 [1]	899	3,645	—

(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 increase in buildings during the current fiscal year are the construction of a new spinning building at the Shogawa Plant, the construction of a new building at the Tsuruga Biochemicals Plant, and the construction of a new building at the Medical Research Laboratory.

4. Main factors for the increase in machinery and equipment during the current fiscal year are the construction of a new building at the Tsuruga Biochemicals Plant and the augmentation of private power generation facilities at the Utsunomiya Plant.

5. Main factors for the increase in construction in progress is the construction of new industrial film production facilities and the construction of a new building at the Tsuruga Biochemicals Plant.

[Schedule of allowances]

(Millions of yen)

Account item	Balance at the beginning of the current fiscal year	Increase during the current fiscal year	Decrease during the current fiscal year	Balance at the end of the current fiscal year
Allowance for doubtful accounts	1,764	339	10	2,093
Provision for bonuses	2,622	2,676	2,622	2,676
Provision for loss on guarantees	1,179	98	—	1,277

(2) Details of Major Assets and Liabilities

This information has been omitted because the Company has prepared the consolidated financial statements.

(3) Others

Not applicable

VI. Outline of Share-related Administration of the Reporting Company

Fiscal year	From April 1 to March 31
Annual General Meeting of Shareholders	In June
Record date	March 31
Record date for dividends of surplus	September 30 March 31
Number of shares constituting one unit	100 shares
Purchase and sale of shares in amounts less than one unit	
Handling office	(Special account) 4-5-33, Kitahama, Chuo-ku, Osaka Stock Transfer Agency Business Planning Department, Sumitomo Mitsui Trust Bank, Limited
Shareholder registry administrator	(Special account) 1-4-1, Marunouchi, Chiyoda-ku, Tokyo Sumitomo Mitsui Trust Bank, Limited
Transfer agent	―――――
Purchasing/selling fee	Free of charge
Method of public notice	The Company's method of public notice is through electronic public notice. However, if the above-mentioned method of public notice is not possible due to an accident or for other unavoidable reasons, then the Nihon Keizai Shimbun newspaper will be adopted as its medium. Public notice URL: https://www.toyobo.co.jp
Shareholder benefits	Not applicable

VII. Reference Information on the Reporting Company

1. Information about the Parent of the Reporting Company

The Company has no parent company, etc.

2. Other Reference Information

The Company submitted the following documents during the period from the starting date of the current fiscal year to the date on which the Annual Securities Report was submitted.

(1) Annual Securities Report and documents attached thereto, and Confirmation Letter thereof

The Annual Securities Report for the 166th fiscal year (from April 1, 2023, to March 31, 2024) thereto was submitted to the Director-General of the Kanto Local Finance Bureau on June 25, 2024.

(2) Internal Control Report and documents attached thereto

The Internal Control Report for the 166th fiscal year (from April 1, 2023, to March 31, 2024) thereto was submitted to the Director-General of the Kanto Local Finance Bureau on June 25, 2024.

(3) Correction Report for Annual Securities Report and Confirmation Letter thereof

The Correction Report for the Annual Securities Report for the 166th fiscal year (from April 1, 2023, to March 31, 2024) was submitted to the Director-General of the Kanto Local Finance Bureau on August 30, 2024.

(4) Interim Securities Report and Confirmation Letter thereof

The Interim Securities Report for the 167th fiscal year (from April 1, 2024 to September 30, 2024) and documents attached thereto were submitted to the Director-General of the Kanto Local Finance Bureau on November 14, 2024.

(5) Extraordinary Report

Submitted to the Director-General of the Kanto Local Finance Bureau on June 27, 2024.

This Extraordinary Report 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.

(6) Shelf Registration Statement and documents attached thereto

Submitted to the Director-General of the Kanto Local Finance Bureau on April 2, 2024.

The submission pertains to the shelf registration concerning the offering of corporate bonds.

(7) Corrections to the Shelf Registration Statement

Submitted to the Director-General of the Kanto Local Finance Bureau on June 27, 2024.
Submitted to the Director-General of the Kanto Local Finance Bureau on July 1, 2024.
Submitted to the Director-General of the Kanto Local Finance Bureau on August 8, 2024.
Submitted to the Director-General of the Kanto Local Finance Bureau on August 30, 2024.

(8) Supplementary Documents to the Shelf Registration Statement and documents attached thereto

Submitted to the Director-General of the Kinki Local Finance Bureau on September 6, 2024.
Submitted to the Director-General of the Kinki Local Finance Bureau on June 5, 2025.

