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## Corporate Governance

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**Toyobo Co., Ltd.**

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The corporate governance of Toyobo Co., Ltd. (hereinafter referred to as the “Company”) is described below.

### I. Basic Views on Corporate Governance, Capital Structure, Corporate Attributes and Other Basic Information

#### 1. Basic Views

Based on the corporate philosophy “Jun-Ri-Soku-Yu,” the Company believes that its purpose is to contribute to solving social issues through its proprietary technologies after ascertaining these issues from a long-term perspective.

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

#### **[Reasons for Non-compliance with the Principles of Japan’s Corporate Governance Code]**

The Company complies with all principles of Japan’s Corporate Governance Code.

#### **[Disclosure Based on the Principles of Japan’s Corporate Governance Code]**

##### [Principle 1-4 Cross-Shareholdings]

The Company shall periodically review cross-shareholdings from assorted perspectives, such as the impact on improving medium- to long-term corporate value and economic rationality, and sell any stock which is no longer meaningful as is appropriate. On the other hand, the Company shall enter into cross-shareholdings with key business partners when judging that the maintenance and strengthening of stable relationships with the business partners will contribute to sustainable growth and enhancement of medium- to long-term corporate value of the Company.

The Board of Directors individually reviews cross-shareholdings every year, including future business strategies and operational relationships, and determines whether or not to continue holding these shares.

Also, with regard to the exercise of voting rights in cross-shareholdings, the Company deeply considers the status of the business partner and the content of the proposals, and as needed, discusses with the business partner. The Company thereby confirms whether these holdings contribute to the sustainable growth and medium- to long-term enhancement of corporate value of the Company and its business partner, and makes a comprehensive decision.

[Principle 1-7 Transactions among Related Parties]

Competitive transactions and transactions involving conflicts of interest between the Company and Directors must be approved at the meeting of the Board of Directors according to laws and regulations, and internal rules. When this transaction is carried out, important facts shall be reported to the Board of Directors. Because there is no major shareholder who holds 10% or more of voting rights, the Company has not established approval procedures when conducting transactions with major shareholders.

[Supplementary Principle 2-4-1 Ensuring Diversity in Appointment of Core Human Resources]

As the Group believes that human resources are the most important management resource, it supports the growth of each employee through the creation of an environment where employees who have diverse experiences, skills and characteristics can work with pride and a sense of fulfillment.

The Group has specified in the “TOYOBO Group Charter of Corporate Behavior” and “TOYOBO Group Diversity Promotion Policy” that it will ensure the diversity of employees, and carries out various measures, such as the promotion of the active participation of female, initiatives aimed at the retention of foreign employees, hiring of employees with experience at other companies, achievement and maintenance of the legally mandated hiring rate of people with disabilities, and support of the active participation of middle-aged people and seniors. Furthermore, the department in charge of labor affairs, the occupation health staff (occupational physician, nursing professionals, etc.), and the health insurance association work in close coordination under the Chief Health Officer to promote “KENKO Investment for Health,” aiming to contribute to organizational vitality and improvement of productivity through initiatives for maintaining and improving employee health. We have received the “2026 Outstanding Organizations of KENKO Investment for Health (Large Enterprise Category)” certification under the “Outstanding Organizations of KENKO Investment for Health Recognition Program.” These policies and initiatives have been disclosed on the Company’s website and in the Integrated Report.

(Company’s website: <https://www.toyobo-global.com/sustainability/society/>)

(Company’s website (Integrated Report): <https://ir.toyobo.co.jp/en/ir/library/integrated.html>)

The diversity of managers, who are core human resources, is being worked on as an important theme that will support the Group’s sustainable growth, and the targets, current status, etc. of such is as follows (female and mid-career hires are on a non-consolidated basis and foreign hires are included in overseas Group companies).

- Appointment of female employees to management positions

Due to the continuous activities to promote the active participation of female employees, the ratio rose yearly to 5.6% as of the end of fiscal 2026, surpassing the fiscal 2026 target of 5.0%. From fiscal 2027 onward, the Company will proactively carry out the hiring and training of female employees, aiming to reach a ratio of 6.5% or higher by the end of fiscal 2031. One policy is that the ratio of female employees who are hired as new graduates from the global course, making them candidates for management, shall be 40%, and the cumulative result over the past five years was approximately 36%.

- Appointment of foreign employees to management positions

The Company believes that human resource strategies, not only for the Company, but for overseas Group companies as well, are becoming even more important for the promotion of global expansion. Currently, there are a small number of foreign managers at the Company, but at overseas Group companies, foreign managers make up around half of the approximately 160 employees at a level equivalent to department manager (full-time) or higher. Going forward, the Group will focus even more on hiring and developing foreign employees, and will appoint even more to management positions.

- Appointment of mid-career employees to management positions

Currently, the ratio of mid-career employees among the Company’s management is 25% or more. Going forward, the Company will proactively hire and appoint mid-career employees, primarily for roles where sophisticated skills are required, in order to improve the current level.

[Principle 2-6 Roles as Asset Owners of Corporate Pension Plan]

The results of operating reserves of the corporate pension fund has direct impact on not only asset building for employees after retirement, but also the financial aspects of the parent entity. Therefore, the Asset Management Committee is comprised of labor side representatives and members selected

by the Finance, Accounting and Control, and Human Resources departments. This committee regularly monitors the status of asset management and deliberates the following items.

- 1 Matters concerning basic policy of management
- 2 Matters concerning management guidelines and ratios of policy-related asset holdings
- 3 Matters concerning the selection and evaluation of the fund management agencies
- 4 Other matters concerning asset management

The Company is taking efforts to construct a system which enacts proper management, including appointment of personnel with appropriate qualities in the executive director of operations of the corporate pension fund and regularly undergoing rotation, as well as regularly sending officers and employees to a pension seminar run by an outside institution to improve quality. In addition, regarding the exercising of voting rights by entrusted fund management agencies for proposals submitted at a General Meeting of Shareholders of the Company, the system appropriately manages conflicts of interest between the Company and beneficiaries by respecting the judgment of the entrusted fund management agencies and allowing labor union participation in the Asset Management Committee, Board of Governors and Board of Representatives. In fiscal 2026, the Company accepted the Asset Owner Principles and has announced this externally.

[Principle 3-1 Enhancement of Disclosure]

(i) Management philosophy, management plan, etc.

The Company maintains a corporate philosophy based on the words the founder Eiichi Shibusawa lived by: “Jun-Ri-Soku-Yu (realizing prosperity by acting rationally)” Please refer to the Company’s website for information about “Jun-Ri-Soku-Yu.”

<https://www.toyobo-global.com/company/philosophy/>

Upon the establishment and public announcement of the management strategy and management plan, the Company presents its specific goals and a focused explanation of what must be done to achieve these goals through Presentation to Investors, Integrated Report, and on the Company’s website. The details of the medium-term management plan are disclosed on the Company’s website.

[https://ir.toyobo.co.jp/en/ir/management\\_policies/mid-plan.html](https://ir.toyobo.co.jp/en/ir/management_policies/mid-plan.html)

(ii) Basic views and basic policies on corporate governance

For basic views, please refer to “I. 1. Basic Views.” Basic policies are as follows:

[Basic policies on corporate governance]

(1) Securing the rights and equal treatment of shareholders

- The Company shall comply with laws and regulations to appropriately secure shareholders’ rights practically. Furthermore, the Company shall construct an environment for shareholders to appropriately exercise those rights in order to ensure appropriate cooperation with shareholders.

