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# Annual Securities Report

## 168th term

From April 1, 2025
to March 31, 2026

Toyobo Co., Ltd.

E00525

# Contents

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| | |
|---|---|
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| [Place of filing] | Director-General of the Kanto Local Finance Bureau |
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| [Fiscal year] | 168th term (from April 1, 2025 to March 31, 2026) |
| [Company name] | Toyobo Co., Ltd. |
| [Company name in English] | TOYOBO CO., LTD. |
| [Title and name of representative] | Ikuo Takeuchi, President and Representative Director |
| [Address of registered headquarters] | 1-13-1 Umeda, Kita-ku, Osaka, Japan |
| [Telephone number] | +81-6-6348-3093 |
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| [Place for public inspection] | Tokyo Branch, Toyobo Co., Ltd.<br>(17-10, Kyobashi 1-chome, Chuo-ku, Tokyo, Japan)<br>Nagoya Branch, Toyobo Co., Ltd.<br>(390 Ichibagi-cho, Nishi-ku, Nagoya, Japan)<br>Tokyo Stock Exchange, Inc.<br>(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 | | 164th term | 165th term | 166th term | 167th term | 168th term |
|---|---|---|---|---|---|---|
| Fiscal year-end | | March 2022 | March 2023 | March 2024 | March 2025 | March 2026 |
| Net sales | (Millions of yen) | 375,720 | 399,921 | 414,265 | 422,032 | 421,563 |
| Ordinary profit | (Millions of yen) | 23,092 | 6,590 | 6,962 | 10,591 | 22,878 |
| Profit (loss) attributable to owners of the parent | (Millions of yen) | 12,865 | (655) | 2,455 | 2,003 | 11,174 |
| Comprehensive income | (Millions of yen) | 12,112 | (1,232) | 12,454 | 5,426 | 25,362 |
| Net assets | (Millions of yen) | 197,149 | 221,422 | 230,087 | 232,044 | 251,995 |
| Total assets | (Millions of yen) | 517,774 | 588,906 | 606,990 | 617,799 | 627,667 |
| Net assets per share | (Yen) | 2,192.17 | 2,146.46 | 2,236.50 | 2,215.11 | 2,417.30 |
| Net profit (loss) per share | (Yen) | 144.75 | (7.37) | 27.87 | 22.73 | 126.65 |
| Diluted net profit per share | (Yen) | - | - | - | - | - |
| Equity ratio | (%) | 37.6 | 32.2 | 32.5 | 31.6 | 34.0 |
| Return on equity | (%) | 6.8 | (0.3) | 1.3 | 1.0 | 5.5 |
| Price-earnings ratio | (Times) | 7.55 | - | 40.44 | 41.45 | 10.40 |
| Net cash provided by (used in) operating activities | (Millions of yen) | 17,097 | 7,798 | 21,595 | 30,118 | 45,032 |
| Net cash provided by (used in) investing activities | (Millions of yen) | (24,608) | (36,011) | (58,784) | (46,386) | (27,077) |
| Net cash provided by (used in) financing activities | (Millions of yen) | (1,729) | 61,295 | 8,260 | 10,490 | (16,506) |
| Cash and cash equivalents at end of period | (Millions of yen) | 26,433 | 60,204 | 33,310 | 27,427 | 30,128 |
| Number of employees<br>[Average number of temporary employees not included in the above numbers] | (People) | 10,503<br>[1,326] | 10,885<br>[1,575] | 10,668<br>[1,472] | 9,976<br>[1,479] | 9,398<br>[1,643] |

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.

(2) Key financial data of the reporting company

| Fiscal Year | | 164th term | 165th term | 166th term | 167th term | 168th term |
|---|---|---|---|---|---|---|
| Fiscal year-end | | March 2022 | March 2023 | March 2024 | March 2025 | March 2026 |
| Net sales | (Millions of yen) | 241,749 | 253,604 | 183,625 | 191,896 | 197,578 |
| Ordinary profit | (Millions of yen) | 16,021 | 1,940 | 2,211 | 4,933 | 17,260 |
| Profit (loss) | (Millions of yen) | 6,174 | (2,019) | 37 | 3,149 | 16,090 |
| Share capital | (Millions of yen) | 51,730 | 51,730 | 51,730 | 51,730 | 51,730 |
| Total number of issued shares | (Thousand shares) | 89,048 | 89,048 | 89,048 | 89,048 | 89,048 |
| Net assets | (Millions of yen) | 156,273 | 150,073 | 146,219 | 145,490 | 158,171 |
| Total assets | (Millions of yen) | 447,112 | 489,838 | 492,805 | 506,412 | 513,547 |
| Net assets per share | (Yen) | 1,757.92 | 1,699.08 | 1,659.72 | 1,650.06 | 1,792.41 |
| Dividend per share<br>[including interim dividend per share] | (Yen) | 40.00<br>(-) | 40.00<br>(-) | 40.00<br>(-) | 40.00<br>(-) | 40.00<br>(-) |
| Net profit (loss) per share | (Yen) | 69.47 | (22.72) | 0.42 | 35.73 | 182.38 |
| Diluted net profit per share | (Yen) | - | - | - | - | - |
| Equity ratio | (%) | 35.0 | 30.6 | 29.7 | 28.7 | 30.8 |
| Return on equity | (%) | 4.0 | (1.3) | 0.0 | 2.2 | 10.6 |
| Price-earnings ratio | (Times) | 15.73 | - | 2,700.30 | 26.37 | 7.22 |
| Payout ratio | (%) | 57.6 | - | 9,584.0 | 112.0 | 21.9 |
| Number of employees<br>[Average number of temporary employees not included in the above numbers] | (People) | 3,831<br>[387] | 4,015<br>[392] | 3,063<br>[437] | 3,030<br>[426] | 2,885<br>[469] |
| Total shareholder return | (%) | 79.6 | 78.6 | 87.6 | 77.4 | 106.5 |
| (Reference indicator: TOPIX Total Return Index) | (%) | (142.1) | (145.0) | (153.4) | (216.8) | (287.4) |
| Highest share price | (Yen) | 1,505 | 1,134 | 1,182 | 1,163 | 1,857 |
| Lowest share price | (Yen) | 1,046 | 979 | 980 | 885 | 808 |

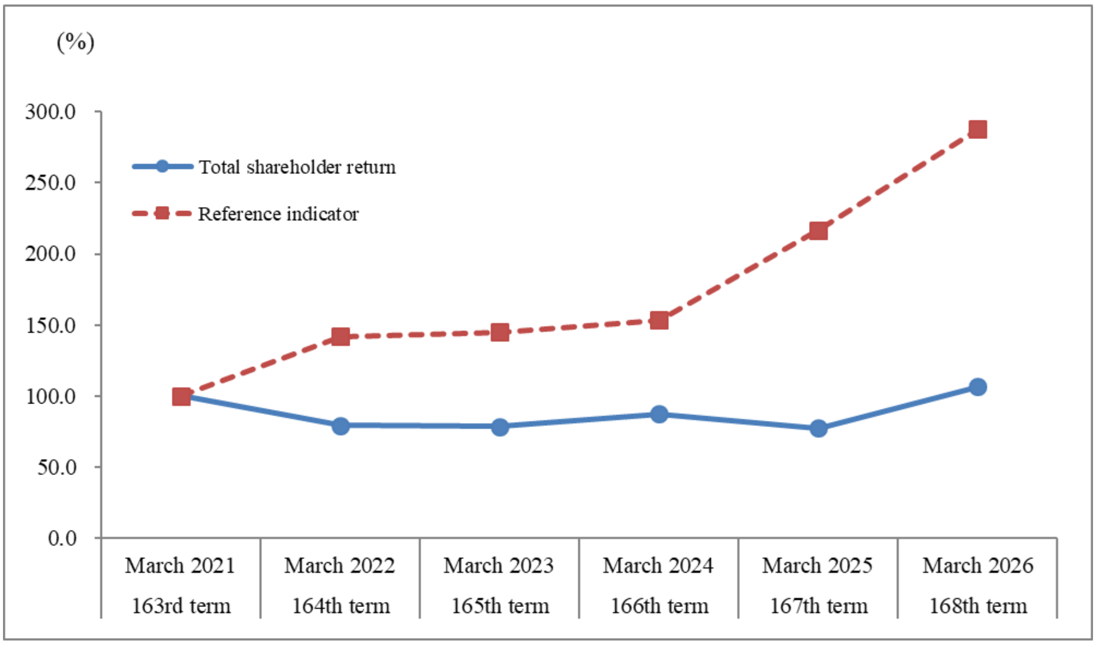
Notes: 1. Figures for diluted net profit per share are not presented, as there are no potentially dilutive shares.

2. The dividend per share of 40.00 yen for the fiscal year ended March 2026 is a matter of resolution by the Annual General Meeting of Shareholders scheduled to be held on June 24, 2026.

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 ratio and payout ratio for the 165th term are not presented because the Company recorded a loss.

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



## 2. History

| | |
|---|---|
| May 3, 1882 | Osaka Boseki, a predecessor to the Company, is established as the first private spinning company in Japan based on the spinning business plan formulated by Eiichi Shibusawa |
| July 1883 | Osaka Boseki starts operating a cotton-spinning business at the Sangenya Plant (located in what is now Taisho-ku, Osaka) |
| November 1886 | Mie Boseki, a predecessor to the Company, is launched |
| October 1890 | Osaka Boseki purchases a cotton fabrics plant and starts concurrent operation of textile manufacturing business |
| July 1893 | Osaka Boseki transitions to a public limited-liability company |
| October 1893 | Mie Boseki transitions to a public limited-liability company |
| June 26, 1914 | Osaka Boseki and Mie Boseki merge to form Toyobo (the Company, headquartered in Yokkaichi, Mie; share capital: ¥14.25 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 |

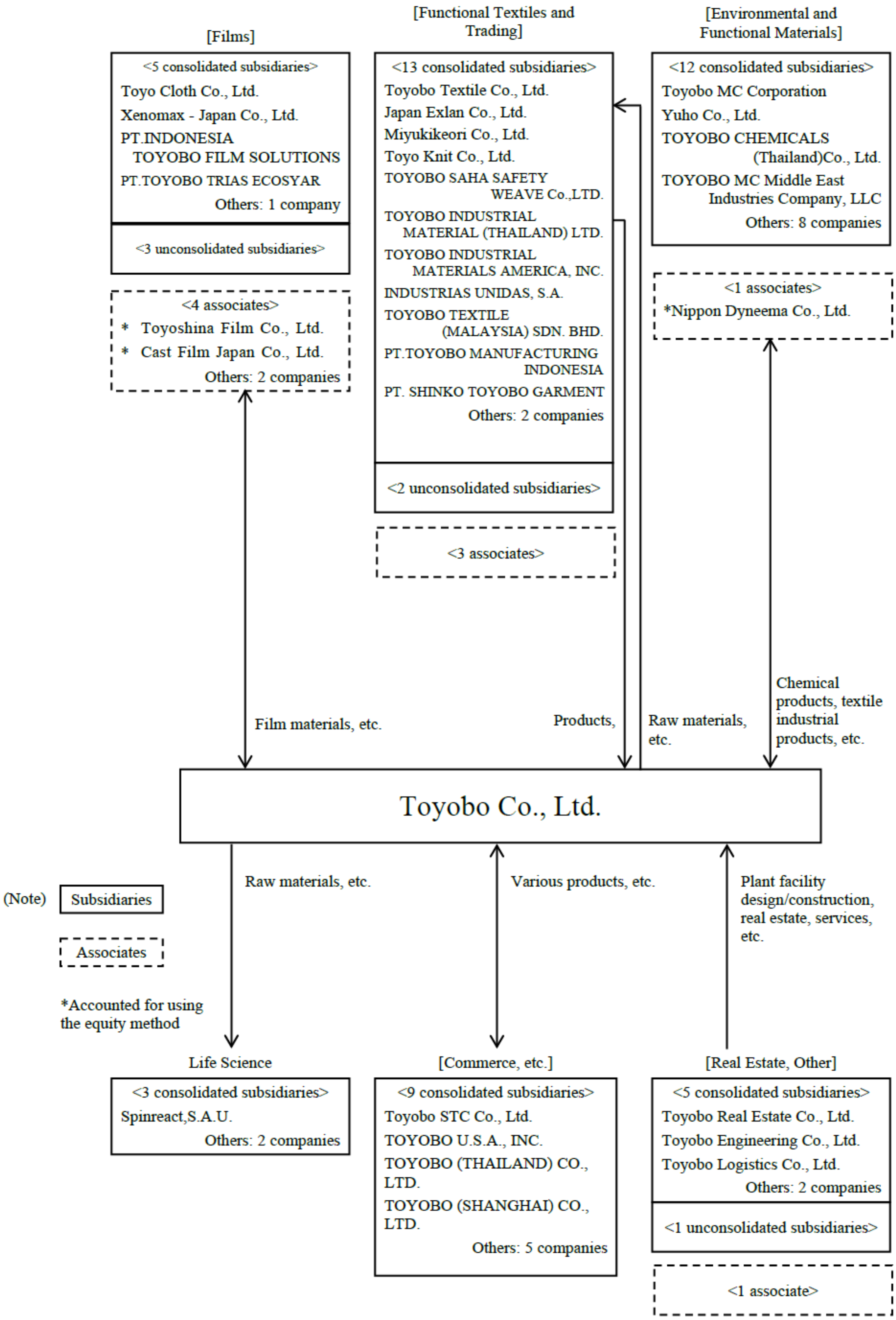
| | |
|---|---|
| October 1977 | Starts producing the “Printight” photosensitive resin letterpress printing material |
| November 1978 | The Tsuruga Enzyme Plant (currently the Tsuruga Biochemicals Plant) is launched |
| May 1980 | The Iwakuni Plant starts producing the “HOLLOSEP” reverse-osmosis membranes 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 artificial kidney hollow fiber |
| October 1985 | Enters the pharmaceutical business |
| December 1985 | Starts full-fledged production of engineering plastics |
| April 1989 | Takes over the sales team for the “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 functional 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.<br>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.<br>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<br>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 |
| June 2025 | Makes transition from a Company with a Board of Corporate Auditors to a Company with an Audit and Supervisory Committee |

## 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 film, industrial film, and other products. Five consolidated subsidiaries, including Toyo Cloth Co., Ltd., as well as seven unconsolidated subsidiaries and associates manufacture, process, and sell films and other chemical products. These companies sell and purchase materials 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 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 | : Twelve 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 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.<br>Three consolidated subsidiaries, including Toyobo Industrial Material (Thailand) Ltd., as well as two associates manufacture and sell airbag fabrics. These companies sell and purchase materials to and from the Company as well.<br>Ten consolidated subsidiaries, including Toyobo Textile Co., Ltd., as well as three 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 to and from the Company as well.<br>Nine consolidated subsidiaries, including Toyobo STC Co., Ltd., distribute 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.<br>Two consolidated subsidiaries, including Toyobo Logistics Co., Ltd., as well as two unconsolidated subsidiaries and associates engage in logistics services and other businesses. These companies also provide services 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]
<13 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.
INDUSTRIAS UNIDAS, S.A.
TOYOBO TEXTILE (MALAYSIA) SDN. BHD.
PT.TOYOBO MANUFACTURING INDONESIA
PT. SHINKO TOYOBO GARMENT
Others: 2 companies
<2 unconsolidated subsidiaries>
<3 associates>
[Environmental and Functional Materials]
<12 consolidated subsidiaries>
Toyobo MC Corporation
Yuho Co., Ltd.
TOYOBO CHEMICALS (Thailand)Co., Ltd.
TOYOBO MC Middle East Industries Company, LLC
Others: 8 companies
<1 associates>
*Nippon Dyneema Co., Ltd.
Film materials, etc.
Products,
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
<1 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.<br>Has land and building lease and rental arrangement with the Company.<br>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 | 100.0 | - | Purchases various products from the Company.<br>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.<br>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.<br>Concurrent duties, etc. of officers: Yes |
| Japan Exlan Co., Ltd. | Higashi-ku, Okayama | 100 | Functional Textiles and Trading, etc. | 100.0 | - | Supplies acrylic fiber products to the Company.<br>Leases land from the Company.<br>Concurrent duties, etc. of officers: Yes |
| Xenomax - Japan Co., Ltd. | Tsuruga, Fukui | 100 | Films | 66.6 | - | Leases land from the Company.<br>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.<br>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.<br>Leases land and buildings from the Company.<br>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 | 87,738 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 | Supplies film products to the Company. 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 MANUFACTURIN G 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 | - | Concurrent duties, etc. of officers: Yes |
| TOYOBO SAHA SAFETY WEAVE CO., LTD.＊1 | Samutprakarn Thailand | 2,500,000 thousand THB | Functional Textiles and Trading | 90.0 | - | Purchases raw yarns from the Company. 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 | - | Concurrent duties, etc. of officers: Yes |
| TOYOBO MC Middle East Industries 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: 23 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 ¥91,840 million
(2) Ordinary profit ¥7,415 million
(3) Profit ¥5,338 million
(4) Net assets ¥63,038 million
(5) Total assets ¥83,023 million

# II. Overview of Business

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

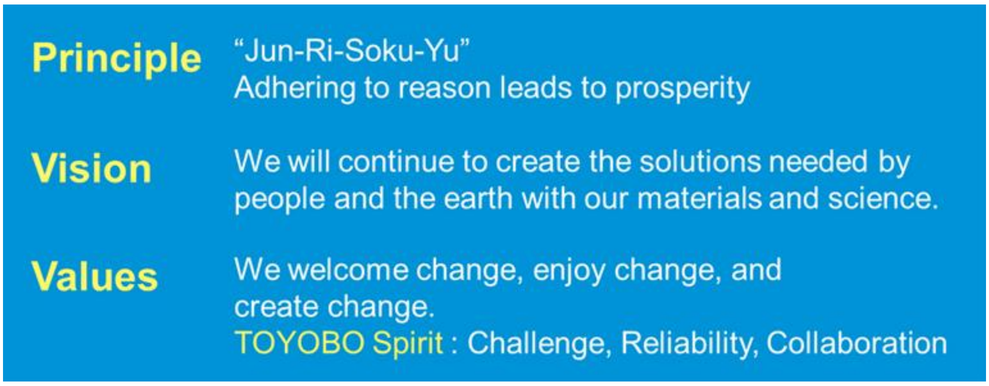
The forward-looking statements contained herein represent the Group’s judgment made as of the current consolidated fiscal year, and do not offer any guarantee of their achievement.