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

Not applicable

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

June 24, 2025

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	Hideto Yoshimochi

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Toyobo Co., Ltd. ("the Company") and its consolidated subsidiaries (collectively referred to as "the Group") provided in the "Financial Information" section of Toyobo's Annual Securities Report ("Yukashoken Hokokusho"), which comprise the consolidated balance sheets as at March 31, 2025 and the consolidated statements of income, the consolidated statements of comprehensive income, the consolidated statements of changes in net assets, and the consolidated statements of cash flows for the year then ended, as well as a summary of significant accounting policies and other explanatory information and supplementary schedules, in accordance with Article 193-2(1) of the Financial Instruments and Exchange Act of Japan.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of March 31, 2025 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.

Appropriateness of the judgment as to whether an impairment loss should be recognized on non-current assets held by the packaging film business	
The key audit matter	**How the matter was addressed in our audit**
In the consolidated balance sheet of Toyobo Co., Ltd. (the "Company"), as described in the Notes on "Significant accounting estimates, 2.(1) Property, plant and equipment" to the consolidated financial statements, property, plant and equipment of ¥13,168 million were recognized as non-current assets held by the packaging film business of the Company. The packaging film business has reported recurring operating losses due to factors including start-up costs for new production equipment. 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. An impairment test was performed for non-current assets held by the packaging film business as indications of impairment were identified due to the recurring operating losses. However, the recognition of an impairment loss was deemed not necessary due to the total amount of undiscounted future cash flows exceeding their carrying amount. The business plan prepared by management used to determine whether an impairment loss should be recognized on non-current assets held by the packaging film business included estimates such as those related to start-up costs for new production equipment. Those projections involved a high degree of uncertainty, and management's judgment thereon had a significant effect on the estimated future cash flows. Therefore, we determined that our assessment of the appropriateness of the judgment as to whether an impairment loss should be recognized on non-current assets held by the packaging film business was one of the most significant matters in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.	We assess the appropriateness of the judgment as to whether an impairment loss should be recognized on non-current assets held by the packaging film business, by mainly performing the procedures set out below. **(1) Internal control testing** We tested the design and operating effectiveness of certain of the Company's internal controls relevant to determining whether an impairment loss should be recognized on non-current assets. **(2) Assessment of the reasonableness of the estimated future cash flows** We assessed the appropriateness of key assumptions included in the business plan used to estimate future cash flows by making inquiries of management regarding the basis on which those assumptions were developed, as well as by performing the following procedures, among others: - evaluated the reasonableness of the estimate related to the start-up costs for new production equipment, by making inquiries of managers responsible for the business and plant managers regarding the progress against the initial plan as well as inspecting the timetables related to the start-up work and assessing the status of actual production and costs incurred for the start-up of new production equipment; and - estimated future cash flows independently by incorporating the effect of specific uncertainties into the business plan, and assessed the potential impact, if any, on the judgment as to whether an impairment loss should be recognized.

Appropriateness of the judgment on the recoverability of deferred tax assets	
The key audit matter	**How the matter was addressed in our audit**
In the consolidated balance sheet of Toyobo Co., Ltd. (the "Company"), as described in the Notes on "Significant accounting estimates" to the consolidated financial statements, deferred tax assets of ¥21,427 million were recognized. As described in the Notes on "Tax-effect accounting", the amount of gross deferred tax assets before being offset by deferred tax liabilities was ¥27,812 million, of which ¥15,353 million reported by the Company accounted for the majority, and was of quantitative significance. Deferred tax assets are recognized to the extent that tax loss carry-forwards and deductible temporary differences are expected to reduce future tax burden. The recoverability of deferred tax assets is dependent on factors including the appropriateness of corporate classification, the sufficiency of future taxable income, and the scheduling of years in which future taxable and deductible temporary differences are expected to reverse as prescribed in the "Guidance on the Recoverability of Deferred Tax Assets" (ASBJ Guidance No. 26). These involve significant judgment and estimation by management. The appropriateness of corporate classification and the sufficiency of future taxable income was determined based on the estimated future taxable income derived from the business plan prepared by management. The estimated future taxable income included estimates related to start-up costs for new production equipment in the packaging film business, which were highly uncertain. Therefore, we determined that our assessment of the appropriateness of the judgment on the recoverability of deferred tax assets was one of the most significant matters in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.	We assessed the appropriateness of the judgment on the recoverability of deferred tax assets, by mainly performing the procedures set out below. **(1) Internal control testing** We tested the design and operating effectiveness of certain of the Company's internal controls relevant to the process of recognizing deferred tax assets. **(2) Assessment of the appropriateness of corporate classification and the reasonableness of the estimated future taxable income** We assessed the appropriateness of corporate classification and the reasonableness of the estimated future taxable income estimate, by mainly performing the following procedures: - assessed the accuracy of the estimated future taxable income by comparing the estimates underlying the prior-year financial statements with actual results; - evaluated the appropriateness of key assumptions included in the business plan by confirming that the business plan used to estimate the future taxable income had been properly approved, as well as by inspecting the Board of Directors' meeting minutes and other internal documents, and making inquiries of management and managers of related departments, among other procedures; - assessed the reasonableness of the estimates related to the business plan of the packaging film business, by performing the procedures described in the key audit matter, "Appropriateness of the judgment as to whether an impairment loss should be recognized on non-current assets held by the packaging film business" in our independent auditor's report, the description of which is therefore omitted herein; and - estimated future taxable income independently by incorporating the effect of specific uncertainties into the business plan, and assessed the potential impact, if any, on the judgment regarding the recoverability of deferred tax assets.