(2) Appropriate cooperation with stakeholders other than shareholders

- The Company shall respond flexibly to changes in the times based on the corporate philosophy of “Jun-Ri-Soku-Yu” and take efforts in corporate governance and compliance, which are the foundations of enhancing corporate value.
- The Company regards corporate value as “value formed by balancing economic value (corporate profit) and societal value (trust and valuation from stakeholders and contribution to solving social issues),” and we address issues surrounding sustainability under the leadership of the Sustainability Committee (chaired by the President).
- The Company will establish various principles for cooperation with each stakeholder in the TOYOBO Group Charter of Corporate Behavior and endeavor to ensure that these principles are widely understood and practiced by all Group officers and employees.

(3) Ensuring appropriate information disclosure and transparency

- The Company conducts appropriate disclosure of not only financial information, but also non-financial information such as the management policy and corporate governance based on laws and regulations. Furthermore, the Company takes efforts to provide easily understandable and useful information from the perspective of actively disseminating information about the Company’s efforts and ensuring the transparency and fairness of Company’s decision-making.

#### (4) Responsibilities of the Board of Directors

- Based on their fiduciary responsibility and accountability to shareholders, the Board of Directors of the Company shall construct a corporate governance system, described as below, which aim to enhance sustainable corporate value.
- The Company adopts a structure of a company with Audit and Supervisory Committee and an executive officer system. To respond rapidly to the significantly changes in the business environment, the Company delegates a portion of decision-making authority to the President and Representative Director (CEO and Co-COO), or person with similar rank as necessary. The Board of Directors emphasizes on examination and decision-making regarding the basic policies of management, etc. and the supervision of business execution. In conjunction with this, the Company aims to further strengthen the supervisory function by granting voting rights at the Board of Directors meetings to officers who are responsible for conducting audits. In this way, the structure enables swift and efficient business execution while providing an advanced level of management supervision.
- The Board of Directors shall possess the expertise and skills required for appropriate choices of a strategic course and important decisions on the execution of business, with the independence required for the strengthening of management supervision. It shall also maintain a balanced system as a whole by securing diversity in terms of career history, gender, and age, etc. The Board of Directors is composed of the Chair of the Board, Outside Directors, and Directors who concurrently serve as Executive Officers, and the ratio of Outside Directors shall be 50% or more.
- Outside Directors are appointed based on the Independence Standards for Outside Directors so that they will be able to execute its role and responsibilities. The following main roles and responsibilities are stipulated to be fulfilled from the perspective of ensuring the effectiveness of a supervisory function and maximizing shareholder return.
  - i. advise on management policy, management plan formulation, and management improvement based on own knowledge.
  - ii. supervise management through the appointment and dismissal of management and other important decisions at the Board of Directors.
  - iii. oversee any conflicts of interest between the Company or shareholders and management.
- The Company aims to enhance its support system for Outside Directors, such as the administrative office of the Board of Directors providing prior explanation of important matters. Furthermore, a Liaison Meeting of Outside Officer, comprised only of Outside Directors, is held regularly, where they can share their understanding and exchange information.
- Directors who are Audit and Supervisory Committee Members comprise the Audit and Supervisory Committee and audit and supervise Directors' business execution from an independent and objective standpoint. They also contribute appropriately to the procedure for deciding on nominations and remuneration, and have the role of strengthening the supervisory function.
- The Company shall maintain transparency and fairness regarding the nomination and compensation of Directors, etc. by consulting to the advisory body comprised mainly of Outside Directors.

#### (5) Dialogue with shareholders

- The Company, in order to contribute to the enhancement of sustainable corporate value, strives to construct an appropriate environment for its shareholders to exercise their rights. Furthermore, the Company discloses in a timely and appropriate manner both financial and non-financial information which can contribute to constructive dialogue as well as takes efforts to construct a system to promote constructive dialogue between the Company and shareholders and investors.

#### (iii) The Board of Directors' policies and procedures in determining the compensation of the senior management and Directors

The policies and procedures related to the compensation of senior management (hereinafter "Directors who serve concurrently as Executive Officers"; the same shall apply hereinafter) and other Directors are stated in "Matters concerning corporate officers" of the Business Report.

(Company's website: <https://ir.toyobo.co.jp/ja/ir/stock/shareholder.html>)

(iv) The Board of Directors' policies and procedures in the election and dismissal of the senior management and the nomination of candidates for Director

The election of senior management and the nomination of a candidate for Director are made in consideration of their excellent character and insight appropriate to their respective responsibilities, as well as the separately established standards for the nomination of officers, etc. The decision is made by the Board of Directors after deliberation by the Nomination and Compensation Advisory Committee, a majority of whose members are Outside Directors (Chair: Outside Director). For views on the composition of the Board of Directors and the Audit and Supervisory Committee, please refer to Supplementary Principle 4-11-1.

<Reference: Outline of Standards for Nomination, etc. of Directors>

- Candidate for Director (excluding Director who is an Audit and Supervisory Committee Member)
  - In addition to managerial knowledge, achievements, experience, and skills, the candidate should possess a company-wide perspective.
  - Outside Directors must have extensive experience and wide-ranging knowledge, and meet the Independence Standards of the Company.
- Candidate for Director who is an Audit and Supervisory Committee Member
  - The candidate should be able to make appropriate decisions from an independent and objective standpoint in auditing such matters as the execution of duties.
  - In addition to the above, Outside Directors must meet the Independence Standards of the Company.

The dismissal of senior management is decided by the Board of Directors after deliberations and reports from the Nomination and Compensation Advisory Committee when corrupt, unjust, or disloyal actions are suspected, or when there are reasons unbecoming of an officer.

(v) The Board of Directors' statements concerning individual election, dismissal and nomination when electing and dismissing senior management and nominating candidates for Director based on (iv) above

Career summaries and reasons for nomination of candidates for Director are disclosed in the Reference Documents for General Meeting of Shareholders.

Information regarding the dismissal of senior management shall be disclosed as needed in a timely and appropriate manner to stakeholders, including shareholders.

[Supplementary Principle 3-1-3 Sustainability Initiatives, Etc.]

In order to accelerate initiatives for sustainability, the Group specified materiality (material issues) on which to focus by taking into consideration stakeholders' expectations and wishes as well as management issues and the level of importance for the Group, and prioritizing them.

Concerning specific initiatives for solving materiality, the Group has set targets and indicators, and the progress of such is managed by the Sustainability Committee, which is chaired by the President.

These sustainability initiatives are proactively conveyed in the Integrated Report and on the Company's website.

(Company's website: <https://www.toyobo-global.com/sustainability/>)

(Company's website (Integrated Report): <https://ir.toyobo.co.jp/en/ir/library/integrated.html>)

Concerning human capital, R&D and innovation, data security, supply chains, etc., the initiatives for realizing the corporate philosophy and achieving Sustainable Vision 2030 are presented in the Integrated Report. Regarding intellectual property, its basic policies and strategies are disclosed on the Company's website.

Furthermore, in accordance with the TCFD recommendations, the Company established two climate scenarios to conduct an analysis of climate change risks and opportunities: a less than 1.5°C scenario, in which the transitional impacts become apparent, and a 4°C scenario, in which the physical impact become apparent. In particular, for three risks and three opportunities that we considered important, we organized the expected financial impacts and measures being taken by the Company, along with corresponding metrics and targets, and disclosed our efforts in the Annual Securities Report.

[Supplementary Principle 4-1-1 Outline of Scope of Matters Delegated to Management]

In addition to matters designated by laws and regulations, and the Articles of Incorporation, as well as matters delegated by the General Meeting of Shareholders, the Board of Directors of the Company shall make resolutions regarding important management matters designated in the Board of Directors Regulations, etc. Furthermore, matters which fall outside the scope of matters for decision by the Board of Directors shall be decided by the Board of Management delegated by the Board of Directors or by Directors, or by internal memos, based on detailed and specific proposal/report standards established based on importance.