### (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 while improving economic value and improving 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.

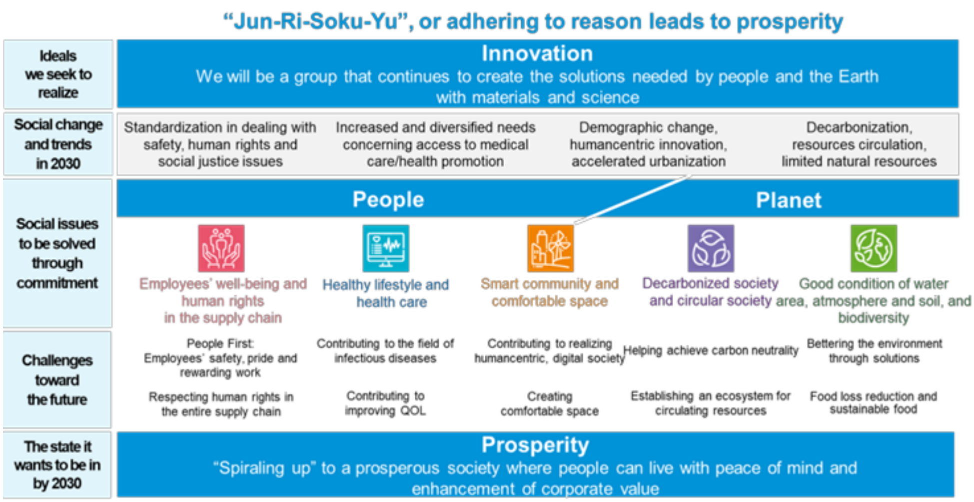
■ The TOYOBO PVVs corporate philosophy framework




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

Based on its *TOYOBO PVVs* corporate philosophy framework, the Group announced its long-term vision, *Sustainable Vision 2030.* In the vision, taking into account future changes in the business environment and social trends, we 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 our ideal state: *Ushering in both a prosperous society where people can live with peace of mind and the enhancement of corporate value.*

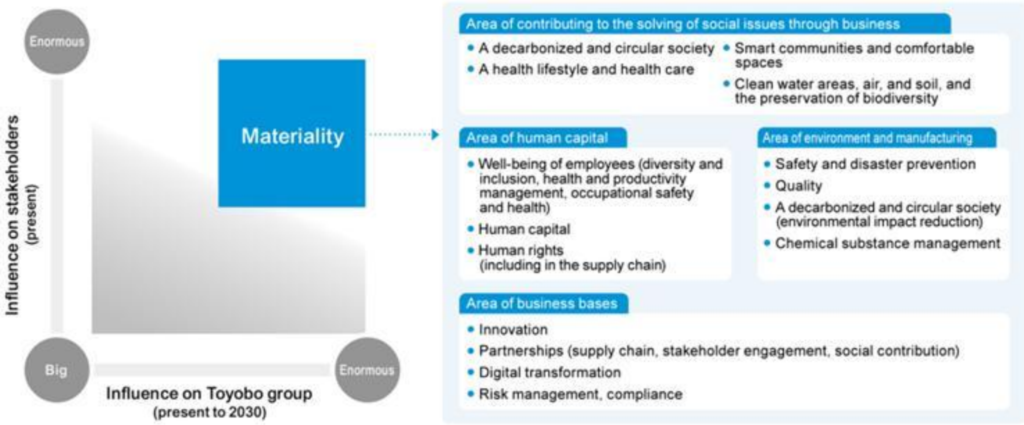
■ Overall Image of Sustainable Vision 2030



(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 earth.* 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 solving of social issues through business, human capital, environment and manufacturing,* and *business bases.*

■ Materiality Map

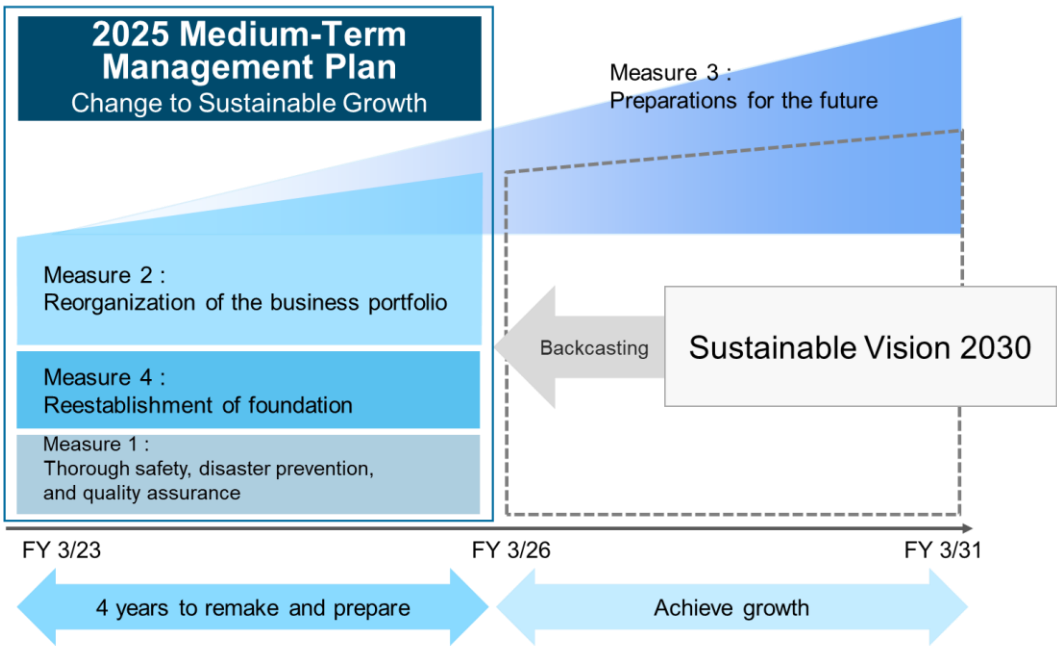



(4) 2025 Medium-Term Management Plan and Initiatives for FY 3/27 and Beyond (FY 3/23 - FY 3/26) (Announced in May 2022)

(i) Basic policy

*The 2025 Medium-Term Management Plan (FY 3/23 - FY 3/26)* established 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 large-scale fire accidents 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 worked to transform the Group toward *sustainable growth.*

■ Basic Policy and Four Measures



(ii) Progress of the 2025 Medium-Term Management Plan (FY 3/23 - FY 3/26)

(a) Business environment

During the 2025 Medium-Term Management Plan period, in the United States, despite the impact of monetary tightening aimed at curbing inflation and reciprocal tariff policies, personal consumption remained generally strong against the backdrop of the resilience of the employment environment, and the economy remained overall resilient. In China, due to the lingering slump in the real estate market and the lack of strength in personal consumption, the recovery of domestic demand was limited, and the economic stagnation continued. In Japan, the economy maintained a trajectory of moderate recovery due to improvements in the income environment driven by widespread wage increases and companies resuming capital investment.

(b) Performance

Amid this business environment, we positioned the 2025 Medium-Term Management Plan, which covers FY 3/23 to FY 3/26, as the first half of the two phase *Sustainable Vision 2030*: *four years to remake and prepare,* and have been implementing four key initiatives. We advanced efforts to lay the groundwork for growth, including thorough safety, disaster prevention, and quality assurance, Reorganization of the business portfolio, Preparations for the future, and Reestablishment of foundation, through proactive capital investment, business structural reforms, and organizational culture reforms.

However, due to delays in responding to changes in the business environment, such as the sharp rise in raw material and fuel prices, and delays in launching major growth investment, financial indicators such as operating profit, ROE, and ROIC fell short of the initial plan. While earnings declined significantly during the first two years of the 2025 Medium-Term Management Plan, we worked to recover and improve earnings in the latter half through measures such as consistently implementing pricing commensurate with value, addressing businesses requiring improvement, and reducing expenses through company-wide projects.

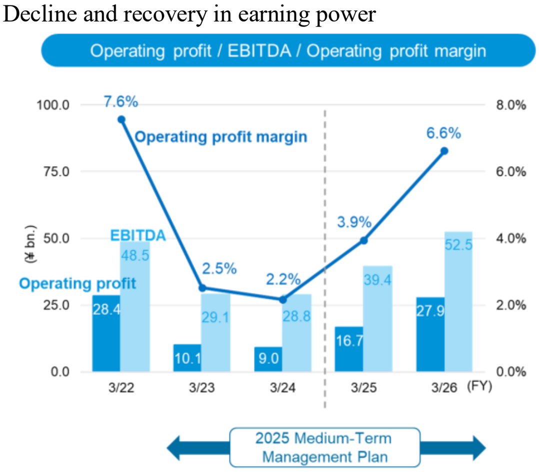
■Financial indicators

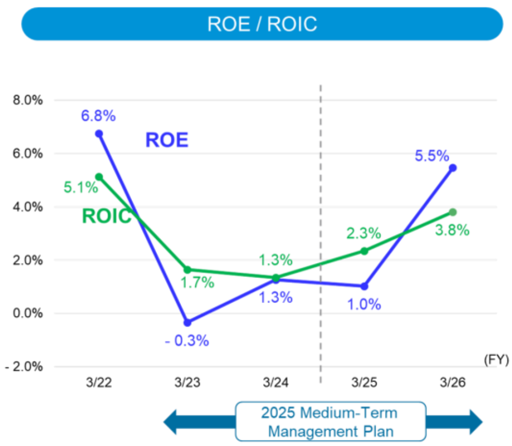
2025 Medium-Term Management Plan (FY 3/23 - FY 3/26)

| | FY 3/22 | FY 3/23 | FY 3/24 | FY 3/25 | FY 3/26 | |
|---|---|---|---|---|---|---|
| | Results | Results | Results | Results | Results | Initial plan (May 2022) |
| Net sales (¥bn.) | 375.7 | 399.9 | 414.3 | 422.0 | 421.6 | 450.0 |
| Operating profit (¥bn.) | 28.4 | 10.1 | 9.0 | 16.7 | 27.9 | 35.0 |
| (Ratio to sales) (%) | 7.6 | 2.5 | 2.2 | 3.9 | 6.6 | 7.8 |
| EBITDA (¥bn.) *1 | 48.5 | 29.1 | 28.8 | 39.4 | 52.5 | 63.0 |
| Profit attributable to owners of parent (¥bn.) | 12.9 | - 0.7 | 2.5 | 2.0 | 11.2 | 15.0 |
| ROE (%) *2 | 6.8 | - | 1.3 | 1.0 | 5.5 | ≧ 7.0 |
| ROIC (%) *3 | 5.1 | 1.7 | 1.3 | 2.3 | 3.8 | ≧ 5.0 |
| D/E ratio | 0.98 | 1.21 | 1.26 | 1.37 | 1.22 | < 1.20 |
| Net Debt / EBITDA ratio *4 | 3.4 | 5.8 | 7.5 | 6.1 | 4.4 | < 5.0 |
| CAPEX (¥bn.) | 33.6 | 42.7 | 61.6 | 43.2 | 29.0 | - |

*1 Operating profit + Depreciation (includes goodwill) *2 Profit / Beginning and ending balance average shareholder's equity
*3 NOPAT / (Interest-bearing debt + Net assets) *4 (Interest-bearing debt - Cash and deposits)<Ending> ／EBITDA

■ Decline and recovery in earning power



(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* made steady progress, those for *Reorganization of the business portfolio* fell 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 been achieved. 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 were pursued. Additionally, to reduce risks in the working environment, we pursued certification in occupational health and safety management systems (ISO 45001). As of March 31, 2026, we have obtained that certification at four sites: the Tsuruga Research and Production Center, the Iwakuni Production Center, the Utsunomiya Plant, and the Inuyama Plant. For non-physical aspects, we promoted safety workshops, the implementation of safety awareness surveys, and the utilization of the results of the latter.

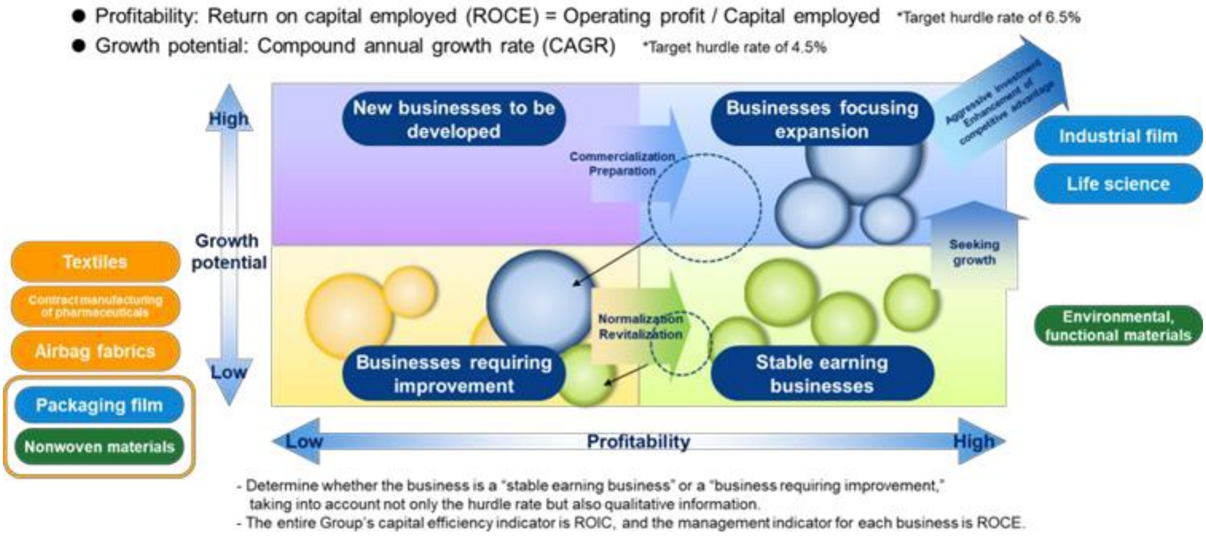
As for quality, in line with its *quality assurance management structure reconstruction roadmap,* the Group moved forward with efforts such as implementing rigorous PL/QA assessments, putting quality data online, enhancing product safety and quality assurance training that include core personnel training 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 promoted 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 business 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 classified our businesses into *businesses focusing on expansion*, *stable earnings businesses*, *businesses requiring improvement*, and *new businesses to be developed*, and operate each business according to its classification. We used 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 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 we used return on invested capital (ROIC) as an indicator for the entire Group's capital efficiency, we used ROCE for the management of each business.