Other Information

The other information comprises the information included in the Annual Securities Report, but does not include the consolidated financial statements, the financial statements, and the independent auditor's reports thereon. Management is responsible for the preparation and presentation of other information. Corporate auditors and the board of corporate auditors are responsible for overseeing the directors' performance of their duties with regard to the design, implementation, and maintenance of the reporting process for the other information.

Our opinion on the consolidated financial statements does not cover the other information, and we do not express any form of conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Management and Corporate Auditors and the Board of Corporate Auditors for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to a going concern in accordance with accounting principles generally accepted in Japan.

Corporate auditors and the board of corporate auditors are responsible for overseeing the directors' performance of their duties including the design, implementation, and maintenance of the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these consolidated financial statements.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude whether it is appropriate that management uses the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures in the consolidated financial statements are in accordance with accounting standards generally accepted in Japan and the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purpose 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, actions taken to eliminate threats or safeguards applied.

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 of March 31, 2025 in accordance with Article 193-2(2) of the Financial Instruments and Exchange Act of Japan.

In our opinion, the accompanying internal control report, which states that the internal control over financial reporting was effective as at March 31, 2025, presents fairly, in all material respects, the results of the assessments of internal control on financial reporting in accordance with assessment standards for internal controls over financial reporting generally accepted in Japan.

Basis for Opinion

We conducted our audit of the internal control report in accordance with auditing standards for internal control on financial reporting generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Internal Control Report section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the internal control report in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Corporate Auditors and the Board of Corporate Auditors for the Internal Control Report

Management is responsible for the design and operation of internal control over financial reporting and for the preparation and fair presentation of the internal control report in accordance with assessment standards for internal control on financial reporting generally accepted in Japan.

Corporate auditors and the board of corporate auditors are responsible for overseeing and examining the design and operation of internal control on financial reporting.

Internal control on financial reporting may not completely prevent or detect financial statement misstatements.

Auditor's Responsibilities for the Audit of the Internal Control Report

Our objectives are to obtain reasonable assurance about whether the internal control report is free from material misstatement and to issue an auditor's report that includes our opinion.

As part of our audit in accordance with auditing standards for internal control on financial reporting generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Perform procedures to obtain audit evidence about the results of the assessments of internal control on financial reporting in the internal control report. The procedures for the audit of the internal control report are selected and performed, depending on the auditor's judgment, based on the significance of the effect on the reliability of financial reporting.
- Evaluate the overall presentation of the internal control report, including the appropriateness of the scope, procedures, and results of the assessments that management presents.
- Plan and perform the audit of the internal control report to obtain sufficient appropriate audit evidence about the results of the assessments of internal control over financial reporting in the internal control report. We are responsible for the direction, supervision and review of the audit of the internal control report. We remain solely responsible for our audit opinion.

We report to the corporate auditors and the board of corporate auditors regarding, among other matters, the planned scope and timing of our audit of the internal control report, the results thereof, material weaknesses in any internal control identified during our audit of the internal control report, and those that were remediated, and other matters required under internal control auditing standards.

We also provide corporate auditors and the board of corporate auditors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

Fee-related Information

Fees paid or payable to our firm and to other firms within the same network as our firm for audit and non-audit services provided to the Company and its subsidiaries are as described in "Corporate Governance," "3) Audits included in "Information about the Reporting Company."