The Company transitioned to a company with Audit and Supervisory Committee with a resolution from the Annual General Meeting of Shareholders held in June 2025. This structure enables the delegation of decision-making authority for some business execution to Directors as necessary to respond rapidly to a business environment that is changing significantly.

[Principle 4-9 Independence Standards and Qualification for Independent Outside Directors]

Independence Standards for Outside Directors are disclosed in materials for the General Meeting of Shareholders and other disclosures.

(Company's website: <https://ir.toyobo.co.jp/en/ir/stock/shareholder.html>)

[Supplementary Principle 4-10-1 Views, Authority, Roles, Etc. Related to Independence of Composition of Committees]

The Company has established the Nomination and Compensation Advisory Committee as an advisory body for the Board of Directors after ensuring 50% or more of the members of the Board of Directors are Independent Outside Directors. The majority of members of this committee are Outside Directors, and an Outside Director serves as Chair (current member composition: three Outside Directors, one inside Director (does not execute business)). With regard to the basic policy for nominating Directors and nomination proposals for individual Directors as well as the systems, standards, and calculation methods and other factors for officer compensation, each committee member provides appropriate involvement and advice based on their abundant experience and knowledge in response to proposals from the President, who is responsible for executives. Furthermore, the Board of Directors shall pay maximum respect to the reports of this committee, which is highly independent, when carrying out decisions concerning nominations and compensation.

[Supplementary Principle 4-11-1 Composition of the Board of Directors]

The Board of Directors has identified seven areas of expertise and skills to be featured in light of the management strategy: "Corporate Management," "Production/Technology/Development," "Marketing/Sales," "Finance/Accounting," "Environment/Society," "Governance/Risk Management/Compliance," and "IT/DX," and publishes a skills matrix in materials for the General Meeting of Shareholders. The Board of Directors shall possess the expertise and skills required for appropriate choices of a strategic course and important decisions on the execution of business, with the independence required for the strengthening of management supervision. It shall also maintain a balanced system as a whole by securing diversity in terms of career history, gender, and age, etc. The total number of Board of Directors members shall be 15 or less (of which the total number of Directors who are Audit and Supervisory Committee Members shall be 5 or less), as stipulated by the Articles of Incorporation, and the ratio of Outside Directors shall be 50% or more. The Audit and Supervisory Committee, from the perspective of ensuring the effective auditing and supervision of the execution of Directors' duties, includes personnel with expertise and skills in finance and accounting, as well as with knowledge of the Group's business.

[Supplementary Principle 4-11-2 Concurrent Positions as Officers at Other Listed Companies Held by Directors]

In the election of Directors, the Company confirms that candidates do not have concurrent positions which could hinder the expected execution of their duties before they are nominated, and sets guidelines for the number of companies in which they may hold concurrent positions. In the Business Report and the Reference Documents for General Meeting of Shareholders, the Company discloses the status of important concurrent positions, including cases when a candidate is serving concurrently as an officer in another listed company.

[Supplementary Principle 4-11-3 Evaluation of Effectiveness of the Board of Directors]

In order to further enhance the functions of the Board of Directors, the Company carried out an overall analysis and evaluation of the effectiveness of the Board of Directors in fiscal 2026 with the support of an external organization. An outline of this evaluation is as follows:

1. Implementation method

- (1) Eligible persons All Directors (including Audit and Supervisory Committee Members)
- (2) Method A survey (39 questions) was conducted, and responses were made directly to the external organization to which the operations were outsourced.
- (3) Analysis and evaluation The analysis and evaluation were carried out by the Board of Directors based on the aggregate results reported by the external organization.

2. Outline of analysis and evaluation results

- (1) The composition of the Board of Directors and the support system for Directors were highly evaluated as they were last time. There were multiple opinions to the effect that the Board of Directors has an open culture that enables free contributions and discussion, and that its effectiveness is adequately ensured. However, some variation in evaluation by attribute was observed, indicating the need to strive for further increases in effectiveness going forward.
- (2) As a result of engaging in the four issues identified in the previous evaluation ((i) examination of policies, etc. for understanding and improving the cost of capital and capital profitability, (ii) efforts to review the business portfolio, (iii) initiatives for the succession plan and election procedures for CEO, and (iv) review of operation of the Board of Directors meetings in conjunction with the transition to a company with Audit and Supervisory Committee), issues (i) and (ii) showed improvement with evaluation levels increasing, but some opinions noted the need to continue monitoring progress. With regard to (iii) and (iv), since the evaluation level was low compared with other survey questions, these both remain ongoing issues.

3. Issues and future initiatives

- (1) Initiatives to improve capital profitability
  - The Board of Directors receives reports on this as a key theme, and monitors progress on it.
- (2) Initiatives for the business portfolio reforms
  - The Board of Directors receives reports on this as a key theme, and monitors progress on it.
- (3) Initiatives for the succession plan and election procedures for CEO
  - The Board of Directors receives regular reports on the status of deliberation within the Nomination and Compensation Advisory Committee, and strives to further ensure transparency and fairness.
- (4) Improvement of operation of the Board of Directors
  - With the aim of transitioning to a monitoring board, the Board of Directors aims to enhance deliberations even further toward medium- to long-term growth by taking initiatives to ensure efficient Board of Directors operations.

Through these efforts, the Board of Directors strives to improve the effectiveness of the Board of Directors as a whole.

[Supplementary Principle 4-14-2 Policy on Training of Directors]

As well as giving explanations to newly appointed Directors (excluding Outside Directors and Directors who are Audit and Supervisory Committee Members; the same shall apply hereinafter in this Supplementary Principle) concerning their roles and responsibilities, the Company bears the cost to send Executive Officers and Directors to an external training program upon their appointment, in order to acquire the necessary knowledge. In addition, newly appointed Outside Directors are given explanations concerning the Company's operations, finances, and organization, etc. and provided visits to each business site. They are continuously provided with opportunities after assuming office to acquire the necessary knowledge in order to sufficiently fulfill their roles and responsibilities.

[Principle 5-1 Policy for Constructive Dialogue with Shareholders]  
Basic policy for dialogue with shareholders are as follows:

[Basic policy for dialogue with shareholders]

The Company constructs a system and takes efforts related to IR (including SR) to promote constructive dialogue between investors and shareholders (including beneficial shareholders) based on the below policy in order to continuously improve corporate value.

(Controlling supervisor)

Appointing an Executive Officer who controls IR operations as controlling supervisor, the Company constructs a system and takes efforts to generate constructive dialogue.

(Sufficient opportunities for dialogue)

The Company implements the below measures for sufficient opportunities for dialogue.

- Annual General Meeting of Shareholders
- Earnings briefings, etc. (for analysts and institutional Investors)
- Disclosure of related information on the Company's website

(Execution of individual dialogue)

In addition to the measures above, when the Company determines that it is beneficial to the medium- to long-term improvement of corporate value and sustainable growth of the Company, it also conducts individual dialogue after selecting appropriate responders on a case-by-case basis, while taking into consideration fairness in information disclosure.

Furthermore, in dialogue, from the perspective of ensuring effectiveness, the Company conducts surveys on shareholder structure on a regular basis.

(Method of feedback)

Executive Officers controlling IR operations report information gained by dialogue to the Board of Directors, etc.

(Cooperation with internal departments which assist dialogues)

The department in charge of IR operations cooperates with the Accounting and Control Department and other related departments and summarizes the content, etc. of the dialogues while sufficiently taking into consideration management of insider information.

(Management of insider information)

The management of insider information is handled in accordance with the disclosure policy posted on the Company's website.