■Business portfolio (Changes in positioning)




a. Businesses focusing on expansion

The films 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 a manufacturing facility for a new product involving high technological difficulty, caused delays in the startup of certain new facilities, which in turn impacted earnings.

b. Stable earnings 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 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 business of pharmaceuticals, 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 changed the positioning of these two businesses to businesses requiring improvement in FY 3/25, and carried out measures to improve the profitability of each.

■ Results of the action plan by segment

| Segment | Action (Planned in May 2025) | Results* |
|---|---|---|
| Films | **Improve earnings of Packaging film and further expand Industrial film**<br>- Packaging film: Improve earnings by production system review and operation rate increase of the new production facility (become profitable).<br>- Release film for MLCC: Ensure successful launch of new production equipment.<br>- Polarizer protective films for LCDs: Establish increased production system. | <br>P<br><br>P<br>P |
| Life Science | **Ensure earnings of new production equipment**<br>- Biotechnology: Expand sales of enzymes for biochemical diagnostic reagents (benefit from increased production).<br>- Medical materials: Launch and get revenues started for the integrated production plant for artificial kidney hollow fiber. Commercialize membranes for manufacturing process.<br>- Pharmaceuticals: Maintain GMP system. Improve earnings (become profitable) through new orders. | <br>D<br>D<br><br>P |
| Environmental and Functional Materials | **TOYOBO MC Corporation:**<br>**From strengthening the management foundation to implementation of growth measures**<br>- Engineering plastics: Capture overseas demand and improve earnings<br>- Industrial adhesives "VYLON": Develop new applications and improve earnings<br>- Environmental solutions: Expand sales of BC* membranes. Develop new applications for VOC recovery equipment.<br>- Nonwoven materials: Review domestic production system (aim for profitability).<br>* Brine Concentration | <br><br>P<br>P<br>D<br>P |
| Functional Textiles and Trading | **Improve earnings and enhance asset efficiency**<br>- Airbag fabrics: Implement load map to improve earnings.<br>- Textiles: Improve asset efficiency. | <br>P<br>P |

* P: as Planned, D: Delayed

iii) Measure 3: Preparations for the future

The Group fused its four core technologies of *polymer technology*, *biomedical technology*, *environmental technology*, and *analysis and 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 worked towards achieving net zero emissions by FY 3/51 for Scope 1 and 2 emissions as well as promoted 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 improved its IT environment and pushed 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.

In addition, as part of our TX (Toyobo-Transformation) initiative, we advanced efforts to implement a *Value-Added Revolution* that extends beyond the use of digital technology to include changes in mindset and organizational culture.

iv) Measure 4: Reestablishment of foundation

To reestablish its foundation for the purpose of growing sustainably, the Group pushed 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 executed various measures based on our *Human Resource Management Policy*, which positions *people* as our most important form of human capital. To be specific, we pushed 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 health and productivity 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 ascertained the work status of non-Japanese technical intern trainees and verified at our overseas Group companies in particular that no child or forced labor is taking place. Additionally, we also conducted *Business and Human Rights Training* for officers and employees in our efforts to enlighten them on human rights due diligence.

For the *reinforcement of workplace capabilities in manufacturing*, we improved our engineer training system and enhanced hierarchy-specific training, and moved forward with a company-wide rollout of production reform activities through the utilization of digital technology (such as smart factories), on-site exchange for pooling together company-wide knowledge, initiatives for the 3S' of seiri (organization), seiton (tidiness) and seiso (cleanup), and more.

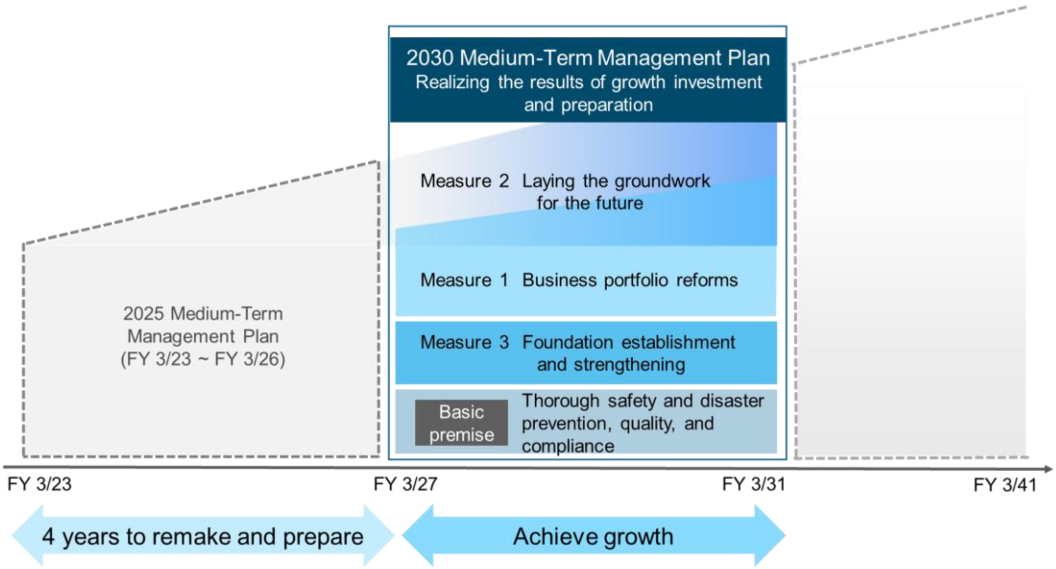
For the *development of the business base*, we considered a concept for the entire company and centers and plants while also making renewal investments in aging and outdated infrastructure and upgrading legacy systems.

For *governance/compliance*, we improved our risk management structure as a means of reinforcing Group governance. To be specific, the Risk Management Department coordinated 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 expanded these efforts to Group companies as well. The Internal Audit Department reports the results of its audits and the status of internal control evaluations related to financial reporting to the Board of Directors and the Audit and Supervisory Committee, thereby ensuring the effectiveness of the internal audit function. 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 endeavored 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.

For *the change of our organizational culture*, we conducted initiatives for entrenching the culture of conducting cross-divisional efforts to translate small ideas into improvements and reforms and *establish a culture of continuous transformation* with the efforts by the Human Resources and Labor Relations Department to instill our corporate philosophy framework TOYOBO PVVs as our focus. Also, we endeavored to improve psychological safety by expanding opportunities for dialogue in the workplace, such as *candid dialogue sessions* between employees and the President and other management executives.

(iii) Initiatives for FY 3/27 and Beyond (2030 Medium-Term Management Plan (FY 3/27 - FY 3/31))

The Group has formulated the *2030 Medium-Term Management Plan,* which is positioned as the second half of our *Sustainable Vision 2030.* Under this plan, we aim to achieve both financial health and profit growth, targeting an ROE of over 8% by FY 3/31 through business portfolio reform and effective investment. Specifically, with *thorough safety and disaster prevention, quality, and compliance* as our fundamental premise, we will advance three key initiatives: *Business portfolio reforms, Laying the groundwork for the future,* and *Foundation establishment and strengthening.*




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

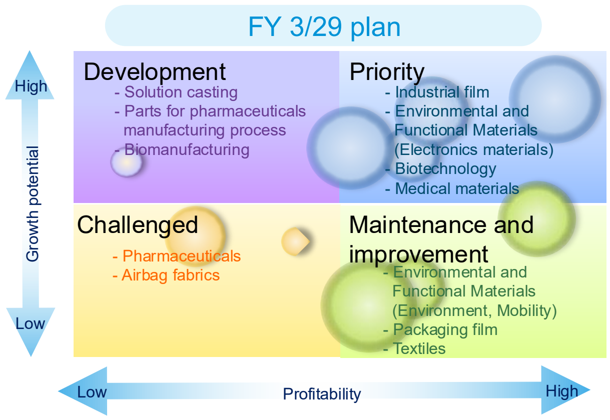
With regard to safety and disaster prevention, in line with the *road map for safety and disaster prevention,* we will tackle the reduction of risk through enhanced education at all employee levels and investment in safety and disaster prevention based on the dual activity pillars of fostering a culture of safety and improving our safety infrastructure as we 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) Business portfolio reforms

We evaluated our main businesses based on profitability (ROA by business) and future potential (future market growth rates, market share, etc.), and categorized them into *Priority, Maintenance and Improvement, Development,* and *Challenged* . Looking toward FY 3/31, we will actively allocate resources to *priority businesses* to expand earnings, and will maximize earnings in *maintenance and improvement businesses* while curbing investment. For *development businesses,* we will strengthen competitiveness and enhance profitability. Meanwhile, for *challenged businesses,* we will work to improve profitability and asset efficiency. By advancing initiatives based on this segmentation, we plan to increase the ratio of *priority businesses* to total capital employed in our core businesses from 27% in FY 3/26 to over 50% by FY 3/29.

■ Business portfolio reforms

- Priority businesses : Actively allocate resources to expand earnings
- Maintenance and improvement businesses: Maximize earnings while curbing investment
- Development businesses : Strengthen competitiveness and enhance profitability
- Challenged businesses : Improve profitability




- Profitability : ROA by business = Operating profit / Capital employed by business *Target hurdle rate of 8.0%
- Growth potential :Quantify future market growth rate, market scale and market share

(c) Laying the Groundwork for the Future

Based on the Group's value creation story*1, we have redefined *advanced materials, healthcare,* and *environment and energy* as our three value proposition areas. By shifting development resources to these three areas, we will accelerate technology and product development as well as commercialization. Furthermore, to link the Group's technologies and products to solutions for social issues and social implementation, we will strengthen our marketing functions, including the integration of technology development with market and customer development.

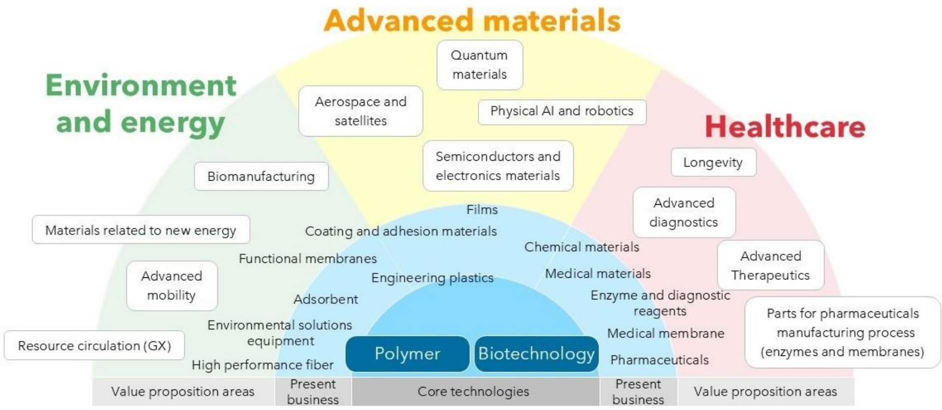
Meanwhile, in accordance with the *Roadmap to Carbon Neutrality* formulated in response to climate change risks, the Group will work toward achieving net zero GHG*2 emissions (Scope 1 and Scope 2) by 2050. At the same time, we will work to reduce GHG emissions across the entire value chain related to the Group's activities.

*1) Value creation story

- Under the principle of "*Jun-Ri-Soku-Yu*" (Adhering to reason leads to prosperity),
- we will continue helping to solve social issues through a corporate culture defined by our DNA of flexibility and transformation, perseverance, and sincerity, underpinned by our core technologies: Polymer and Biotechnology.
- By optimizing a diverse range of materials to achieve target performance through co-creation with customers and collaboration with partners, we create customer value and sustainable prosperity for people and the planet. In so doing, we also continue to seek growth and development of our people and the Group.

*2) GHG: Greenhouse Gas

■ Laying the Groundwork for the Future (Value proposition areas)




■ Laying the Groundwork for the Future (Three priority areas)

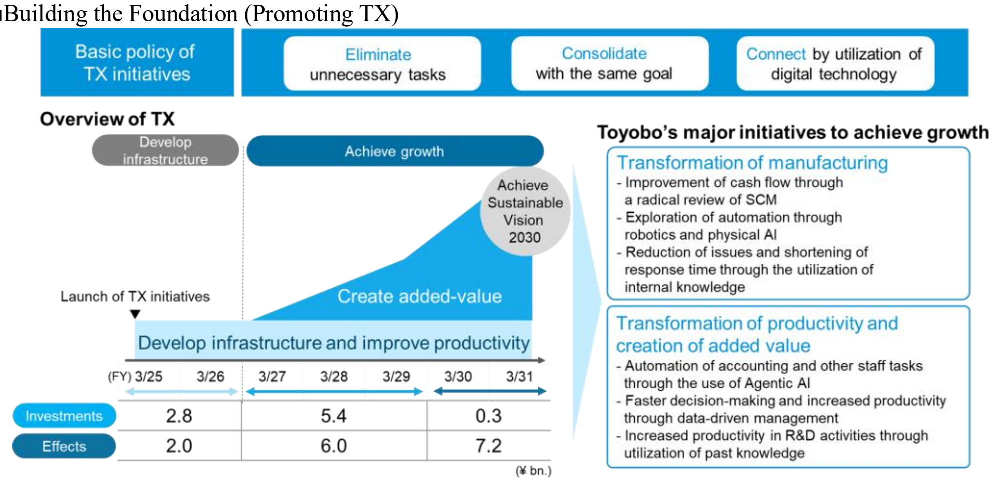
| | |
|---|---|
| **Advanced materials** | Advanced materials (films, resins) utilizing synthesis and adhesion technologies as well as surface processing and membrane production technologies<br>- Heat resistant polyimide film “XENOMAX”<br>- Low dielectric material “HARDLEN”<br>- Adhesion of electronic material “Vitrimer”*<br>*“Vitrimer” is a registered trademark of FONDS ESPCI PARIS. |
| **Healthcare** | Expansion into high value-added areas leveraging spinning, membrane production, and membrane separation technologies, as well as biomanufacturing technologies<br>- Acute blood purification membranes “REMCYTO”<br>- Exosome purification kit “CATAROSEV”<br>- Parts for pharmaceuticals manufacturing process (enzymes for mRNA pharmaceuticals and Membranes for the antibody drug manufacturing process) |
| **Environment and energy** | Recycled materials utilizing membrane separation, polymer and film production technologies, and fusion technology combining biotechnology with polymers<br>- Biomanufacturing (Biosurfactant: MEL and functional biological raw materials)<br>- Removal of PFAS (“K-Filter” and absorption by activated carbon fiber)<br>- Green plastics (100% biomass plastic: PEF, “RENASHINE” and “KAMISHINE NEO”) |

(d) Foundation establishment and strengthening

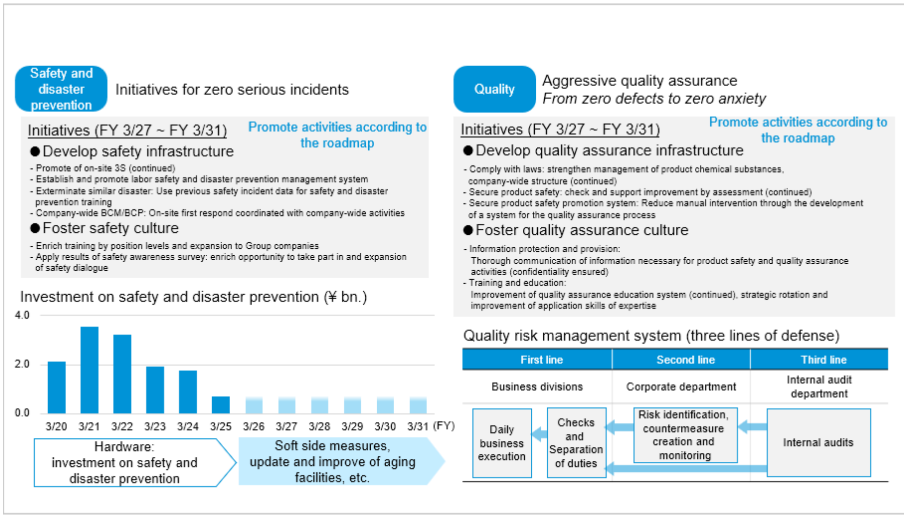
Regarding human capital, we will focus on talent development and organizational development aligned with our value creation story and medium-term management plan. In advancing TX (Toyobo-Transformation), we will utilize digital technology in accordance with the basic policy of *Eliminate, Consolidate, and Connect* to drive productivity reforms, including operational and manufacturing reforms, and create added value.