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.

The original copy of the above Independent Auditor's Report is kept separately by the Company (the reporting company).
XBRL data are outside the scope of audit.

Independent Auditor's Report on the Financial Statements

June 24, 2025

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	Hideto Yoshimochi

Report on the Audit of the Non-consolidated Financial Statements

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, 2025, and the non-consolidated statements of income and the non-consolidated statements of changes in net assets for the 167th year ended March 31, 2025, 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 of March 31, 2025 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 for the current period. These matters were addressed in the context of our audit of the non-consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Appropriateness of the judgment as to whether an impairment loss on non-current assets held by the packaging film business should be recognized
The "appropriateness of the judgment as to whether an impairment loss on non-current assets held by the packaging film business should be recognized," the key audit matter to be noted in the independent auditor's report for the non-consolidated financial statements, is virtually identical to the "appropriateness of the judgment as to whether an impairment loss on non-current assets held by the packaging film business should be recognized" noted in the independent auditor's report for the consolidated financial statements. Therefore, the details of the key audit matter are omitted here.

Appropriateness of the judgment of the recoverability of deferred tax assets
The "appropriateness of the judgment of the recoverability of deferred tax assets," the key audit matter to be noted in the independent auditor's report for the non-consolidated financial statements, is virtually identical to the "appropriateness of the judgment of the recoverability of deferred tax assets" noted in the independent auditor's report for the consolidated financial statements. Therefore, the details of the key audit matter are omitted here.

Other Information

The other information comprises the information included in the Annual Securities Report, but does not include the consolidated financial statements, the financial statements, and the independent auditor's reports thereon. Management is responsible for the preparation and presentation of other information. Corporate auditors and the board of corporate auditors are responsible for overseeing the directors' performance of their duties with regard to the design, implementation, and maintenance of the reporting process for the other information.

Our opinion on the non-consolidated financial statements does not cover the other information, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the non-consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the non-consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Management and Corporate Auditors and the Board of Corporate Auditors for the Non-consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the non-consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines necessary to enable the preparation of non-consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the non-consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to a going concern in accordance with accounting principles generally accepted in Japan.

Corporate auditors and the board of corporate auditors are responsible for overseeing the directors' performance of their duties including the design, implementation, and maintenance of the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Non-consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the non-consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these non-consolidated financial statements.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the non-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 override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the non-consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures in the non-consolidated financial statements are in accordance with accounting standards generally accepted in Japan and the overall presentation, structure and content of the non-consolidated financial statements, including the disclosures, and the non-consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with corporate auditors and the board of corporate auditors regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide corporate auditors and the board of corporate auditors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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.

Fee-related Information

Fee-related information is described in the auditor's report on the consolidated financial statements.

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.

The original copy of the above Independent Auditor's Report is kept separately by the Company (the reporting company).
XBRL data are outside the scope of audit.

[Cover Page]

[Document title]	Confirmation Letter
[Stipulating clause]	Article 24-4-2, Paragraph 1 of the Financial Instruments and Exchange Act of Japan
[Place of filing]	Director-General of the Kanto Local Finance Bureau
[Filing date]	June 24, 2025
[Company name]	Toyobo Co., Ltd.
[Company name in English]	TOYOBO CO., LTD.
[Title and name of representative]	Ikuo Takeuchi, President & Representative Director
[Title and name of the chief financial officer]	Taizo Ono, Executive Officer
[Address of registered headquarters]	1-13-1 Umeda, Kita-ku, Osaka, Japan
[Place for public inspection]	Tokyo Branch, Toyobo Co., Ltd. (17-10, Kyobashi 1-chome, Chuo-ku, Tokyo, Japan) Nagoya Branch, Toyobo Co., Ltd. (390 Ichibagi-cho, Nishi-ku, Nagoya, Japan) Tokyo Stock Exchange, Inc. (2-1 Nihombashi Kabutocho, Chuo-ku, Tokyo, Japan)

1 [Appropriateness of the information contained in the Annual Securities Report]

Ikuo Takeuchi, President & Representative Director of the Company, and Taizo Ono, Chief Financial Officer of the Company, confirmed that the information contained in the Company's Annual Securities Report for the 167th term (from April 1, 2024 to March 31, 2025) is described appropriately in accordance with the Financial Instruments and Exchange Act.