(IR related materials)

The Company's website includes the following data to contribute to dialogues, etc. In light of the ratio of foreign shareholders, the Company also works to provide information in English.

- Consolidated Financial Report
- Presentation materials for earnings briefings
  - Videos, audio recordings and scripts of presentations (H1 and year-end earnings)
  - Presentation script and outline of questions
- Materials for medium-term management plan
- Sustainability Meeting materials
- Annual Securities Reports
- Notice of the General Meeting of Shareholders
- Extraordinary Reports (voting results)
- Newsletter to Shareholders
- Factbook
- Integrated Report

**[Dialogue with Shareholders]**

In accordance with [Principle 5-1 Policy for Constructive Dialogue with Shareholders], the Company has engaged in constructive dialogue with investors and shareholders (including analysts, fund managers, persons in charge of voting rights, ESG managers, and actual holders of the shares) both in Japan and overseas.

In fiscal 2026, the Company conducted dialogue for the sustainable growth of the Group, with attendance not only by senior management, including the President, but also by Outside Directors for certain themes. Specific themes in these dialogues included an action plan for increasing profitability, such as measures for businesses requiring improvement, recovery of growth investments, reduction in capital employed, and creation of new businesses and technologies, as well as matters related to establishing a business foundation, such as safety and disaster prevention, quality measures, and human resource management, and topics such as response to climate change and the effectiveness of the Board of Directors.

**[Action to Implement Management that is Conscious of Cost of Capital and Share Price]**

Content of Disclosure	Disclosure of Initiatives (Update)
Availability of English Disclosure	Available
Date of Disclosure Update	June 26, 2026

**Explanation of Actions**

The Group takes the fact that its price-to-book ratio (PBR) has been below 1.0 very seriously, and will continue promoting management that is conscious of cost of capital and share price. Under the 2030 Medium-Term Management Plan, we will steadily implement three strategies: business portfolio reforms, laying the groundwork for the future, and foundation establishment and strengthening, as well as achieving both financial structure improvement and profit growth. Through these initiatives, we aim to achieve ROE of over 8%, and through the sustainable increase of our corporate value, to realize a PBR exceeding 1.0 and an increase in shareholder value. For more information, refer to “2030 Medium-Term Management Plan (FY3/27-FY3/31) ~ Realizing the results of growth investment and preparation ~” announced on April 6, 2026.

(Company's website: <https://ir.toyobo.co.jp/en/ir/library/plan.html>)

## 2. Capital Structure

Foreign Shareholding Ratio	From 20% to less than 30%
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### [Status of Major Shareholders]

Name	Number of Shares Owned (Shares)	Shareholding Ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	11,827,300	13.40
Custody Bank of Japan, Ltd. (Trust Account)	7,064,000	8.01
TOYOBO Employee Stockholders' Association	2,282,874	2.59
Toyukai	2,175,610	2.47
STATE STREET BANK AND TRUST COMPANY 505223	2,138,011	2.42
GOVERNMENT OF NORWAY	2,017,943	2.29
JPMorgan Securities Japan Co., Ltd.	1,921,248	2.18
Nippon Life Insurance Company	1,750,803	1.98
Meiji Yasuda Life Insurance Company	1,402,900	1.59
JP MORGAN CHASE BANK 385781	1,267,186	1.44

Controlling Shareholder (except for Parent)	—
Parent (Listed Stock Market)	N/A

Supplementary Explanation	
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## 3. Corporate Attributes

Listed Stock Market and Market Section	Tokyo Stock Exchange Prime Market
Fiscal Year-End	March
Type of Business	Chemicals
Number of Employees (Consolidated) at End of the Previous Fiscal Year	1,000 or more
Net Sales (Consolidated) for the Previous Fiscal Year	From 100 billion yen to less than 1 trillion yen
Number of Consolidated Subsidiaries at End of the Previous Fiscal Year	From 10 to less than 50

**4. Policy for Measures to Protect Minority Shareholders in Conducting Transactions with Controlling Shareholder**

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**5. Special Circumstances Which May Have Material Impact on Corporate Governance**

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## II. Business Management Organization and Other Corporate Governance Systems Regarding Decision-making, Execution of Business, and Supervision in Management

### 1. Organizational Composition and Operation

Organization Form	Company with Audit and Supervisory Committee
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#### [Directors]

Maximum Number of Directors Stipulated in Articles of Incorporation	15
Term of Office Stipulated in Articles of Incorporation	1 year
Chairperson of the Board	Chair (excluding the case where the person concurrently serves as President)
Number of Directors	11
Appointment of Outside Directors	Appointed
Number of Outside Directors	6
Number of Independent Officers Designated from among Outside Directors	6

#### Outside Directors' Relationship with the Company (1)

Name	Attribute	Relationship with the Company*											
		a	b	c	d	e	f	g	h	i	j	k	
Masaaki Harima	Attorney at law												
Hiroshi Fukushi	From another company								△				
Shoko Takase	From another company								△				
Yuki Kanzaki	From another company												
Akihiko Irie	From another company								△				
Wakyu Shinmen	Certified public accountant												

\* Categories for "Relationship with the Company"

\* "○" when the director presently falls or has recently fallen under the category;

"△" when the director fell under the category in the past;

\* "●" when a close relative of the director presently falls or has recently fallen under the category; and

"▲" when a close relative of the director fell under the category in the past

a. Executive (a person who executes business; hereinafter, the same) of the Company or its subsidiary

b. Non-executive director or executive of the parent of the Company

c. Executive of a fellow subsidiary of the Company

- d. Party whose major client or supplier is the Company or an executive thereof
- e. Major client or supplier of the Company or an executive thereof
- f. Consultant, accounting professional or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as a director
- g. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a corporation)
- h. Executive of a client or supplier of the Company (which does not correspond to any of d., e., or f.) (the director himself/herself only)
- i. Executive of a corporation to which outside officers are mutually appointed (the director himself/herself only)
- j. Executive of a corporation that receives a donation from the Company (the director himself/herself only)
- k. Other

Outside Directors' Relationship with the Company (2)

Name	Audit and Supervisory Member	Designation as Independent Officer	Supplementary Explanation of the Relationship	Reasons for Appointment
Masaaki Harima		○	No items to report.	The Company elected Masaaki Harima as an Outside Director 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. He has been designated as an independent officer because he meets the independence standards stipulated by the Tokyo Stock Exchange and the Company.
Hiroshi Fukushi		○	Hiroshi Fukushi worked for Ajinomoto Co., Inc., a business partner of the Company. The Company's transaction volumes from Ajinomoto Co., Inc. made up less than 1% of the sales of both companies on average for the past three years. Therefore, the Company determined that there is no risk of a conflict of interest between him and general shareholders.	The Company elected Hiroshi Fukushi as an Outside Director so that his extensive experience and wide-ranging knowledge as a manager, and high level of expertise in fields such as biotechnology and digital technologies can be leveraged to provide advice and supervision to the Company's management. He has been designated as an independent officer because he meets the independence standards stipulated by the Tokyo Stock Exchange and the Company.

Name	Audit and Supervisory Member	Designation as Independent Officer	Supplementary Explanation of the Relationship	Reasons for Appointment
Shoko Takase		○	Shoko Takase worked for IBM Japan Ltd., a business partner of the Company. The Company's transaction volumes from IBM Japan Ltd. made up less than 1% of the sales of both companies on average for the past three years. Therefore, the Company determined that there is no risk of a conflict of interest between her and general shareholders.	The Company elected Shoko Takase as an Outside Director so that her extensive experience and wide-ranging knowledge as a manager, and high level of expertise in fields such as IT and digital technologies can be leveraged to provide advice and supervision to the Company's management. She has been designated as an independent officer because she meets the independence standards stipulated by the Tokyo Stock Exchange and the Company.
Yuki Kanzaki		○	No items to report.	The Company elected Yuki Kanzaki as an Outside Director so that her extensive experience and wide-ranging knowledge as a manager, and high level of expertise in fields such as production and research and development can be leveraged to provide advice and supervision to the Company's management. She has been designated as an independent officer because she meets the independence standards stipulated by the Tokyo Stock Exchange and the Company.