Regarding safety, disaster prevention, and quality, we will advance our activities in accordance with a new roadmap, building on the results of our past initiatives. In addition, we will work to establish and strengthen our management foundation, including the development of a risk management framework.

■Building the Foundation (Promoting TX)



■ Building a Foundation (Safety, Disaster Prevention, and Quality)




(iv) Financial indicators

Under the 2025 Medium-Term Management Plan, we set *net sales*, *operating profit*, *operating profit margin*, *EBITDA*, *net profit*, *return on equity (ROE)*, *return on invested capital (ROIC)*, *D/E ratio*, and *Net Debt/EBITDA ratio* as key financial indices, and have been working to achieve sustainable growth and enhance corporate value. From the standpoint of achieving sustainable growth, to encourage our employees to have a proactive investment mindset for the sake of sustained growth, we have utilized *EBITDA*, which is operating profit plus depreciation and amortization, to our key indices. At the same time, for the purpose of promoting management that emphasizes capital efficiency, we have placed emphasis on *return on invested capital (ROIC)*, and have strived to instill the proper allocation of management resources from the dual aspects of growth potential and efficiency.

Additionally, the Group has emphasized its D/E ratio, which indicates the ratio of interest-bearing debt to equity, and has worked to maintain financial discipline from the perspective of ensuring stability in financing largely through maintaining and improving its bond issuer rating. In our medium-term management plan covering FY 3/19 through FY 3/22, we set a target of keeping the D/E ratio below 1.0 times and successfully achieved that goal. Based on this, in our 2025 Medium-Term Management Plan, we set a D/E ratio target of less than 1.2 times to enable flexible execution of upfront investments for future growth. At the same time, to appropriately manage the balance between cash flow generation and interest-bearing debt, we added the Net Debt/EBITDA multiple as an indicator and have managed our finances with a target in the 4 times range.

However, in addition to significant changes in the business environment, interest-bearing debt increased due to a decline in cash flows from operating activities caused by delays in the reorganization of our business portfolio, as well as the prioritization of large-scale investments in growth businesses, including the films business and life science sector. As a result, as of the end of March 2025, the D/E ratio stood at 1.37 times and the Net Debt/EBITDA multiple at 6.1 times, leading to a temporary deterioration in our financial indicators.

Based on such circumstances, with the aim of maintaining financial soundness while continuing growth investment, in September 2024, we raised a total of ¥40.0 billion through subordinated loans and publicly offered subordinated bonds payable. We view these funding measures as contributing to the strengthening of our financial foundation with an emphasis on equity-like characteristics, while also serving as a strategy to secure the investment capacity necessary for medium- to long-term growth while maintaining our creditworthiness.

In FY 3/26, we have been advancing initiatives to restore the earning power of our businesses through the normalization of businesses requiring improvement and progress in structural reforms. As a result, operating profit and EBITDA have begun to show signs of improvement, and capital efficiency indicators such as ROE and ROIC are also showing signs of recovery. Simultaneously, we believe we have charted a course toward improvement in our D/E ratio and net debt/EBITDA multiple.

At the same time, we recognize that to achieve sustainable growth in corporate value, it is essential to further advance business portfolio reforms and significantly enhance our ability to generate cash flows from operating activities, while ensuring the recovery of our profitability.

Based on these results and our understanding of the challenges through FY 3/26, we have formulated a new medium-term management plan (the 2030 Medium-Term Management Plan) covering FY 3/27 and beyond. Under the 2030 Medium-Term Management Plan, our policy is to significantly improve our ability to generate cash flows from operating activities through the recovery of profitability and progress in business portfolio reforms. Building on this improvement in cash flow, we plan to continue investing in growth areas as well as in safety, disaster prevention and environment, while maintaining financial discipline and aiming to improve our debt-to-equity ratio and net debt-to-EBITDA ratio, as well as gradually enhance capital efficiency.

We will ensure that the initiatives we have been advancing under our FY 3/26 management policy, *Recover earning power to create the future*, yield tangible results. Furthermore, starting in FY 3/27, we will transition to the growth stage outlined in the 2030 Medium-Term Management Plan to achieve sustainable growth in corporate value.

The impact of the escalating tensions in the Middle East has not been factored into the 2030 Medium-Term Management Plan.

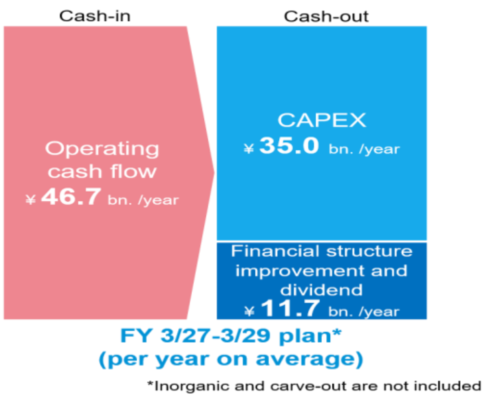
■Financial indicators in the 2030 Medium-Term Management Plan

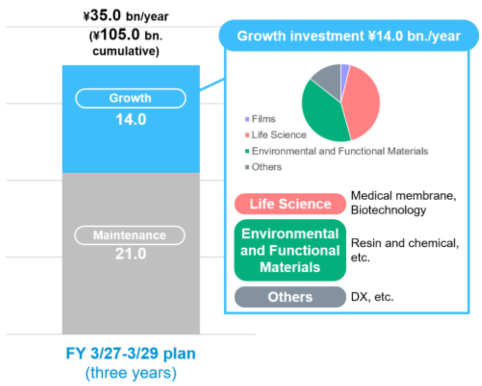
| | FY 3/25 Results | FY 3/26 Results | FY 3/29 Plan[*5] | FY 3/31 Plan[*5] |
|---|---|---|---|---|
| Net sales (¥bn.) | 422.0 | 421.6 | 470.0 | 500.0 |
| Operating profit (¥bn.) | 16.7 | 27.9 | 35.0 | 45.0 |
| (Ratio to sales) (%) | 3.9 | 6.6 | 7.4 | 9.0 |
| EBITDA (¥bn.)[*1] | 39.4 | 52.5 | 64.0 | 76.2 |
| Profit attributable to owners of parent (¥bn.) | 2.0 | 11.2 | 14.0 | 19.0 |
| ROE (%)[*2] | 1.0 | 5.5 | > 6 | > 8 |
| ROIC (%)[*3] | 2.3 | 3.8 | > 4.5 | > 6 |
| D/E ratio | 1.37 | 1.22 | < 1.2 | |
| Net Debt / EBITDA ratio[*4] | 6.1 | 4.4 | < 4.0 | |
| CAPEX (¥bn.) | 43.2 | 29.0 | 35.0 | 31.5 |
| R&D expenses (¥bn.) | 14.3 | 14.1 | Ratio to sales of 3~4% | |

*1 Operating profit + Depreciation (includes goodwill) *2 Profit / Beginning and ending balance average shareholder's equity
*3 NOPAT / (Interest-bearing debt + Net assets) *4 (Interest-bearing debt - Cash and deposits) <Ending> ／EBITDA
*5 Inorganic and carve-out are not included

■Financial strategy under the 2030 Medium-Term Management Plan

(Cash flow allocation) (Investment expenditure)



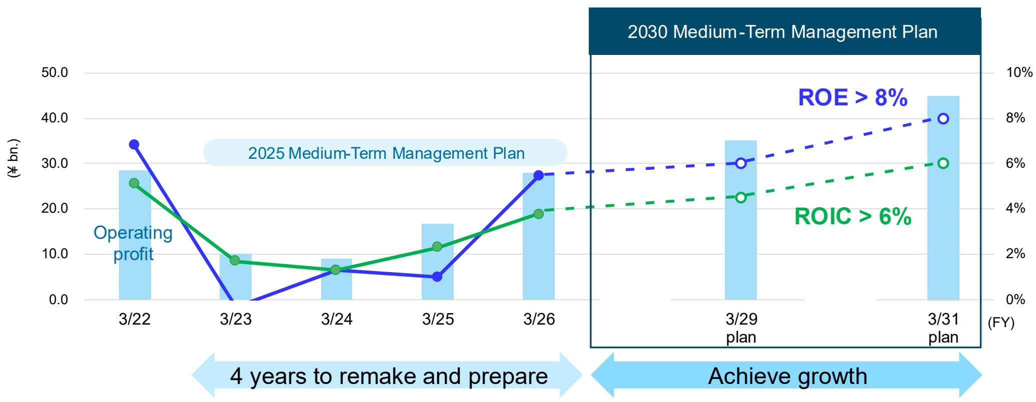




(v) Management mindful of the cost of capital and share price

The Group takes seriously the fact that its P/B ratio remains below 1.0x, and will continue to promote management that is mindful of the cost of capital and share price.

Under the 2030 Medium-Term Management Plan, we will steadily implement three key initiatives, *Business portfolio reforms, Laying the groundwork for the future,* and *Foundation establishment and strengthening,* to achieve both improved financial health and profit growth. Through these efforts, we aim to achieve an ROE of over 8% and, by sustainably enhancing corporate value, achieve a P/B ratio of over 1.0x and increase shareholder value.

■Toward enhancing corporate value: Realizing the results of growth investment and preparation




(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 considers reasonable as of the end of the current fiscal year and may significantly differ from actual results due to various factors.

### (1) Sustainability Policy

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 framework 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 framework 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 framework 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 Executive 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 to comprehensively discuss sustainability issues, focusing on the Group's materiality (key issues). It deliberates on policies, measures, and indicators from the perspectives of risks and opportunities, and monitors progress. In FY 3/26, discussions by the Committee focused on issues such as climate change, human capital management, and business continuity plans designed to address large-scale earthquakes. Additionally, reports on these issues are made to the Board of Directors as appropriate through the Board of Management, including the status of verification of risks and opportunities accompanying changes in social trends. The Board of Directors hears reports from the Board of Management, deliberates to approve high-level policies, targets and other material matters, and supervises the progress of sustainability activities.

#### (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 & human rights in the supply chain, healthy lifestyle and healthcare,* 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 reviews whether there have been any changes in the 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 Executive 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 3/26, the Committee convened twice. In addition to formulating risk management policies for the entire Group, the Committee is engaged in risk management activities (identifying, analyzing, evaluating, and responding 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.

Additionally, in FY 3/26, we conducted a risk assessment covering all Group locations to comprehensively identify material risks requiring action based on the results of an assessment performed in terms of the two axes of the severity of impact* and the likelihood of a risk occurring* based on scenarios assumed for various risks. 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

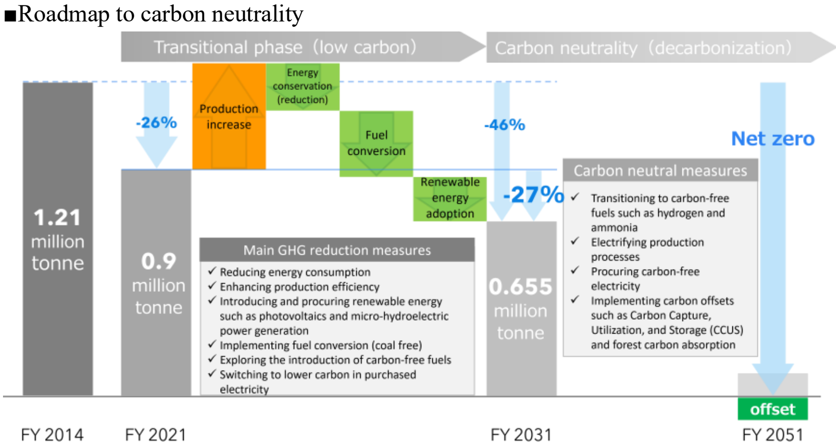
In the current fiscal year, which marks the final year of the 2025 Medium-Term Management Plan, we clarified our ideal state (targets) for each materiality in order to achieve *Sustainable Vision 2030.* Furthermore, to ensure that the progress of the efforts to address the material issues is duly watched, the Company appoints responsible officers and sets indicators for each of the material issues. Their 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 at least 46% by FY 3/31 compared with FY 3/14, which is equivalent to a reduction of 27% compared with FY 3/21 (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 Executive 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. Primarily, we assessed the impact of amendments to Japan's *Act on the Promotion of a Smooth Transition to a Decarbonized Growth-Oriented Economic Structure* (commonly known as the GX Promotion Act*), on our transition plan and management plan, and proceeded to examine the timing and details of GHG reduction measures, particularly those involving investment expenditure such as fuel switching.

* Act on the Establishment of an Emissions Trading System (GX-ETS), a Fossil Fuel Levy, and Financial Support for the GX Sector

(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, 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 1.5°C and the scenario in which the increase will reach 4°C , and are examining 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** |
|---|---|---|
| **Society envisioned** | 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 the 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.<br><Examples><br>● Introduction of carbon taxes and an increase in carbon prices<br>●Shift to electrification of automobiles, particularly in China and emerging markets<br>●Renewable energy and growth in ancillary demand for secondary batteries | The effectiveness of current policies and draft commitments by various countries remains limited, and average temperatures are projected to rise significantly by the end of this century. Society will face a high probability of physical impacts, such as more frequent and severe extreme weather events, affecting business operations.<br><Examples><br>● Increased flood damage due to heavy rain<br>● Increased severity of storm surge impacts due to sea levels rising |
| **Reference scenarios** | ●*SSP1-1.9* (IPCC AR6)<br>●*RCP2.6* (IPCC AR5)<br>●*NZE* (IEA WEO2025)<br>●*Global Ambition scenario* (OECD Global Plastics Outlook) | ●*SSP5-8.5* (IPCC AR6)<br>●*RCP8.5* (IPCC AR5) |
| Risk and opportunity trends | Transition risks and opportunities (social shifts such as stronger regulations) are likely to materialize. | Physical risks and opportunities, such as those related to changes in weather patterns, 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 based on the two axes of severity of impact and the likelihood of occurrence 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 customer requirements 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, as well as to gain and expand business opportunities.

Furthermore, to address rising demand for various forms of advanced water treatment driven by growing water scarcity, we will tie the development and sales of seawater desalination membranes that enable the production of freshwater with low energy consumption and high-efficiency concentration membranes to promote the recycling of water resources into the expansion of our businesses.