2 [Other information for special attention]

Not applicable

[Cover Page]

[Document title]	Internal Control Report
[Stipulating clause]	Article 24-4-4, Paragraph 1 of the Financial Instruments and Exchange Act of Japan
[Place of filing]	Director-General of the Kanto Local Finance Bureau
[Filing date]	June 24, 2025
[Company name]	Toyobo Co., Ltd.
[Company name in English]	TOYOBO CO., LTD.
[Title and name of representative]	Ikuo Takeuchi, President & Representative Director
[Title and name of the chief financial officer]	Taizo Ono, Executive Officer
[Address of registered headquarters]	1-13-1 Umeda, Kita-ku, Osaka, Japan
[Place for public inspection]	Tokyo Branch, Toyobo Co., Ltd. (17-10, Kyobashi 1-chome, Chuo-ku, Tokyo, Japan) Nagoya Branch, Toyobo Co., Ltd. (390 Ichibagi-cho, Nishi-ku, Nagoya, Japan) Tokyo Stock Exchange, Inc. (2-1 Nihombashi Kabutocho, Chuo-ku, Tokyo, Japan)

1 [Basic framework of internal control related to financial reporting]

Ikuo Takeuchi, President & Representative Director of the Company, and Taizo Ono, Chief Financial Officer of the Company, are responsible for overseeing and examining the design and operation of the Company's internal controls on financial reporting. They have designed and operated the Company's internal controls on financial reporting in compliance with the basic framework of internal control set out in the recommendations on standards for evaluation and audit of internal controls on financial reporting and on the revision of the standards for evaluating and auditing internal controls on financial reporting published by the Business Accounting Council.

Internal controls are intended to achieve their purpose to a reasonable extent by ensuring that basic elements of internal controls combine organically and function in an integrated manner. Accordingly, internal controls on financial reporting may not completely prevent or detect financial statement misstatements.

2 [Scope, date, and procedures for evaluation]

The evaluation of the Company's internal controls on financial reporting was conducted, with the last day of the current fiscal year, March 31, 2025, set as the record date, following generally accepted standards for the evaluation of internal control over financial reporting.

In the evaluation, the Company's internal controls (company-wide internal controls) that have material impacts on the entire consolidated financial reporting were evaluated. Then, based on the results, certain work processes were selected as the evaluation targets. In the work process evaluation, the selected work processes were analyzed to identify major issues with the Company's internal controls that have material impacts on the reliability of financial reporting. Following that, the design and operation of internal controls were evaluated with respect to the identified major issues to assess the effectiveness of the Company's internal controls.

The scope of the evaluation of the Company's internal controls on financial reporting included the Company, and the internal controls of its consolidated subsidiaries and its associates accounted for using the equity method that were determined in view of the materiality of impacts on the reliability of financial reporting. The materiality of impacts on the reliability of financial reporting is determined by considering financial and qualitative impact as well as the possibility of that impact being incurred. The scope of the evaluation of internal controls on work processes was determined rationally, based on the results of the evaluation of the company-wide internal controls in which the Company and 26 consolidated subsidiaries were assessed. Other than the above entities, twenty-three consolidated subsidiaries and six associates accounted for using the equity method were excluded from the scope of the evaluation of the company-wide internal controls because their materiality was considered only limited in financial and qualitative terms.

As for the scope of the evaluation of internal controls on work processes, the Company is a consolidated group of general manufacturing businesses engaged in multiple operations. It has judged net sales to be an appropriate indicator for determining the materiality of business entities, and has therefore established it as an indicator for selecting material business entities. Four business entities were selected as material business entities. These accounted for approximately two-thirds of the Group's consolidated net sales for the previous fiscal year after adding up net sales (after eliminating intercompany transactions) for the previous fiscal year for each business entity, starting with the entity with the highest sales. The targets of the evaluation include the work processes in these selected material business entities that lead to net sales, accounts receivable - trade, and inventories, which are account items significantly related to the purpose of their business. This is because the account items of net sales, accounts receivable - trade, and inventories are related to their actual activities to generate revenue. Moreover, after taking into consideration work processes that carry high risks of material false statements occurring and are related to material account items that involve estimation or projection or to a business or operation that engages in high-risk transactions, the impairment of non-current assets, processes related to tax effect accounting, etc. were included in the evaluation targets for material work processes. This was in view of their impacts on financial reporting, regardless of whether they belong to the selected material business entities or the other business entities.

3 [Result of evaluation]

As a result of the above evaluation, the Company's internal controls on financial reporting were considered effective as of the last day of the current fiscal year.

4 [Supplementary information]

Not applicable

5 [Other information for special attention]

Not applicable