Name	Audit and Supervisory Member	Designation as Independent Officer	Supplementary Explanation of the Relationship	Reasons for Appointment
Akihiko Irie	○	○	<p>Akihiko Irie worked for Osaka Gas Co., Ltd., a business partner of the Company. The Company's transaction volumes from Osaka Gas Co., Ltd. made up less than 1% of the sales of both companies on average for the past three years. Therefore, the Company determined that there is no risk of a conflict of interest between him and general shareholders.</p>	<p>Akihiko Irie has extensive experience in auditing, including serving as a corporate auditor of listed companies, and the Company elected him as an Outside Director who is an Audit and Supervisory Committee Member so that his expertise and wide-ranging knowledge can be leveraged to auditing and supervision of the Company's management. He has been designated as an independent officer because he meets the independence standards stipulated by the Tokyo Stock Exchange and the Company.</p>
Wakyu Shinmen	○	○	No items to report.	<p>The Company elected Wakyu Shinmen as an Outside Director who is an Audit and Supervisory Committee Member so that his expertise and wide-ranging knowledge as a certified public accountant, and his extensive experience in auditing, including serving as a corporate auditor of listed companies, can be leveraged to auditing and supervision of the Company's management. He has been designated as an independent officer because he meets the independence standards stipulated by the Tokyo Stock Exchange and the Company.</p>

### [Audit and Supervisory Committee]

#### Composition and Chair's Attributes

	Total Committee Members	Full-time Members	Inside Directors	Outside Directors	Chair
Audit and Supervisory Committee	3	1	1	2	Inside Director

Appointment of Directors and/or Staff to Support the Audit and Supervisory Committee

Appointed

#### Matters Concerning Independence of Said Directors and/or Staff from Executive Officers/Reasons for Adopting Current System

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.

#### Cooperation among the Audit and Supervisory Committee, Financial Auditor and Internal Audit Department

The Audit and Supervisory Committee receives explanations on the status of activities, including internal audit plans, from the Internal Audit Department, exchanges opinions, and receives reports on the results of internal audits and reports on the status of internal control evaluations related to financial reports. For some auditees, the committee conducts joint audits with the Internal Audit Department to strengthen cooperation. The committee receives reports from the financial auditor on audit plans and audit results, and holds regular three-party audit meetings including the Internal Audit Department to receive reports on the status of their respective audits and exchange information. In this way, the committee strives to improve the effectiveness and efficiency of the audits and create an auditing environment.

### [Voluntary Established Committee(s)]

Voluntary Establishment of Committee(s) Equivalent to Nominating Committee or Compensation Committee

Established

Committee's Name, Composition, and Chair's Attributes
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	Committee Equivalent to Nominating Committee	Committee Equivalent to Compensation Committee
Committee's Name	Nomination and Compensation Advisory Committee	Nomination and Compensation Advisory Committee
Total Committee Members	4	4
Full-time Members	0	0
Inside Directors	1	1
Outside Directors	3	3
Outside Experts	0	0
Other	0	0
Chair	Outside Director	Outside Director

Supplementary Explanation
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For the major deliberations of the above committee, please refer to [Supplementary Principle 4-10-1 Views, Authority, Roles, Etc. Related to Independence of Composition of Committees] in [Disclosure Based on the Principles of Japan's Corporate Governance Code]. The attendance at meetings of the Nomination and Compensation Advisory Committee during the fiscal 2026 is as follows:

Attendance at meetings of the Nomination and Compensation Advisory Committee

Chair	Hiroshi Fukushi	6/6 (100%)	
Committee Member	Kimie Sakuragi	2/2 (100%)	Retired on June 25, 2025
Committee Member	Seiji Narahara	6/6 (100%)	
Observer	Wakyu Shinmen	2/2 (100%)	Retired on June 25, 2025
Committee Member	Shoko Takase	4/4 (100%)	Appointed on June 25, 2025
Committee Member	Wakyu Shinmen	4/4 (100%)	Appointed on June 25, 2025

**[Independent Officers]**

Number of Independent Officers	6
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Matters relating to Independent Officers
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**[Incentives]**

Implementation of Measures to Provide Incentives to Directors	Other
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Supplementary Explanation
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The Company introduced a plan of compensation for granting restricted shares to Directors (excluding Outside Directors and Directors who are Audit and Supervisory Committee Members). Furthermore, the Company introduced a similar plan for Executive Officers.

Recipients of Share Options	
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Supplementary Explanation

**[Director Compensation]**

Disclosure of Individual Directors' Compensation	No individual disclosure
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Supplementary Explanation

The total amount of compensation, etc. (by type) for the previous fiscal year is stated in "Matters concerning corporate officers" of the Business Report.  
(Company's website: <https://ir.toyobo.co.jp/ja/ir/stock/shareholder.html>)

Policy for Determining Compensation Amounts or Calculation Methods Thereof	Established
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Disclosure of Policy for Determining Compensation Amounts or Calculation Methods Thereof

The determining policy for the previous fiscal year is stated in "Matters concerning corporate officers" of the Business Report.  
(Company's website: <https://ir.toyobo.co.jp/ja/ir/stock/shareholder.html>)

**[Supporting System for Outside Directors]**

The administrative office of the Board of Directors was established and it works to enhance prior briefings of important matters.  
Audit and Supervisory Committee staff are appointed to support Audit and Supervisory Committee Members in their duties.

**[Status of Persons Who Have Retired from a Position Such as President, CEO and Co-COO]**

Retired President, CEO and Co-COO, etc. Holding Advisory or Any Other Position in the Company

Name	Title/Position	Responsibilities	Working Form and Conditions (Full-time/Part-time, Paid/Unpaid, etc.)	Date of Retirement from Position Such as President	Term of Office
Ryuzo Sakamoto	Honorary Senior Advisor	External activities, etc. (uninvolved in management)	Part-time, unpaid	June 24, 2020	1 year

Total Number of Retired President, CEO and Co-COO, etc. Holding Advisory or Any Other Position in the Company	1
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Other Matters

The senior advisor and honorary senior advisor system is established in internal rules.  
Senior advisors shall be paid compensation based on the content of their external activities, etc., and their term of office shall be up to five years.

Honorary senior advisors shall not be paid compensation, and their term of office shall be up to five years. Engagement and disengagement of senior advisors and honorary senior advisors shall be reported to the Board of Directors after deliberation by the Nomination and Compensation Advisory Committee.

## **2. Matters on Functions of Business Execution, Audit and Supervision, Nomination and Compensation Decisions (Overview of Current Corporate Governance System)**

The Company transitioned to a company with Audit and Supervisory Committee by a resolution of the Annual General Meeting of Shareholders held in June 2025. To respond rapidly to the significantly changes in the business environment, the Company delegates a portion of decision-making authority to the President and Representative Director (CEO and Co-COO), or person with similar rank as necessary.

The Board of Directors aims to further strengthen supervisory functions by elevating the role of Outside Directors and placing emphasis on examination and decision-making regarding the basic policies of management, etc. and the supervision of business execution. In this way, the structure enables swift and efficient business execution while providing an advanced level of management supervision.