In addition, 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 removing 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 by Scenario and Response Measures

| Social changes and their impacts | Risk/opportunity item: Category | Risk/opportunity item: Term | Risk/opportunity item: Event | The Group's response measures |
|---|---|---|---|---|
| Impacts associated with the transition to a decarbonized society (Extensive changes in policies, laws and regulations, technology, and markets, etc.) | Transition risks | Short term | Introduction of carbon pricing | -Implementation of a GHG emissions reduction plan<br>(Energy saving, production efficiency improvement, fuel conversion, introduction of renewable energy, etc.)<br>-Utilization of an internal carbon pricing system |
| | | Medium to long term | Increases in raw material and fuel prices<br>(Carbon prices passed on to raw-material prices, etc.) | -Shift to non-petroleum-derived resources<br>-Supplier engagement and cooperation (Development of low-carbon raw materials, etc.)<br>-Diversification of the means of sourcing raw materials<br>(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<br>-Utilization of sustainable finance, transition finance, etc.<br>-Implementation of measures to achieve higher manufacturing efficiency across the entire value chain<br>(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<br>-Implementation of measures to achieve higher efficiency and greater energy saving in manufacturing processes<br>-Passing-on to product prices |
| | | | Increased demand for the 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<br>-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<br>-Innovation of production processes in our biotechnology business using microbes (yeast) (biomanufacturing)<br>-Response to issues with the sourcing of raw materials (recycled materials and biomass-derived materials) (supply shortages)<br>-Promotion of product development, planning, and sales of low-carbon/decarbonized materials<br>-Acceleration of development of innovative low-carbon/decarbonized materials<br>-Strengthening of 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 the supply chain, including customers, from the perspective of contributing to reductions<br>-Acceleration of development and planning* of products that contribute to reductions based on replacement of preexisting technologies and promotion of sales of those products<br>* Energy-saving seawater desalination membranes, VOC recovery equipment for lithium-ion battery separator plants that makes it possible to circumvent the burning treatment of organic solvents to reuse them, water-washable flexo plates and their water treatment systems 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* and promotion of the sales of those products<br>- Anticipation of mega-trends, overseas business development and enhancement of solutions-providing capability at *Toyobo MC Corporation*, a joint venture between Toyobo and Mitsubishi Corporation<br>* Materials for perovskite solar cells, 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 (such as lithium), 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: Category | Risk/opportunity item: Term | Risk/opportunity item: Event | The Group's response measures |
|---|---|---|---|---|
| Impacts due to the progress of climate change (Direct damage to assets, indirect impacts due to supply chain disruptions, changes in technology and markets, etc.) | Physical risks | Present to medium term | Loss of productivity due to extreme heat | -Clarification of basic policy on prevention of heatstroke<br>-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.)<br>-Expansion of automation of in-plant operations<br>-Management of heatstroke of onsite workers using IoT devices, etc. |
| | | | Stoppage of raw-material supply due to natural disasters<br>Instability in raw material procurement | -Review of inventory levels and expansion of purchases from multiple suppliers<br>-Diversification of logistics routes<br>-Examination of alternative raw materials that are less susceptible to climate change |
| | | | Damage to facilities and stoppage of operations due to flood disasters (floods, storm surges, etc.) | -Clarification of basic policy on flood damage<br>-Enhancement of durability of manufacturing and power facilities, relocation of the facilities to higher places, and raising of their bulwarks<br>-Dispersion and relocation of manufacturing sites<br>-Implementation of Business Continuity Plan (BCP) training |
| | Physical opportunities | Medium term | Increased demand for civil engineering work | -Expansion of geotextiles* for disaster mitigation and recovery projects<br>* Slope stabilization sheets for embankments, protective sheets for stormwater runoff control layers, reinforcement sheets for soft subgrades, etc. |
| | | | Increased demand for seawater desalination due to water scarcity and drought<br><br>Increased demand for ZLD* of industrial wastewater due to freshwater scarcity<br><br>(*) Zero Liquid Discharge | -Expansion of production capacity and promotion of sales of membranes for seawater desalination (such as RO/FO membranes*)<br>-Development of RO membranes, FO membranes, etc. that enable greater energy saving and show higher durability<br>-System development for high-efficiency concentration membranes (BC membranes*)<br>-Strengthening of the production and quality management systems for RO membranes, FO membranes, BC membranes, etc.<br>-Reinforcement of sales capability through Toyobo MC Corporation using overseas networks of Mitsubishi Corporation<br>(*) RO:Reverse Osmosis, FO:Forward Osmosis, BC:Brine Concentration |
| | | Long term | Increased demand for response to infectious diseases (prevention and treatment) due to higher temperatures | -Enhancement of functionality of food packaging-related products and promotion of sales of those products<br>-Promotion of research and development for infectious disease-related products and technology |

(d) Risks and opportunities recognized as particularly important

<Material risk 1: Risk of damage to buildings and facilities caused by 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 flood disaster risks will increase further due to sea level rise and changes in rainfall patterns. We estimated the reduction in asset value (damage to buildings, equipment, etc.) due to flood disasters in the 2030s using their book values. The results show that the damage at these three plants can reach a maximum of about ¥68.0 billion. Note that decreases in assets due to flood damage at the three plants are 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 (July 2025)

(Measures for reducing risks)

Up to this point, we established the *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 installation on higher ground / elevation) 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-$CO_2$ due to sales growth. 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.

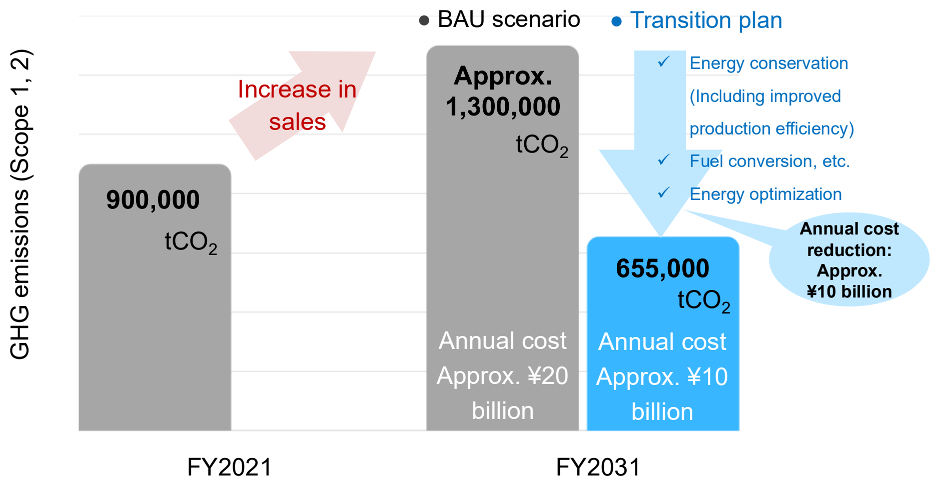
(Measures for reducing risks and costs thereof)

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.

We are proceeding with environmental investments in line with this roadmap toward carbon neutrality.

(Main parameters used in scenario analysis)

- Carbon price per unit (Net Zero Emissions by 2050 Scenario, IEA WEO 2025)




<Material risk 3: Growing demand to reduce and replace petroleum-derived resources> and
<Material opportunity 1: Increased demand for low-carbon/decarbonized materials and products>

The films business, which is the Group's core 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 reduce the use of petroleum-derived resources as "greening" and set the target of achieving a greening rate of 60% for film products by FY 3/31. That ratio came to 18% in the current fiscal year.

During the current fiscal year, "PYLEN EXTOP," a newly developed high-rigidity biaxially oriented polypropylene (OPP) film, was adopted as a packaging material by a major bread manufacturer. This product enables thinner film by providing high rigidity, thereby reducing the amount of plastic used in packaging materials without altering existing packaging specifications or processing steps as much as possible. As a result, we directly reduced actual plastic usage and contributed to lowering our customers' consumption of petroleum-derived resources. In addition, an environmentally friendly OPP film containing biomass raw materials, certified using the mass balance method[*2,] has been adopted as the packaging material for the *Straight-Rolled Rice Balls* series, a staple product of the major convenience store chain FamilyMart. This film has been allocated biomass-derived credits through the mass balance method, contributing to the reduction of petroleum-derived resources.

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 the amount of R&D expenses related to green film. This amount is included in the ¥4.3 billion in R&D expenses under the Films segment.

*1: 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

*2: A method used in the processing and distribution stages from raw materials to finished products, whereby when raw materials with specific characteristics (Ex.: Biomass-derived raw materials) are mixed with raw materials without those characteristics (Ex.: Petroleum-derived raw materials), those characteristics are attributed to a portion of the product in proportion to the amount of the raw materials with those characteristics that were used. (Source: *Roadmap for the Introduction of Bioplastics*, Ministry of the Environment)

<Material opportunity 2: Increased Demand for Various Forms of Advanced Water Treatment Due to Water Scarcity>

The Group recognizes 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 entered 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 chlorine sterilization. They especially demonstrate advantages in desalination of seawater in enclosed sea areas 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. To date, these were adopted in processes such as recovering lithium from used lithium-ion batteries and recovering lithium from wastewater generated by lithium-ion battery component factories 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 produce the equivalent of tap water for 10 million people in FY 3/31. As of FY 3/26, the amount of that water produced was enough for 5.2 million people. For the current fiscal year, we have decided to make capital investment to expand our RO and BC membrane manufacturing facilities, thereby increasing production capacity to three times and two times the current levels, respectively. In addition, we plan to introduce automated equipment to reduce labor requirements and improve production efficiency, with operations scheduled to begin around the summer of 2026.

The expenses incurred during the current fiscal year to achieve these targets and capture business opportunities are R&D expenses related to water treatment membranes. This amount is included in the ¥4.0 billion in R&D expenses under the Environmental and Functional Materials segment.

<Material opportunity 3: Growth in demand for products that contribute to GHG emission reductions>

The Group has many products, facilities, and solutions that contribute to the reduction of greenhouse gases through replacements of preexisting technologies. One of them is VOC recovery equipment, which applies energy-saving means to remove VOC that arise at secondary battery, pharmaceutical, printing, and other plants, and makes 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 heated nitrogen or similar gases. Further, also enables nitrogen recirculation. This equipment is extremely compact, requires little energy to run, and enables the recovery of high quality organic solvents with few impurities. In Japan, the Emissions Trading System (GX-ETS) will begin in FY 3/27. There is growing demand to replace combustion-type VOC treatment with nitrogen desorption-type systems, which are recognized as more effective in reducing GHG compared to combustion methods and the conventional technologies they are based on.

Additionally, 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. In addition, our *VOC Water Treatment System* equipped with the "K-FILTER" has been confirmed to effectively remove perfluoroalkyl substances (PFAS), for which regulations are tightening, particularly in Europe and the United States, and is expected to be deployed at manufacturing sites both in Japan and overseas.

Meanwhile, in the semiconductor industry, we have a track record of introducing equipment systems using "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)

Toyobo MC Corporation, a joint venture between Toyobo and Mitsubishi Corporation, aims to strengthen its overseas expansion while transitioning to a solutions-based business model that combines equipment development with direct engagement with end customers. We will continue to expand our business by carefully listening to customer needs and strengthening our new product development capabilities. 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 3/26, the air volume processed by the equipment was 6.2 billion $Nm^3$/year following the impact of the slowdown in EV adoption. 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 R&D expenses related to VOC recovery equipment. This amount is included in the ¥4.0 billion in R&D 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.

Scope 1 and 2 emissions for FY 3/26 totaled 770,000 metric tons of $CO_2$ (compared to 780,000 metric tons of $CO_2$ in the previous fiscal year). Through improvements in production efficiency, optimization of the energy mix, and energy conservation measures, Scope 1 and 2 emissions were reduced by approximately 1.6% compared to the previous fiscal year.

On the other hand, Scope 3 emissions are increasing due to sales of the Group's VOC treatment equipment, particularly Category 11 (emissions associated with the use of products sold). 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 reducing and reusing utilities usage and energy conservation. 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 reduction of environmental impact.

| **Category** | **Indicator** | | **Target** | **Major measures** | **FY 3/25 Results** | **FY 3/26 Results** |
|---|---|---|---|---|---|---|
| GHG | GHG emissions | Scope1,2 | FY 3/31:<br>27% reduction (SBT)<br>(Base year: FY 3/21)<br>*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. | 13% reduction from the level of FY 3/21<br>(780,000 tons-$CO_2$) | 14% reduction from the level of FY 3/21<br>(770,000 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<br>(Categories 1 and 11) | FY 3/31:<br>12.5% reduction (SBT)<br>(Base year: FY 3/21) | - Category 1*:<br>Acceleration of the switch of raw materials to recycled materials and biomass-derived materials<br>* Emissions accompanying activities related to purchased raw materials and services (such as manufacturing)<br>- Category 11*:<br>Measures to achieve greater energy saving with VOC recovery equipment, etc.<br>* Emissions associated with the use of sold products | 109% increase from the level of FY 3/21<br>(4,840,000 tons-$CO_2$)<br><br>(Note 2) | 44% increase from the level of FY 3/21<br>(3,340,000 tons-$CO_2$)<br><br>(Note 2) |
| Climate-related opportunities | Greening rate of film products<br>(also serving as an indicator for reducing transition risks) | | FY 3/31:<br>60% or higher | - Promotion of material recycling and chemical recycling, development and expanded use of biomass-derived raw materials, film volume reduction, etc. | 14% | 18% |

| | | | | | |
|---|---|---|---|---|---|
| | Seawater desalination using membranes | FY 3/31: Equivalent to tap water for 10 million people | -Expansion of production capacity / promotion of sales of membranes for seawater desalination (such as RO/FO membranes)<br>- Development of RO membranes, FO membranes, etc. that enable greater energy saving and show higher durability<br>- Strengthening of the production and quality management systems for RO membranes, FO membranes, etc. | Water for 5.2 million people | Water for 5.2 million people |
| | Air volume to be processed by VOC recovery equipment*<br><br>* 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)<br>- Reinforcement of sales structure through the *Toyobo MC Corporation* joint venture<br>- Adoption of new technologies, including those for greater equipment downsizing, energy-saving, etc.<br>- Promotion of sales outside the secondary battery field, such as in the printing, film/seal, and other processing industries | 5.4 billion $Nm^3$/year | 6.2 billion $Nm^3$/year |

| Category | Major Measures and FY 3/23-FY 3/26 Results |
|---|---|
| Environment-related investments | - Measures: Introduction of low-carbon facilities for in-house thermal power generation, introduction of renewable energy facilities, etc.<br>-FY 3/23-FY3/26 Results: Fuel conversion (phase-out of coal) at the Iwakuni Production Center's on-site thermal power plant; improvement of overall energy efficiency at the Inuyama Plant through the expansion of gas cogeneration systems; and installation of solar power generation facilities (Inuyama Plant, Utsunomiya Plant, Research Center, and the headquarters plant of TOYOBO SAHA SAFETY WEAVE CO., LTD., a consolidated subsidiary in Thailand), and energy-saving measures for power and utility facilities at each plant, among other initiatives |
| Internal carbon pricing | - System introduced in FY 3/23; currently in operation<br>Internal carbon pricing ¥10,000/ton-$CO_2$<br>- Utilization in decisions on capital investment and investments in facilities for development purposes that cause changes in the volume of $CO_2$ emissions |
| Compensation | We added 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 3/25 and FY 3/26 was approximately 1.5 GWh and 2.4 GWh, respectively.

2. Results for the most recent fiscal years (FY 3/24 and FY 3/25).
The results for FY 3/26 are scheduled to be announced in the Integrated Report to be available on the Group's website around August 2026.
(https://www.toyobo.co.jp/sustainability/report/)

(3) Policy on human resource development, including diversity, and workplace environment improvement

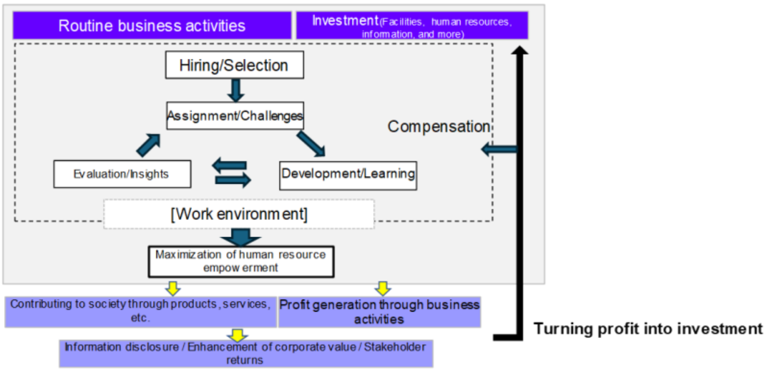
To realize management policies and business strategies based on our *TOYOBO PVVs* corporate philosophy framework, the Group recognizes that *people* are our most important and valuable management asset. Through the establishment and operation of a *human resources management* system that enables our *employees* to take pride in their work and find fulfillment, we aim to achieve employee well-being and the Group's sustainable growth, thereby enhancing corporate value.

The executive officer supervising the human resource division (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, plant and Group company, and utilizes the results in planning and implementing human resource-related measures.