As an advisory body for the Board of Directors with regard to nomination and compensation, the Nomination and Compensation Advisory Committee, comprising a majority of members who are Outside Directors (chaired by an Outside Director), has been established in an effort to ensure greater transparency and fairness.

### **(1) Board of Directors**

The Board of Directors shall possess the expertise and skills required for appropriate choices of a strategic course and important decisions on the execution of business, with the independence required for the strengthening of management supervision. It shall also maintain a balanced system as a whole by securing diversity in terms of career history, gender, and age, etc. The Board of Directors is composed of the Chair of the Board, Outside Directors, and Directors who concurrently serve as Executive Officers. The Company's Articles of Incorporation stipulate that the total number of Directors shall be 15 or less (of which, 5 or less are Directors who are Audit and Supervisory Committee Members), and Outside Directors are appointed so that the ratio of Outside Directors shall be 50% or more. Regular Board of Directors meetings shall be held once per month, and extraordinary Board of Directors meetings held as necessary. The Board deliberates and decides on matters stipulated by laws and regulations, such as basic policy of management, and on matters set forth in the Board of Management Regulations. In addition, the Board receives reports on the status of business execution, such as the status of progress on these matters, and supervises the execution of business by Directors and Executive Officers.

The Board of Directors met 17 times during fiscal 2026, and decided on matters stipulated by laws and regulations and the Articles of Incorporation and important matters for management such as business portfolio reform, safety and disaster prevention, quality, innovation and R&D, risk management, business innovation, and human capital and development of the next generation. It also deliberated on business execution reports and medium- to long-term themes, among other activities.

### **(2) Business execution**

The Company has adopted an executive officer system. There are 19 Executive Officers, including some who serve concurrently as Directors. President and Representative Director serves concurrently as CEO and efficiently executes businesses.

The Board of Management is composed of Executive Officers in charge of divisions. It 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 or 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 also discusses management issues and communicates management policies.

(3) Audit by the Audit and Supervisory Committee, internal audit, and accounting audit  
(Status of audits, etc. by the Audit and Supervisory Committee)

- The Audit and Supervisory Committee is composed of three Directors who are Audit and Supervisory Committee Members (of which two are Outside Directors). The Audit and Supervisory Committee, from the perspective of ensuring the effective auditing and supervision of the execution of Directors' duties, includes personnel with expertise and skills in finance and accounting, as well as with knowledge of the Group's business.
- Audit and Supervisory Committee Members attend important meetings such as Board of Directors meetings, and perform an auditing and supervising function for management by reading reports received from Directors, etc. and important documents such as approval requests. Additionally, Audit and Supervisory Committee Member Takayuki Tabo has many years of experience in the accounting department of the Company, and Wakyu Shinmen is a certified public accountant, and both of them have considerable knowledge of finance and accounting.
- From the perspective of performing appropriate supervision of appointment, etc. and compensation, etc. of Directors (excluding Directors who are Audit and Supervisory Committee Members), one Outside Audit and Supervisory Committee Member attends the Nomination and Compensation Advisory Committee meetings, audits, etc. the content of the committee's deliberations and shares them with the Audit and Supervisory Committee, which then forms its opinion.
- Audit and Supervisory Committee staff are appointed to support the duties of the Audit and Supervisory Committee.

(Internal audit)

- The Company has established the Internal Audit Department under the direct control of the President. The Internal Audit Department with 16 members conducts internal audits based on the audit plans, including at group companies, and conducts monitoring activities to evaluate the effectiveness of internal controls. Depending on the purpose of the audit, we conduct operational audits that audit matters related to operations under the jurisdiction of the auditee, audits of risk management systems related to major risks such as safety, disaster prevention, and quality, and thematic audits in which audits are conducted based on specific themes. Moreover, for some auditees, we conduct joint audits with the Audit and Supervisory Committee. If the results of an audit indicate that there are matters requiring improvement, we request the auditee to submit an improvement plan and a report on the implementation of improvements, and confirm the state of implementation and operation of the improvement plan, thereby strengthening internal control.
- The results of audits and the state of assessment of internal controls over financial reporting are reported to the President, the Board of Directors, and the Audit and Supervisory Committee, with whom the state of activities including audit plans is explained and opinions exchanged. It also regularly exchanges information with Accounting Auditor.

(Accounting audit)

- The status of the accounting audit is as follows.

Name of audit corporation:	KPMG AZSA LLC
Continuous audit period:	57 years
Certified public accountant who executed business:	Yoshihide Takehisa, Takuya Obata, Hideto Yoshimochi
Composition of assistants:	22 certified public accountants, 51 others, total 73 persons

(4) Outline of limited liability agreements with Outside Directors

Pursuant to the provisions of Article 427, paragraph (1) of the Companies Act, the Company has entered into agreements with all Outside Directors 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.

### 3. Reasons for Adoption of Current Corporate Governance System

To respond to the changing times and enhance sustainable corporate value, the Company has adopted the executive officer system under the form of a company with Audit and Supervisory Committee,

guided by the policies of (1) ensuring timeliness and accuracy in decision-making, (2) ensuring transparency in management, and (3) emphasizing fairness. Moreover, the Company considers its current corporate governance system to be an appropriate system that enables swift and efficient decision-making on business execution and supervision of management, including the establishment of a Nomination and Compensation Advisory Committee, comprising a majority of members who are Outside Directors (chaired by an Outside Director), as an advisory body for the Board of Directors.

### III. Implementation of Measures for Shareholders and Other Stakeholders

#### 1. Measures to Energize General Shareholders Meetings and Smooth Exercise of Voting Rights

	Supplementary Explanations
Early Notification of General Shareholders Meeting	In addition to sending notification 22 days before the date of the General Meeting, the Company publishes information on the websites of the Tokyo Stock Exchange and the Company prior to sending notification.
Scheduling AGMs Avoiding the Peak Day	The Company schedules General Meetings to avoid so-called peak days.
Allowing Electronic or Magnetic Exercise of Voting Rights	Shareholders have had the option to exercise their voting rights via the internet using personal computers and smartphones. In addition, the Company has adopted a service that allows shareholders to easily exercise their shares using a 2D codes, thereby enhancing shareholder convenience.
Participation in Electronic Voting Platform and Other Efforts to Enhance the Voting Environment for Institutional Investors	The Company participates in the electronic voting platform operated and administered by ICJ, Inc.
Providing Convocation Notice in English (Translated Fully or Partially)	The brief Notice of Convocation and Reference Documents for the General Meeting of Shareholders are provided in English.
Other	The Company strives to enhance report details at the General Meeting of Shareholders. Additionally, for the Notice of Convocation, the Company is promoting visualization by adopting UD fonts, using color, and using graphs and pictures, and is striving to provide materials for the General Meeting of Shareholders that are easy for shareholders to read and understand.

## 2. IR Activities

	Supplementary Explanations	Explanation by Representative
Preparation and Publication of Disclosure Policy	This is published on the Company's website.	
Regular Investor Briefings for Analysts and Institutional Investors	After announcing the H1 and year-end earnings, the Company holds web-based briefings in which either President or Executive Officer in charge of the Accounting and Control Department reports an outline of earnings, short-term and medium-term goals, and issues of the Company.	Yes
Posting of IR Materials on Website	The Company posts materials of earnings briefings for analysts. The Company also provides English language versions of its materials.	
Establishment of Department and/or Manager in Charge of IR	The Company established an IR Group in the Corporate Communication Department.	

## 3. Measures to Ensure Due Respect for Stakeholders

	Supplementary Explanations
Provisions to Ensure Due Respect for Stakeholders in Internal Rules, etc.	Provisions are included in TOYOBO Group Charter of Corporate Behavior.
Implementation of Environmental Conservation Initiatives, CSR Activities, etc.	The Company established a Sustainability Committee chaired by President, describes initiatives related to CSR in the TOYOBO Group Charter of Corporate Behavior, and issues an Integrated Report once a year.
Formulation of Policies for Information Provision to Stakeholders	Provisions related to the disclosure of information are included in the TOYOBO Group Charter of Corporate Behavior.

## IV. Matters Related to Internal Control System

### 1. Basic Views on Internal Control System and Progress of System Development

In accordance with Article 399-13, paragraph (1), item (i), (b) and (c) of the Companies Act and Article 110-4 of the Regulation for Enforcement of the Companies Act, the Board of Directors approved a resolution as follows and the Company is promoting a framework ensuring the properness of business operations.

- (1) Framework ensuring 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.” In 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 system also clearly defines in the Executive Officer Regulations, which state that Executive Officers have an obligation to comply with laws and the 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 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, and corporate ethics.
- (2) Framework ensuring the efficiency of execution of duties by Directors
  - The executive officer system enables 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 Chair of the Board serves as Chairperson of the Board of Directors. In addition, a dedicated staff member will be assigned to the administrative office to improve the effectiveness of the Board of Directors.
  - For “business execution,” President leads business execution and serves as Chairperson of the Board of Management, and 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, establishes policies, measures, and targets related to important medium- to long-term issues, manages their progress, and reports to the Board of Directors.
- (3) 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 to the Company’s Document and Information Management Rules.
- (4) 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, selects major risks and manages the progress of measures to avoid or mitigate them.
- (5) Framework ensuring the properness of business operations of the corporate group consisting of the Company and its subsidiaries
  - In terms of business operations, the Company’s departments in charge manage the progress based on the business content of the relevant company.

- With regard to governance, the Risk Control Department cooperates with the departments in charge and staffing sector and supports the development of such measures as risk management systems.
  - The Company ensures the properness of operations by clarifying the scope in which the Company can be involved in the important decision-making matters of group companies in accordance with the Companies Act based on the Board of Directors Regulations, the Board of Management Regulations, Group Companies Management Rules, and other guideline.
  - The Company promotes compliance with laws and regulations across the entire group.
  - In order to ensure the reliability of financial reports, the Company constructs an internal control system which includes group companies and conducts effective management and evaluation of the system.
- (6) Framework ensuring the effectiveness of auditing by the Audit and Supervisory Committee
- (i) Matters related to employees who assist 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.
- (ii) 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 business operations. Furthermore, when the Audit and Supervisory Committee 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 the Audit and Supervisory Committee of the Company.
  - The Company thoroughly communicates that persons 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.
- (iii) 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.
- (iv) Other Framework ensuring the effectiveness of auditing by the Audit and Supervisory Committee
- It shall be clearly stated in the internal rules that Audit and Supervisory Committee Members attend important meetings related to group management such as the Board of Management, and the Board of Executive Officers, and may provide their opinions. The same rules are clearly stated for the "Sustainability Committee" and other committees.
  - The Internal Audit Department reports the results of internal audits and the status of evaluations of internal control related to financial report to the Audit and Supervisory Committee, and exchanges information.

- The Audit and Supervisory Committee regularly holds Group auditor liaison meetings targeting major group companies, where they aim to enhance auditing related to the construction of an appropriate internal control.

(7) 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.

## **2. Basic Views on Eliminating Anti-Social Forces and Progress of Related Efforts**

The Company's basic views are published in the above "1. Basic Views on Internal Control System and Progress of System Development (7)."

## V. Other

### 1. Adoption of Anti-Takeover Measures

Adoption of anti-takeover measures	Not adopted
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Supplementary Explanation

The Company has established the following basic policy regarding company control.

(1) Basic policy on ideal person who has 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 or reject any large-scale purchases that involve a transfer of control over the Company should be ultimately decided based on the shareholders' will.

However, some large-scale purchase actions include those that aim to realize the profits of the large-scale purchaser at the expense of the Company and those that may actually force shareholders to sell their shares. We believe that there are some that may impair corporate value and, in turn, the common interests of shareholders.

As for the person who has control over decisions on its financial and business policies, the Company believes that anyone who engages in a large-scale purchase or similar activities that may impair the corporate value of the Company and, in turn, the common interests of shareholders as described above, is not appropriate. The Company believes that a person who has a sufficient understanding of the Company's finances, basic philosophy, business activities and core technologies, and aims to increase corporate value and, in turn, the common interests of shareholders from a long-term perspective is appropriate.

(2) Special efforts for realization of the basic policy

a. Efforts to improve corporate value by promoting the medium-term management plan

The Company was founded as a cotton spinning business, and thereafter expanded its business to chemical textiles and synthetic fibers. The Company later entered into the markets of films, functional polymers, ultrahigh strength polyethylene fiber, functional membranes and enzymes for diagnostics, and has continued to expand its specialty businesses as represented by these products. The Company later entered into the markets of films, functional polymers, ultrahigh strength polyethylene fiber, functional membranes and enzymes for diagnostics, and has continued to expand its specialty businesses as represented by these products. In 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 meticulous demands of customers with an integrated marketing, development and production segment. Under this business model, the Company has been steadily executing the medium-term management plan, aiming to maintain and expand its businesses in order to further place the Company on the path to growth.

b. Efforts to improve corporate value by strengthening corporate governance

Under our corporate philosophy of "Jun-Ri-Soku-Yu," the Company has established an appropriate corporate governance system according to the Company's position, and through various measures such as the medium-term management plan, we will address social issues. In addition to contributing to the solution of the above, 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 persons 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. Other Matters Concerning Corporate Governance System**

### Overview of Timely Disclosure System

The status of internal framework for timely disclosure of corporate information of the Company are as follows:

#### (1) Basic Policy of Information Disclosure

The Company's basic policy in regards to corporate communication is to "aim for lively communication and strive for timely and appropriate information disclosure, taking into consideration fairness and equality." As such, the Company is focusing on a. information disclosure as a social responsibility (accountability) and b. communication which doesn't harm corporate value.

Within which, we will engage in active bilateral communication with shareholders and investors to enhance corporate value.

#### (2) Internal Framework for Timely Disclosure

The Company has set General Manager of Corporate Communication Department as a person responsible for information handling and the IR Group as an organization responsible for information disclosure. The departments responsible for matters related to account settlement (including results forecasts) are the Finance Department and the Accounting and Control Department. The department responsible for matters related to basic policy of management is the Corporate Planning Department. The department responsible for matters related to organizational operations, etc. is the Human Resources Department. The department responsible for matters related to stock and securities exchanges is the Legal and Compliance Department. Proposal of important matters will be issued by each responsible department and, after passing through the Board of Management and being approved in the Board of Directors, the information will be promptly and timely disclosed. Furthermore, proposals related to decisions will be deliberated in the Corporate Planning Committee and Financial Control Committee before being proposed to the Board of Management.

If, contrary to our intention, a newspaper publishes information about matters not officially provided by the Company, our first response will be to disclose the information to our shareholders, investors, etc., as promptly as possible, through the stock exchange.