(i) Human Resources Management Policy

We will embody the *TOYOBO PVVs* corporate philosophy framework and realize a *human resources empowerment cycle* in which employees continuously update their skills and expertise in response to changes in management policies and business strategies, while simultaneously building an environment where employees can work with peace of mind.

[Human resource empowerment cycle]




Starting in April 2026, we will plan and execute our human resources strategy to realize the newly formulated *2030 Medium-Term Management Plan* and our *value creation story*.

(ii) Issues and strategy related to human resource development

(a) Human resources development policy aimed at embodying our corporate philosophy framework

We are committed to developing people and organizations that embody the TOYOBO PVVs corporate philosophy framework. We will endeavor to 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*[*].

* 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>

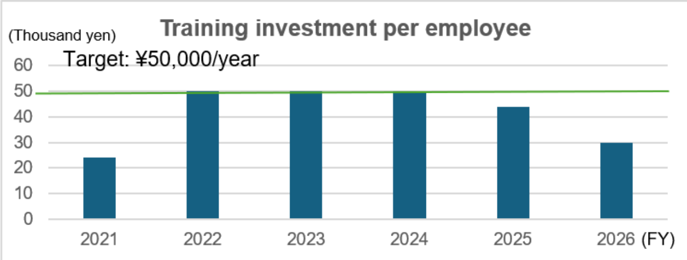
Since its formulation in 2019, our corporate philosophy framework has become increasingly well understood throughout the Group. In addition to continuing human resource development and organizational development that enable employees to put these principles into practice, we must also consider and implement human resource development initiatives designed to realize the *value creation story* newly established in the *2030 Medium-Term Management Plan*.

Details regarding this human resources strategy are provided in *IV. Information about the Reporting Company, 5. Employees, (1) Basic Policies Regarding Human Resources Strategy, etc.*

<Strategy>

In order to continue creating human resources and an organization that embody the *TOYOBO PVVs*—the DNA deeply rooted in our organization—we will continue to promote understanding and penetration of *TOYOBO PVVs* through lectures and dialogue conducted as part of various training programs such as new graduate/new employee training, mid-career hire training, Group company manager training, and managerial position promotion training. Also, by including the *TOYOBO Spirit: 9 Commitments* in behavioral evaluations as part of performance appraisals, we promote positive behavioral change and reinforce those behaviors. Furthermore, to *develop people who embrace change and drive transformation, and to create an environment that fosters this,* we will consider and promote proactive support measures, such as encouraging cross-departmental collaboration and transfers, as well as providing opportunities for co-creation with external partners.

〇Indicator: Training investment (training time) per employee




(b) Human resource development policy to enhance skills and expertise in response to changes in the business environment

We will enhance measures to improve capabilities and expertise in response to changes in management policies and business strategies, while also developing personnel capable of leading the Group's business activities globally.

<Issues>

With training frameworks unique to each division, center and plant, the Group has endeavored to transfer technical know-how and knowledge to employees and have them acquire knowledge. However, as some of that content was redundant or insufficient, we have been pursuing improvements to those frameworks.

<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 for learning technologies and engineering skills common across divisions, and the development of manufacturing talent.

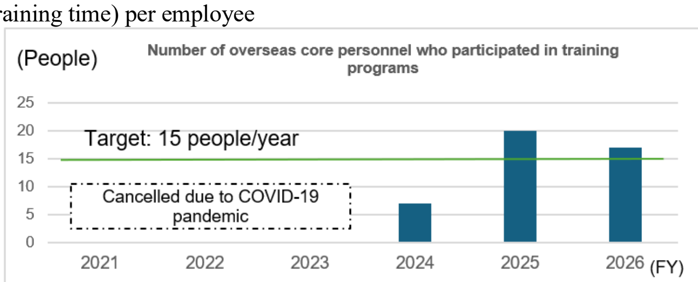
■Specialized techniques and knowledge

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.

■Global human resource development

Since 2011, we have conducted *short-term overseas business training* at overseas Group companies for domestic employees for the purpose of developing personnel capable of cultivating overseas markets 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 a 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 have been achieving 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.

〇Indicator: Number of overseas core personnel who participated in training programs in Japan, training investment (training time) per employee



(c) Issues and strategy related to organizations

<Ideal organization and development policy>

We aim to build an organization that adapts to change and maximizes the potential of its people through optimal staffing (a flexible and resilient organization). To this end, we will develop individuals who take the initiative in *creating change* as the next generation of leadership talent to steer the organization.

<Issues>

To realize human resource management aligned with our business strategy, it is essential to clearly define the personnel requirements necessary for achieving that strategy and to continuously develop leaders.

<Strategy>

■ Specifying personnel requirements

To visualize the personnel required for our business operations, we will clarify the number of personnel needed and their specific requirements, thereby advancing the sophistication of our workforce management.

■Next-generation management personnel

We implement internal and external training for handpicked personnel to develop them into management executives. The Group holds *Company-Wide Human Resource Meetings* to discuss measures to develop next generation executives. At these *Company-Wide Human Resource Meetings*, where successors for management positions are discussed, executive members review talent identification and development plans. We are systematically fostering talent while also implementing cross-departmental and cross-business unit personnel assignments.

(iii) Issues and strategy related to internal environment

<Ideal internal environment and development policy>

We aim to build a workplace environment and foster a corporate culture where a diverse workforce can support and inspire one another, and where employees can feel a sense of security and fulfillment in their work.

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 the Group to pursue the preservation and promotion of the physical and mental health of our employees and to provide a workplace environment and systems in which diverse employees can work comfortably.

- 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 its pillars.

<Issues>

The Company has been tackling the promotion of diversity for some time. We established targets with the aim of further improving the ratio of women in managerial positions, and will proceed to implement associated measures.

<Strategy>

■Diversity, Equity & Inclusion

The Group recognizes that working with people who have different work styles, 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 recognize and respect diverse perspectives and backgrounds and strive together to achieve ambitious goals.

To promote the empowerment of women, we established a Diversity Promotion Group in the Human Resources and Labor Relations 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 ensures an environment in which employees can have children with peace of mind.

女性が活躍しています！

えるぼし（2段階目）認定マーク

Toyobo Nursery School at the Research Center

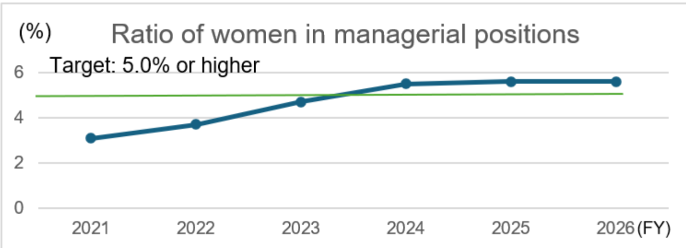
Regarding efforts to increase the ratio of employees with disabilities, we are working to identify issues in our work environment to improve that environment. For specific cases of improving the work environment, we have renovated the offices of the Tsuruga Research and Production Center, the Iwakuni Production Center, the Inuyama Plant, and the Shogawa 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 create a workplace where diverse employees, including gender minorities, can work comfortably, 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 rank of Gold in the *PRIDE Index 2024* and Bronze in the *PRIDE Index 2025.*

work with Pride Gold 2024

work with Pride Bronze 2025

○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 (Managing Executive Officer) serving as Chief Health Officer (CHO) and supervising the Human Resources Division, the Labor Affairs Department, occupational health physicians and nursing professionals, and the health insurance association work together to implement the following priority measures set out under the Toyobo Health and 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 carrying out employee enlightenment efforts in collaboration with our health insurance association, 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. In addition to the legally required health checkups, we collaborate with our health insurance association to provide opportunities for cancer screenings and other health examinations. Cancer screenings are available not only to employees themselves but also to their dependents. Additionally, health staff at each location also field health consultations by employees and help employees maintain and improve their health, including referrals to specialized medical institutions.

Furthermore, we provide managers with mental health training and other programs 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.

To accelerate our global expansion, we are assigning employees to overseas posts at our locations worldwide, primarily in Asia. 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 six consecutive years between 2021 and 2026, 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 advance health and productivity management, thereby aiming to achieve the further improvement of our corporate value.

〇Indicator: White 500 Health and Productivity Management recognition

2026
健康経営優良法人
KENKO Investment for Health
大規模法人部門

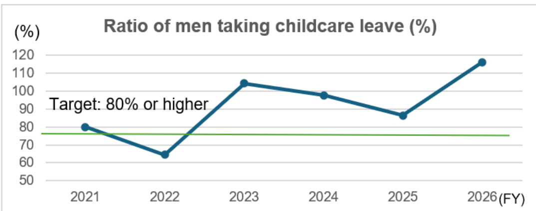
■Establishment of a workplace environment and programs to create a workplace where diverse employees can work comfortably

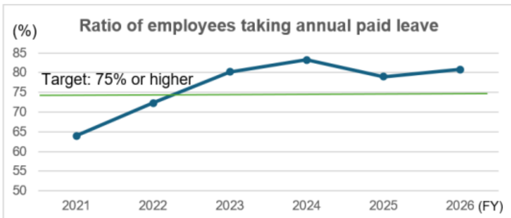
We are engaging in *workstyle reform* to ensure that our employees can work efficiently with a new mindset and make their professional life and personal life more fulfilling, while also providing programs supporting their childcare and nursing care and implementing flexible working hours and remote work 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 policy providing five days of paid childcare leave. 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. As a result, it is becoming *the norm for our male employees to take 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.

〇Indicator: Ratio of men taking childcare leave (%), ratio of employees taking annual paid leave

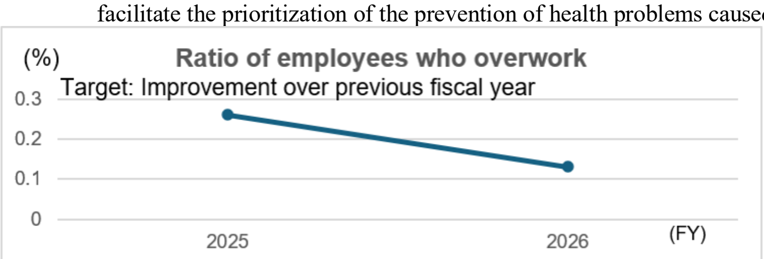



■Elimination of health problems caused by overwork

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 excessive 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 spend more time with their families and on personal activities. Moreover, when overtime work exceeds a certain level for three consecutive months, our policy is to report the situation and countermeasures to management.

〇Indicator: Ratio of employees working excessive hours (Changed to that indicator 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)



■Establishment of a new HR system and promotion of self-directed learning

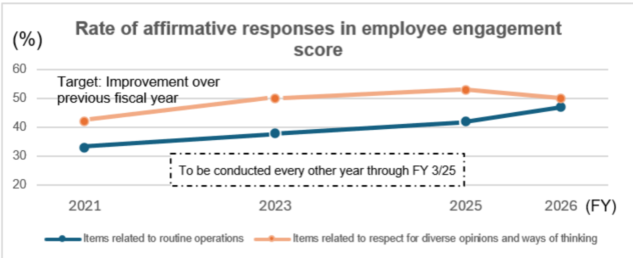
In July 2022, we put a new human resource system into operation, under which we have set and are implementing four policies to ensure that all employees can feel *a sense of growth*, *pride*, *and reward*: *promoting and supporting employees' capacity development; treating and evaluating employees according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

Additionally, 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, provide opportunities for employees to consider their future careers and professional 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 offer open training programs, e-learning for self-improvement, and other programs, and support autonomous study and capability development.

■Employee engagement

We believe that the results of our efforts regarding the various strategies and measures mentioned above will ultimately lead to improved employee engagement. As such, we conduct an *Engagement Survey* (conducted as the *Organizational Culture and Job Satisfaction Survey* through FY 3/25) for all officers and employees. 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 3/25 Results | FY 3/26 Results |
|---|---|---|---|---|
| Human resource development | Number of overseas core personnel who participated in training programs in Japan | 15 people per year | 20 | 17 |
| | Training investment (training time) per employee | ¥50,000 per year (21 hours) | ¥44,000 per year (14.35 hours) | ¥30,000 per year (12.21 hours) |
| Building a better workplace environment (Building the foundations) | Ratio of women in managerial positions | 5.0% or higher | 5.6% | 5.6% |
| | Ratio of employees taking annual paid leave | 75% or higher | 79.0% | 80.8% |
| | Ratio of employees working excessive hours (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 | 0.26% | 0.13% |
| | 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: 86.3% Average number of days of leave taken: 28.2 days | Ratio: 116.2% Average number of days of leave taken: 35.7 days |
| | White 500 Health and Productivity Management recognition | Obtain and maintain the recognition | Recognized as a 2025 Health & Productivity Management Outstanding enterprise (in the large enterprise category) | Recognized as a 2026 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) 42% (2) 53% | (1) 47% (2) 50% |

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. Starting in FY 3/27, we plan to establish new indicators and targets.

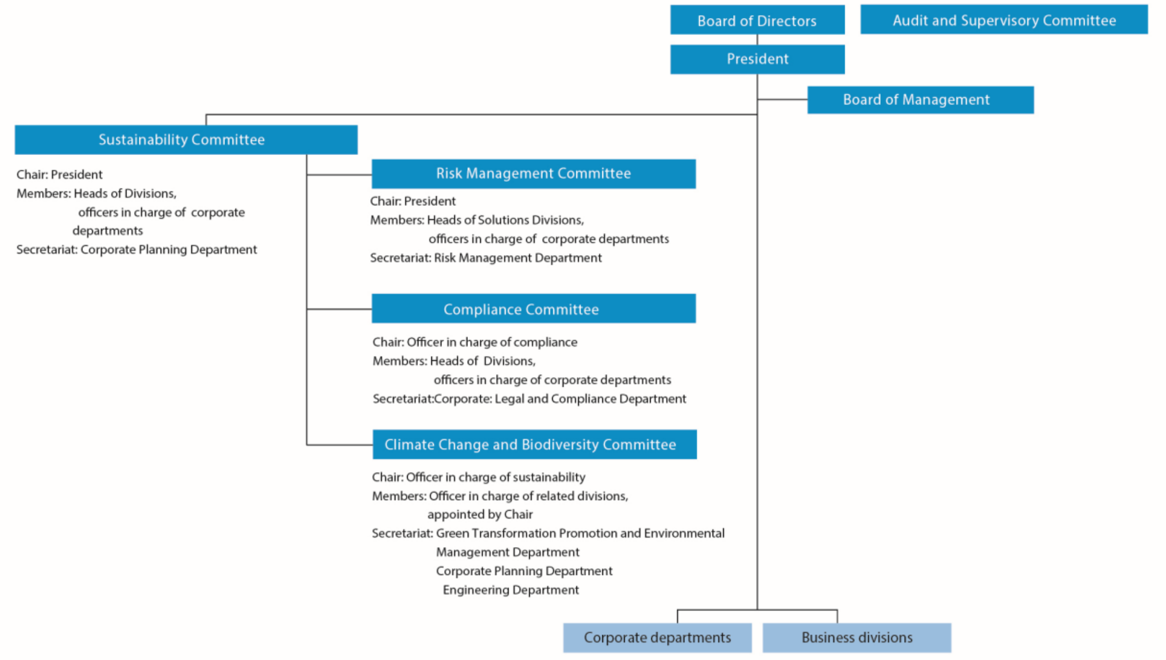
### 3. Risk Factors

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.

The Group has established a *Risk Management Committee* to centrally manage risks across the entire Group. This 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 formulated the 2030 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 2030 Medium-Term Management Plan starts in FY 3/27 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 2030 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 has established response procedures for situations such as natural disasters (including large-scale earthquakes and wind and flood damage) that could have a significant impact on our business, as well as occupational accidents, fires, spill incidents, and infectious diseases. We strive to minimize the spread of damage through employee education and training and by enhancing facility management.

Among these natural disasters, we have formulated the *Toyobo Group Business Continuity Plan (BCP) Guidelines* based on the scenario of a Nankai Trough earthquake, which define procedures for assessing the extent of damage, communication systems, the person in charge of overall command, the structure for recovery operations and their respective roles, and priority levels. Furthermore, we are working to identify and manage risks across the entire supply chain and are moving forward with establishing alternative procurement and logistics channels. We will continue to strive to raise awareness of business continuity and improve the organization's response capabilities by regularly conducting education and training for our employees.