#### (3) Methods of information disclosure

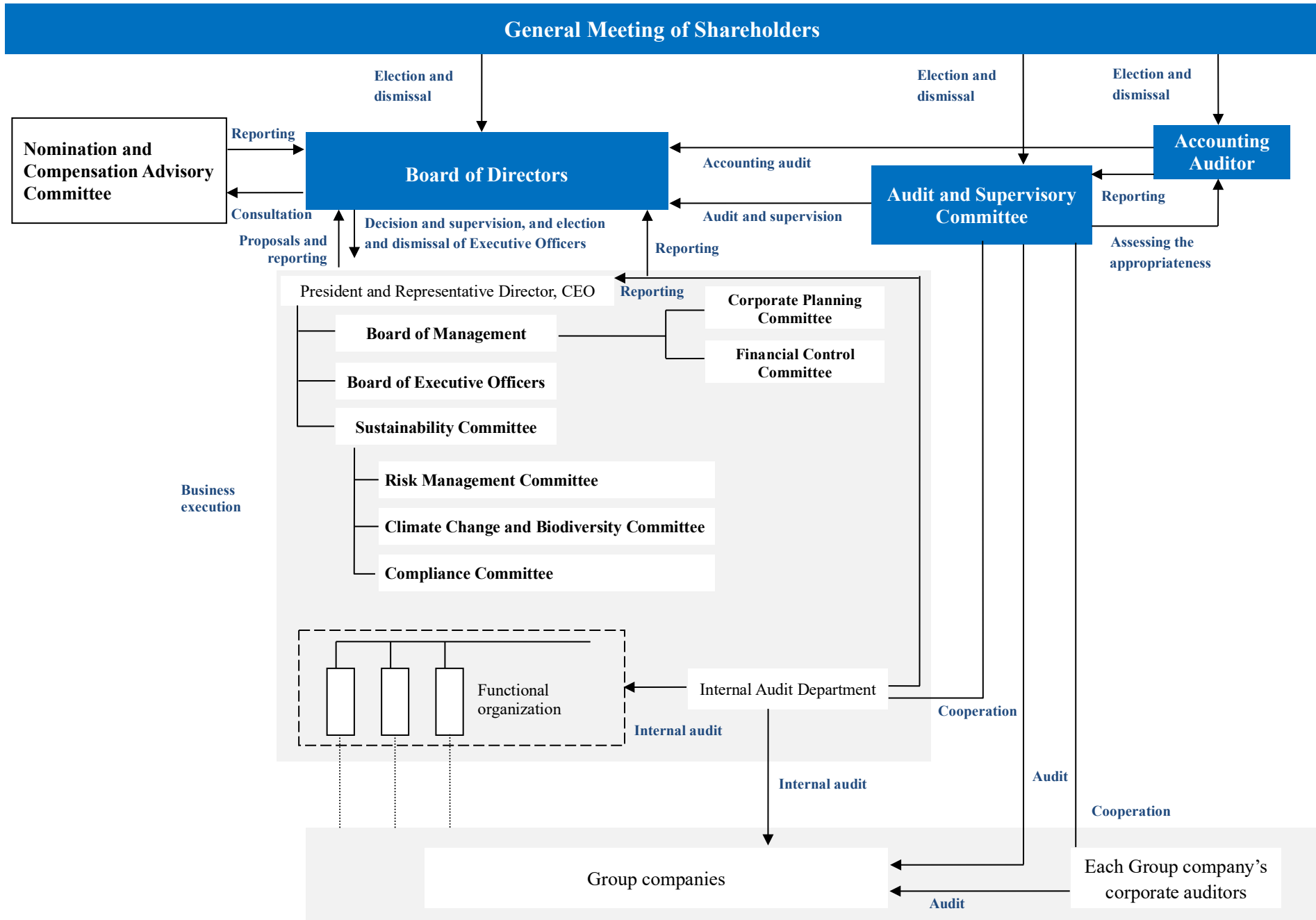
The Company shall disclose information through one or multiple of the following methods: submission of Annual Securities Reports, etc., registration to stock exchange, distribution of press release, and posting on the Company's website.

#### (4) Monitoring pertaining to management of corporate information

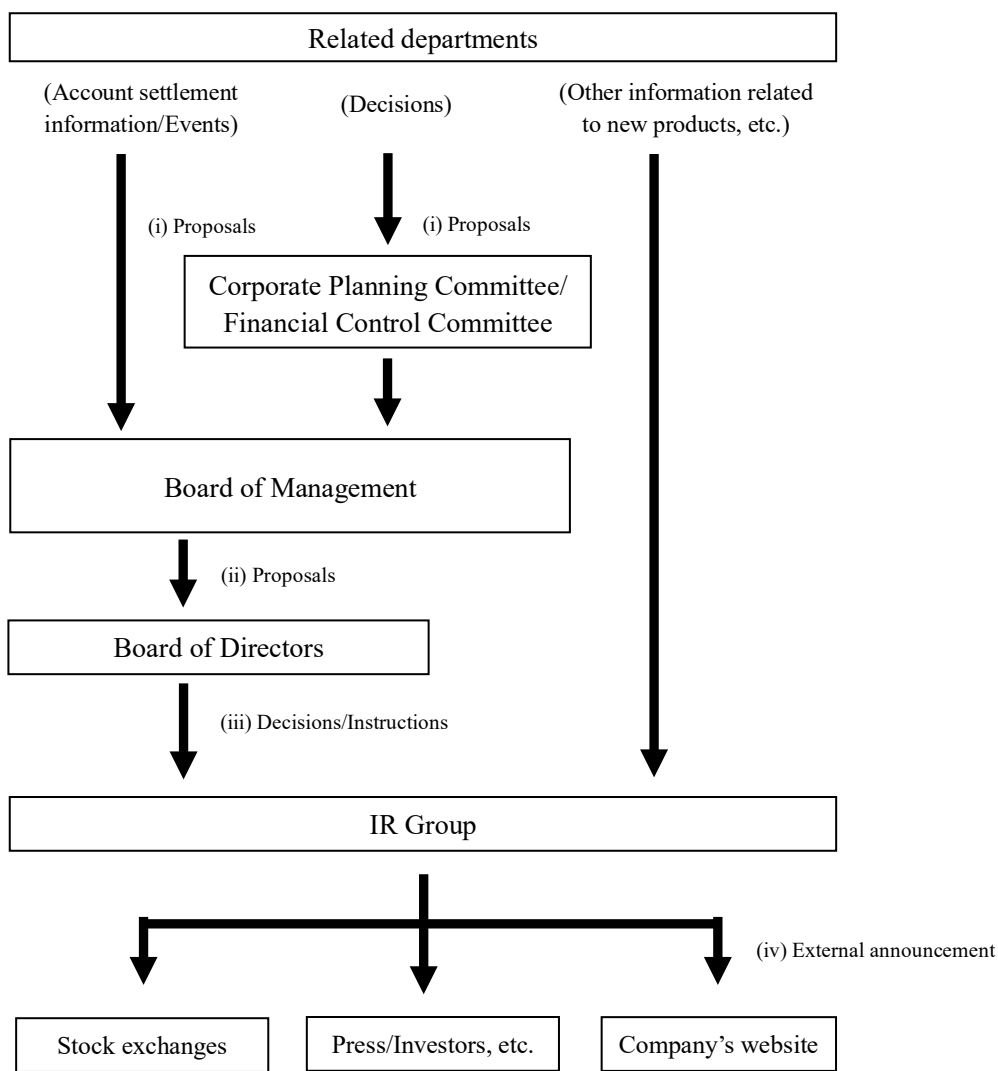
Multiple departments will inspect beforehand whether timely information disclosure is conducted properly and appropriately.

(5) Other

The Company makes efforts to train employees regarding information management, spread knowledge and raise awareness by establishing rules in the Compliance Manual and the provisions on information handling management.



[Information Disclosure Structure]



- Information related to account settlement ... Content of account settlement, revisions to performance, revisions to dividends, etc. (Consolidated Financial Report, etc.)
- Information related to decisions ... Issuance of new shares, decrease in equity, share buybacks, share splits, etc.
- Information related to events ... Damages, changes in major shareholders, matters that cause delisting, etc.