Additionally, in light of the Tsuruga Research and Production Center No. 2 fire accident that occurred in September 2018 and the Inuyama Plant fire accident that occurred in September 2020, under the slogan *Protect yourself, protect your colleagues, and speak up when noticing something,* the Group is working to prevent recurrence from the dual aspects of fostering a culture of safety and improving safety infrastructure.

The Environmental Safety and Disaster Management Board has been established as an organization directly under the president to steadily promote occupational safety, security and disaster prevention initiatives, which constitute the highest-priority management issues. This organization plans and formulates basic policies for safety and disaster prevention, as well as priority activities for each fiscal year, which are then reported to and decided upon by the Sustainability Committee and the Board of Management. Progress is reported to the Board of Directors as appropriate. In addition, the Group hosts the Toyobo Group Environment, Safety, and Disaster Prevention Conference, which includes representatives from each site and department, to share the established policies and activity plans and to evaluate the effectiveness of safety and disaster prevention activities in each department.

Furthermore, to reduce risks in the working environment, the Group is pursuing certification in occupational health and safety management systems (ISO 45001). As of March 31, 2026, we have obtained that certification at four sites: the Tsuruga Research and Production Center, the Iwakuni Production Center, the Utsunomiya Plant, and the Inuyama Plant.

(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 revisions of monetary policies in each country as well as fluctuations in the geopolitical climate originating from growing instability in the political and social climate, examples being armed conflicts and rising tensions in the Middle East, there might occur serious political turmoil, logistics bottlenecks, soaring energy prices, 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 cases, the Group's production and sales may decline. 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 trade receivables, 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 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 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 business of pharmaceuticals among others might threaten customers' lives and lead to compensation for customers and concerned parties due partly to recall of the products. Although the Group is covered by product liability insurance, there is a risk that insurance payments may not fully cover ultimate compensatory payments. Therefore, if material product defects do occur, Group businesses 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 Division that oversees product liability (PL) and quality assurance (QA). The Division 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, 2026, 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 the implementation of 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 impact

The Group handles a large number of chemical substances largely through the production of various products such as Films, Life Science, 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 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 chemical substances used and discharged, and also monitor the status of outflows of those substances.

Additionally, we have organized our management structure for chemical substances 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. In recent years, cyberattacks have become increasingly sophisticated and complex, and the risk of information security breaches stemming from the diversification of attack methods or originating from overseas locations and subcontractors is rising over the medium to long term. 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, unauthorized access to systems, being targeted in an unforeseen cyberattack, and employee errors, among others, a suspension of or delays in its business activities that include production and supply, leakage of customer information and confidential information, and damage from fraud, etc. could occur. Should any of these events materialize, they could have a material impact on the Group’s operating results and financial position due to a loss of trust from business partners and customers, substantial costs associated with recovery efforts, and claims for damages.

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 an Information Security Subcommittee (TOYOBO-CSIRT) led by the Chief Information Security Officer (CISO) appointed by the President and Representative Director. This Committee regularly reports to management on the assessment of information security risks and the status of countermeasures, while also continuously reviewing these measures in light of trends in domestic and international laws and regulations as well as evolving threats.

(10) Laws, regulations and compliance

The Group is subject to various statutory regulations on product manufacturing, quality, safety, environment, competitiveness, import/export, information management, labor, accounting, tax affairs, and others in each country in which it operates. In recent years, the business environment has become increasingly complex due to factors such as stricter regulations regarding environmental and climate change responses; growing demands for legal compliance across the entire supply chain, including human rights and labor practices; the introduction of export controls and sanctions against the backdrop of economic security and geopolitical tensions; and stricter regulations on data protection and cybersecurity.

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 investment expenditure, 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, economic sanctions, or stricter import/export controls in major overseas markets and could seriously affect the Group’s businesses, 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 damages could arise that lead to administrative penalties, fines and surcharges, and claims for damages as well as loss of trust in the Group.

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, human rights/ environmental considerations, or its entire supply chain. A compliance violation such as violation of laws and regulations in Japan and overseas, should it occur, could adversely affect the Group’s business performance and financial condition due to a decline in the Group’s reputation, administrative sanctions, litigation, or liability for damages.

Given such risks, in addition to the early detection, early correction and prevention of instances of misconduct through an internal reporting system and compliance surveys, the Group is carrying out various specific initiatives to promote compliance. With regard to the internal reporting system, continuing efforts from FY 3/25, in addition to the existing Japanese and English, a multilingual reporting system has been put in place 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. In FY 3/26, we completely revised that global version. 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 on an ongoing basis, we conduct a compliance workshop for all employees of Group companies in Japan and overseas and publish a Compliance Mini Study every month that provides education in a case study format covering the likes of examples of compliance violations that are likely to cause problems in the workplace. These educational and awareness-raising activities focus on key themes such as harassment prevention and proper information management.

Additionally, in FY 3/26, against the backdrop of growing social demands regarding gift compliance and the strengthening of anti-bribery laws and regulations in various countries, we conducted a comprehensive review of our rules regarding the handling of gifts and entertainment from the perspective of securing the trust of our stakeholders. Following this, we reorganized our regulations on the prevention of bribery and clarified the standards regarding gifts and entertainment received from stakeholders. Furthermore, in light of amendments to laws and regulations, we are establishing a compliance system and promoting internal awareness regarding the Act on Ensuring Proper Transactions Involving Specified Entrusted Business Operators.

(11) Overseas business activities

The Group is expanding its business activities globally to China and other parts of Asia as well as to the U.S., Europe, the Middle East, 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.

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 and 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-term 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, the risks cannot be completely avoided.

Furthermore, since the 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, the appreciation of the yen could seriously affect the Group's operating results, 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 payable, among other means. 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 and amortization) (Net Debt/EBITDA ratio). At the end of the current fiscal year, the D/E ratio was 1.22 and the Net Debt/EBITDA ratio was 4.4.

(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 sold a portion of its investment securities, and posted a gain on sale in the amount of ¥0.5 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 the value of held assets could seriously affect the Group's operating results, including the required recording of impairment losses on the asset.

Note that in the current fiscal year, total impairment losses of ¥0.38 billion were recorded on assets to be disposed/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

In the business environment surrounding the Group in the fiscal year ended March 31, 2026 (hereinafter *the current fiscal year*), in the United States, despite continuing concerns about the impact of reciprocal tariff policies, personal consumption remained generally strong against the backdrop of the resilience of the employment environment, and the economy remained overall resilient. In China, due to the lingering slump in the real estate market and the lack of strength in personal consumption, the recovery of domestic demand was limited, and the economic stagnation continued. In Japan, the economy maintained a trajectory of moderate recovery due to improvements in the income environment driven by widespread wage increases and companies resuming investment expenditure.

Under this business environment, polarizer protective films for LCDs "COSMOSHINE SRF" and release film for multilayer ceramic capacitors (MLCC) remained steady. In addition, in the packaging film business, earnings improved as a result of improving the productivity of the new facility.

As a result, consolidated net sales in the fiscal year decreased 0.1% from the previous fiscal year to ¥421.6 billion, operating profit increased 67.6% from the previous fiscal year to ¥27.9 billion, ordinary profit increased 116.0% from the previous fiscal year to ¥22.9 billion, profit attributable to owners of the parent increased 457.8% from the previous fiscal year to ¥11.2 billion.

Results by business segment were as follows:

Films

In the packaging film business, cargo movement was weak overall due to prolonged budget-mindedness among consumers driven by soaring food prices. On the other hand, earnings improved as a result of improving the productivity of the new facility. In the industrial film business, sales of release film for MLCC steadily expanded, mainly for AI servers. Sales of polarizer protective films for LCDs "COSMOSHINE SRF" remained strong, supported by strong demand.

As a result, net sales in this segment increased ¥8.3 billion (5.0%) from the previous fiscal year to ¥175.2 billion, and operating profit increased ¥9.7 billion (140.4%) to ¥16.6 billion.

Life Science

In the biotechnology business, demand for enzymes for diagnostic reagents remained strong. However, sales of diagnostic reagents were sluggish due to the impact of market conditions in China. Furthermore, compounded by a decrease in sales at overseas sites, earnings deteriorated. In the medical materials business, sales of artificial kidney hollow fiber trended strongly, while performance was impacted by delays in the launch of the new plant. In the contract manufacturing business of pharmaceuticals, earnings improved as product price revisions proceeded.

As a result, net sales in this segment increased ¥0.2 billion (0.4%) from the previous fiscal year to ¥34.5 billion, and operating profit decreased ¥1.9 billion (96.8%) from the previous fiscal year to ¥0.1 billion.

Environmental and Functional Materials

In the resin and chemical business, sales of engineering plastics mainly for automotive use increased, which contributed to an improvement in earnings. Sales of industrial adhesives "VYLON" increased for coating and adhesive applications in Europe, the United States, and the domestic market, as well as for electronic materials applications in Southeast Asia. In the environment and fiber business, environmental solutions saw a decline in shipments of 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, domestic sales remained steady. In nonwoven materials, review of the production system in Japan proceeded, and profitability improved.

As a result, net sales in this segment decreased ¥0.7 billion (0.6%) from the previous fiscal year to ¥110.1 billion, and operating profit increased ¥1.7 billion (21.9%) to ¥9.7 billion.

Functional Textiles and Trading

In the textiles business, sales of traditional Arabic fabric grew due to strong demand, as well as the depreciation of the yen. In addition, the consolidation of domestic production bases for sports-related products progressed. In the airbag fabrics business, despite the impact of reduced production in Asia by Japanese customers, profitability improved as a result of promoting cost reduction.

As a result, net sales in this segment decreased ¥8.5 billion (8.6%) from the previous fiscal year to ¥89.6 billion, and operating profit increased ¥0.7 billion (132.4%) to ¥1.3 billion.

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, net sales in this segment increased ¥0.2 billion (1.5%) from the previous fiscal year to ¥12.2 billion, and operating profit increased ¥0.6 billion (24.4%) to ¥3.2 billion.

(ii) Analysis of cash flows

Cash flows from operating activities

Net cash provided by operating activities amounted to ¥45.0 billion at the end of the subject fiscal year. This was mainly due to an increase in cash resulting from depreciation and amortization of ¥24.6 billion and profit before income taxes of ¥19.4 billion, and a decrease in cash due to an increase in working capital of ¥6.9 billion.

Cash flows from investing activities

Net cash used in investing activities amounted to ¥27.1 billion. This was mainly due to purchase of property, plant and equipment and intangible assets of ¥29.2 billion.

Cash flows from financing activities

Net cash used in financing activities amounted to ¥16.5 billion. This was mainly due to expenditures for the redemption of bonds payable of ¥10.0 billion, repayments of long-term borrowings of
¥10.0 billion, dividends paid of ¥3.5 billion, a decrease in commercial papers of ¥3.0 billion, proceeds from issuance of bonds of ¥10.0 billion and proceeds from long-term borrowings of ¥4.5 billion.

As a result, the balance of cash and cash equivalents at the end of the subject fiscal year (March 31, 2026) stood at ¥30.1 billion, an increase of ¥2.7 billion from the end of the previous fiscal year (March 31, 2025).

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

(a) Production results

Production results by segment for the fiscal year ended March 31, 2026 are as follows:

| Segment | Amount (Millions of yen) | YoY change (%) |
|---|---|---|
| Films | 180,550 | 7.3 |
| Life Science | 35,861 | 5.5 |
| Environmental and Functional Materials | 118,509 | 3.1 |
| Functional Textiles and Trading | 87,424 | (12.2) |
| Other Businesses (of which, manufacturing) | 17,304 | (8.4) |
| Total | 439,649 | 0.9 |

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, 2026 are as follows:

| Segment | Amount (Millions of yen) | YoY change (%) |
|---|---|---|
| Films | 175,169 | 5.0 |
| Life Science | 34,494 | 0.4 |
| Environmental and Functional Materials | 110,126 | (0.6) |
| Functional Textiles and Trading | 89,612 | (8.6) |
| Real Estate | 4,495 | 8.4 |
| Other Businesses | 7,666 | (2.1) |
| Total | 421,563 | (0.1) |

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 ¥9.9 billion (1.6%) from the end of the previous fiscal year to ¥627.7 billion. This was mainly due to an increase in inventories.

Total liabilities decreased ¥10.1 billion (2.6%) from the end of the previous fiscal year to ¥375.7 billion. This was mainly due to a decrease in borrowings.

Net assets increased ¥20.0 billion (8.6%) from the end of the previous fiscal year to ¥252.0 billion. This was mainly due to an increase in retained earnings and remeasurements of defined benefit plans.

As a result, the D/E ratio stood at 1.22 times. (D/E ratio of 1.37 times at the end of the previous fiscal year).

(b) Analysis of operating results

In the current fiscal year, which marks the final year of the 2025 Medium-Term Management Plan, we implemented initiatives aimed at enhancing corporate value from FY 3/26 onward, in accordance with our FY 3/26 management policy, "Recover earning power to create the future."

Regarding net sales, we fell short of our initial plan due to sluggish sales of diagnostic reagents in the biotechnology business caused by the impact of the Chinese market, as well as a decline in sales resulting from the consolidation of our operations in Thailand to strengthen the airbag fabrics business.

Operating profit was affected by the decline in sales in the biotechnology business and delays in the launch of a new plant in the medical materials business. However, it exceeded the initial plan due to improved productivity from new equipment in the packaging film business, expanded sales of release film for MLCC, and steady performance in polarizer protective films for LCDs.

The actual results and targets for various indicators are as follows.

| | FY 3/26 (Plan[*1]) | FY 3/26 (Results) | FY 3/31 Targets (2030 Medium-Term Management Plan) |
|---|---|---|---|
| Net sales (Billions of yen) | 440.0 | 421.6 | 500.0 |
| Operating profit (Billions of yen) | 21.0 | 27.9 | 45.0 |
| Operating profit margin (%) | 4.8 | 6.6 | 9.0 |
| EBITDA (Billions of yen) | 46.0 | 52.5 | 76.2 |
| Profit attributable to owners of parent (Billions of yen) | 4.5 | 11.2 | 19.0 |
| ROE (%) | 2.3 | 5.5 | >8.0 |
| ROIC (%) | 2.8 | 3.8 | >6.0 |
| D/E ratio (times) | 1.40 | 1.22 | <1.20 |
| Net debt / EBITDA ratio[*2] | 5.0 | 4.4 | <4.0 |

Notes: 1. Planned values at the beginning of the fiscal year

2. (Interest-bearing debt – Cash and deposits) <End of fiscal year> / EBITDA

Business environment in FY 3/26 (Differences with initial assumptions)

| Segment | Business | Initial assumptions | Differences with initial assumptions[*] |
|---|---|---|---|
| Films | Packaging | Demand in line with previous fiscal year | Slowdown in cargo volume |
| | Industrial | Demand in line with previous fiscal year for polarizer protective films for LCDs | — |
| | | Demand for release film for MLCC is expanding, primarily for AI servers | — |
| Life Science | Biotechnology | Demand strong for enzymes for diagnostic reagents | Intensifying competition in the Chinese market |
| | Medical materials | Demand strong for artificial kidney hollow fiber | — |
| Environmental and Functional Materials | Resin and Chemical | Demand for automotive applications in line with previous fiscal year | — |
| | | Demand for electronic materials is on a recovery trend | — |
| | Environment and fiber | VOC recovery systems continue to be affected by slowdown in shift to EVs | — |
| | | Harsh competitive environment in nonwoven materials persisting | — |
| Functional Textiles and Trading | Airbags | Demand in line with previous fiscal year | — |

* - indicates no significant deviation from initial forecasts

The Group has formulated the *2030 Medium-Term Management Plan,* which is positioned as the second half of *Sustainable Vision 2030,* our long-term vision. We aim to achieve both financial health and profit growth, targeting an ROE of over 8% by FY 3/31 through business portfolio reform and effective investment. Specific actions are as described in *1. Management Policy, Business Environment, and Issues to Address (4) 2025 Medium-Term Management Plan (FY 3/23 - FY 3/26) and Initiatives for FY 3/27 and Beyond (iii) Initiatives for FY 3/27 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 earnings 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. Contractual liabilities

The overview of contract liabilities as of March 31, 2026 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 | 54,700 | 54,700 | - | - | - |
| Long-term borrowings | 120,771 | 12,426 | 31,957 | 29,868 | 46,520 |
| Lease liabilities | 6,535 | 938 | 1,250 | 806 | 3,541 |

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 of affiliates. In the event of a default on guaranteed borrowings during the guarantee period, the Group is obliged to repay the debt. The amount of loan guarantees was ¥5,775 million as of March 31, 2026.

c. Fiscal policy

During the period covered by our Medium-Term Management Plan (2025 Medium-Term Management Plan (FY 3/23 - FY 3/26)), the Group has actively made large-scale investments primarily in growth businesses, including the Films and Life Science Businesses. Going forward, we will steadily translate the results of these large-scale investments into profits. Under the 2030 Medium-Term Management Plan (FY 3/27 - FY 3/31), we will focus our investments on priority and development businesses within our business portfolio. As a general rule, we will rely primarily on internal funds for these investments, while ensuring a diverse range of financing methods and responding flexibly in light of the business environment and our financial situation. At the same time, we regard improving our financial position and maintaining financial soundness as key management priorities, and we will continue to conduct disciplined financial management. As specific financial targets, we have set a D/E ratio of less than 1.2 and a Net Debt/EBITDA multiple of less than 4, and we intend to manage our finances accordingly.

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

(Merger agreement with Toyobo STC Co., Ltd.)

At a Board of Directors meeting held on November 25, 2025, the Company resolved to merge with its consolidated subsidiary, Toyobo STC Co., Ltd., effective April 1, 2026, and entered into a merger agreement on the same date. Note that details are as described in *V. Financial Information, 1. Consolidated Financial Statements, etc., (1) Consolidated Financial Statements, (Significant subsequent events).*

## 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 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 R&D expenses for the current fiscal year amounted to ¥14.1 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 film products containing materials such as polyester, nylon, and polypropylene is growing. The Group commenced test sales and is currently expanding sales for an ultra-high rigidity type, ultra-high heat resistant type, and high-rigidity/high-heat-resistance type of "PYLEN EXTOP," a high heat resistance and high rigidity polypropylene film 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," "RESHINE," and "RENASHINE" 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" release 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 R&D expenses for the Films segment were ¥4.3 billion.

Life Science

In the field of infectious disease diagnostics, we have successfully developed and launched test kits that improve the sensitivity and specificity for detecting mycobacterial infections other than tuberculosis (MAC), which are on the rise. In the field of research reagents, we have successfully developed and launched the "CATAROSEV" recovery kit, which enables simple, high-yield exosome recovery without the need for specialized equipment, as well as library preparation kits that significantly streamline the pretreatment process for next-generation sequencer analysis.

In the medical device sector, we have outsourced the manufacturing of the "Nerbridge" nerve regeneration induction tube and the "Bonarc" bone regeneration induction material. We will focus on expanding the applications of "Bonarc" and developing biocompatible coating polymers. In the medical membrane sector, we obtained manufacturing and marketing approval for the "PLASSEP" plasma separation filter. We will continue to expand our blood purification product lineup and promote the development of separation membranes for pharmaceutical manufacturing processes.

The R&D expenses for the Life Science segment were ¥2.2 billion.

Environmental and Functional Materials

In the resin and chemical sector, we have decided to construct a new research building at the Katata Site to strengthen our development capabilities for functional resins, centered on “VYLON” and “HARDLEN,” which are expected to see expanded applications in the electronic materials field. In addition, we developed a waste liquid treatment system utilizing the “FILPLATE” precision filtration membrane for water treatment, reducing the volume of waste liquid generated in the water-based flexographic plate-making process by up to 75%, thereby strengthening our solutions for reducing environmental impact.

In the environment and fiber sector, we developed the new brand “ninthcloud” by utilizing the three-dimensional mesh fiber structure formation technology cultivated through “BREATHAIR” products and have begun marketing it as a highly comfortable material that achieves low rebound properties and a gentle fit while maintaining breathability and cleanliness.

The R&D expenses for the Environmental and Functional Materials segment were ¥4.0 billion.

Functional Textiles and Trading

In the textiles sector, we added new value to Toyobo’s long-established “SILFINE” nylon and expanded our lineup of pre-twisted products. Adoption of this product is expanding for use in lightweight, highly durable, and stretchable outerwear and mid-layer garments. Additionally, this product was granted the Senken Synthetic Fiber Award in the Technical Category.

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 multiple development proposals from both Japan and overseas, and are currently working on them.

In order to accelerate these development efforts, we believe that it is essential that we promote the development of production technology and human resources at our plants. As of the current fiscal year, we are operating a New Business Development Department in the Shogawa Plant in FY 3/26.

In the industrial materials sector, we have developed nonwoven fabrics with specially treated surfaces to control their surface conditions, and plan on introducing them to the market as materials for reinforcing rivers and roads and ensuring safety.

In the airbag fabrics business, under a policy of consolidating management resources at our Thai base, we have transferred our research and development functions to our Thai consolidated subsidiary, TOYOBO SAHA SAFETY WEAVE Co., Ltd. (hereinafter *TSSW*), and are proceeding with efforts to switch from raw yarn purchased from other companies to raw yarn produced by our Thai affiliate, Toyobo Indorama Advanced Fibers Co., Ltd. Looking toward the future, we are also working on environmental initiatives and have installed a solar power generation system at TSSW. We have also decided to introduce a system to recycle wastewater from looms, which is currently being discarded. In addition, we are working on technology to remove silicone from silicone-coated fabrics and reuse the base fabric, as well as developing base fabrics using yarn made from polymers derived from factory exhaust gases.

The R&D expenses for the Functional Textiles and Trading segment were ¥0.4 billion.

Company total

In the Innovation Division, based on the company-wide growth strategy (solution-oriented), we have identified *environment and energy, advanced materials,* and *healthcare* as our value proposition areas, and we are conducting research activities in conjunction with marketing efforts to launch new products and enter new businesses.

The Corporate Research Center, which is a company-wide research and development organization, developed new products and technologies that will carry the next generation 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 planning and developing new businesses, based on the idea of open innovation, we proactively participated in national research projects and collaborated with companies, universities, and research institutions in and outside Japan in cooperation with research functions under our business divisions.

Examples of R&D achievements include the development of a new separation membrane device for pharmaceutical manufacturing processes, an environmentally friendly, high-heat-resistant adhesive film for bonding dissimilar materials, and low-thermal-expansion polyimide, which is expected to find applications in substrate materials for semiconductor packaging. In addition, regarding “CATAROSEV,” a system for the simple separation and purification of exosomes—which have been shown to play a key role in intercellular communication and cell repair—we have established a mass production system for the R&D kit and have moved into the commercialization phase. In the future, the Group will further accelerate research and development aimed at bringing products to market early on in order to resolve social issues.

Going forward, we 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 R&D expenses for these projects were ¥3.1 billion.

# III. Information about Facilities

## 1. Overview of Capital Expenditures

The Group made capital expenditures of ¥29.0 billion in total (including intangible assets) during the current fiscal year, such as by reinforcing film production facilities and investing in productivity enhancement. The primary purpose, details, and investment amount by segment are as follows:

Films

The Films segment spent a total of ¥10.1 billion on capital expenditures, including ¥8.7 billion used for reinforcing the Company's film production facilities.

Life Science

The Life Science segment spent a total of ¥6.8 billion on capital expenditures, including ¥6.5 billion used for reinforcing the Company's pharmaceutical production facilities.

Environmental and Functional Materials

The Environmental and Functional Materials segment spent a total of ¥4.7 billion on capital expenditures, including ¥4.0 billion used to construct a development base for functional resin products at Toyobo MC Corporation, a consolidated subsidiary of the Company.

Functional Textiles and Trading

The Functional Textiles and Trading segment spent a total of ¥3.3 billion on capital expenditures, including investments to save labor at consolidated subsidiary Japan Exlan Co., Ltd.

Real Estate

Real Estate spent a total of ¥0.4 billion on capital expenditures.

Other Businesses

Other Businesses spent a total of ¥1.2 billion on capital expenditures.

## 2. Major Facilities

Major facilities of the Group are as follows:

(1) Reporting company

As of March 31, 2026

| 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 and others (Tsuruga, Fukui) | Films and others | Production facilities for functional resins and other facilities (Note 3) | 6,799 | 3,549 | 23,397 (674,000 m2) | 4 | 290 | 34,039 | 241 [19] |
| Inuyama Plant (Inuyama, Aichi) | Films | Film production facility | 9,825 | 14,093 | 8,878 (227,000 m2) | - | 1,189 | 33,986 | 390 [12] |
| [Tsuruga Research and Production Center] Tsuruga Films Plant (Tsuruga, Fukui) | Films | Film production facility | 3,961 | 5,360 | 491 (18,000 m2) | 11 | 1,333 | 11,156 | 258 [3] |
| [Tsuruga Research and Production Center] Tsuruga Biochemicals Plant (Tsuruga, Fukui) | Life Science | Enzyme production facility | 8,920 | 7,683 | 195 (7,000 m2) | - | 1,883 | 18,680 | 237 [35] |
| [Iwakuni Production Center] Iwakuni Membrane Plant and others (Iwakuni, Yamaguchi) | Life Science | Production facilities for functional membranes and other facilities | 6,055 | 4,599 | 8,321 (333,000 m2) | 4,523 | 672 | 24,171 | 186 [12] |
| Shogawa Plant (Imizu, Toyama) | Functional Textiles and Trading | Yarn and fabric production facilities and facilities for dyeing and sorting | 5,519 | 1,363 | 4,311 (183,000 m2) | - | 67 | 11,261 | 107 [162] |
| Utsunomiya Plant (Utsunomiya, Tochigi) | Films | Film production facility | 12,024 | 20,171 | 2,915 (149,000 m2) | - | 474 | 35,585 | 294 [38] |
| Research Center (Otsu, Shiga) | Company-wide research and development business and others | Research and development facilities, etc. | 8,657 | 5,822 | 5 (213,000 m2) | 6 | 1,852 | 16,342 | 411 [59] |

(2) Domestic subsidiaries

As of March 31, 2026

| 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) | 1,721 | 1,238 | 1,820 (53,000 m2) | - | 439 | 5,218 | 153 [7] |
| | [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) | 1,525 | 2,838 | 3,637 (146,000 m2) | - | 5,954 | 13,954 | 206 [6] |
| | Takasago Plant (Takasago, Hyogo) | Environmental and Functional Materials | Chemical production facility (Note 4) | 1,760 | 3,521 | 224 (67,000 m2) | - | 285 | 5,789 | 175 [11] |
| | [Katata Site] (Otsu, Shiga) | Research and development business | Research and development facilities, etc. (Note 4) | 226 | 561 | 0 (12,000 m2) | - | 1,254 | 2,042 | 179 [14] |
| Toyo Cloth Co., Ltd. | Head office, Tarui Production Center (Sennan, Osaka) | Films | Cloth and film production facilities | 1,133 | 596 | 1,207 (36,000 m2) | - | 139 | 3,075 | 222 [47] |
| | Iwakuni Production Center (Iwakuni, Yamaguchi) | Films | Synthetic leather production facilities (Note 4) | 413 | 1,825 | 283 (11,000 m2) | - | 928 | 3,449 | 86 [18] |
| Japan Exlan Co., Ltd. | Saidaiji Plant (Higashi-ku, Okayama) | Functional Textiles and Trading | Chemical production facility (Note 4) | 690 | 597 | 3,868 (297,000 m2) | - | 940 | 6,095 | 235 [22] |
| Miyukikeori Co., Ltd. | Head office (Nishi-ku, Nagoya) | Real Estate Sales Operations | Rental buildings and other facilities | 754 | - | 2,031 (26,000 m2) | - | 28 | 2,813 | 39 [15] |
| | Miyuki Mall (Nishi-ku, Nagoya) | Real Estate | Rental retail spaces and rental housing | 1,216 | - | 1,221 (11,000 m2) | 1 | 10 | 2,448 | - [-] |

(3) Foreign subsidiaries

As of March 31, 2026

| 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 | 2,411 | 2,070 | - (-) | - | 871 | 5,352 | 249 [-] |

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 Corporation, 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

There is no major planned addition, retirement, or other changes to Group facilities as of the end of the current fiscal year.

# IV. Information about the Reporting Company

## 1. Company's Shares

### (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, 2026) | Number of issued shares at the filing date (Shares) (June 23, 2026) | 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

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, 2026

| 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 | 36 | 45 | 557 | 211 | 137 | 54,561 | 55,549 | - |
| Number of shares held (Units) | 14 | 245,395 | 34,788 | 47,355 | 215,997 | 664 | 342,510 | 886,723 | 376,492 |
| Ratio of shares held (%) | 0.00 | 27.67 | 3.92 | 5.34 | 24.36 | 0.08 | 38.63 | 100.00 | - |

Notes: 1. Of the Company's 804,024 treasury shares, 8,040 units are presented in *Other individuals* and 24 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, 2026

| 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 | 11,827 | 13.40 |
| Custody Bank of Japan, Ltd. | 1-8-12, Harumi, Chuo-ku, Tokyo | 7,064 | 8.01 |
| Toyobo Employees Stockholders' Association | 1-13-1 Umeda, Kita-ku, Osaka, Japan | 2,282 | 2.59 |
| Toyukai | 1-13-1 Umeda, Kita-ku, Osaka, Japan | 2,175 | 2.47 |
| STATE STREET BANK AND TRUST COMPANY 505223<br>(Standing proxy: Mizuho Bank, Ltd.) | P. O. BOX 351 BOSTON MASSACHUSETTS 02101 U.S.A.<br>(2-15-1, Konan, Minato-ku, Tokyo) | 2,138 | 2.42 |
| GOVERNMENT OF NORWAY<br>(Standing proxy: Citibank, N.A., Tokyo Branch) | BANKPLASSEN 2,0107 OSLO 1 OSLO 0107 NO<br>(6-27-30, Shinjuku, Shinjuku-ku, Tokyo) | 2,017 | 2.29 |
| JP Morgan Securities Japan Co., Ltd. | 2-7-3, Marunouchi, Chiyoda-ku, Tokyo | 1,921 | 2.18 |
| NIPPON LIFE INSURANCE COMPANY | 1-6-6, Marunouchi, Chiyoda-ku, Tokyo | 1,750 | 1.98 |
| Meiji Yasuda Life Insurance Company | 2-1-1, Marunouchi, Chiyoda-ku, Tokyo | 1,402 | 1.59 |
| JP MORGAN CHASE BANK 385781<br>(Standing proxy: Mizuho Bank, Ltd.) | 25 BANK STREET, CANARY WHARF, LONDON, E14 5JP, UNITED KINGDOM<br>(2-15-1, Konan, Minato-ku, Tokyo) | 1,267 | 1.44 |
| Total | - | 33,847 | 38.36 |

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

2. On November 20, 2025, Sumitomo Mitsui Trust Bank, Limited submitted a Large Shareholding Report (Amendment Report) listing Sumitomo Mitsui Trust Asset Management Co., Ltd. and one other party as joint holders. As the Company is unable to confirm the actual number of shares held as of March 31, 2026, this information has not been included in the major shareholders above. The contents of the Large Shareholding Report (Amendment Report) are as follows:

| Name | Address | Number of shares held (Thousand shares) | Percentage of shares held (%) |
|---|---|---|---|
| Sumitomo Mitsui Trust Asset Management Co., Ltd. and one other party | 1-1-1 Shibakoen, Minato-ku, Tokyo and others | 4,135 | 4.64 |

(7) Voting Rights

(i) Issued shares

As of March 31, 2026

| 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 | 804,000 | - | - |
| Shares with full voting rights (other) | Common shares | 87,868,300 | 878,683 | - |
| Shares less than one unit | Common shares | 376,492 | - | - |
| Total number of issued shares | | 89,048,792 | - | - |
| Voting rights of all shareholders | | - | 878,683 | - |

(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 24 treasury shares of the Company.

(ii) Treasury shares

As of March 31, 2026

| 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 | 804,000 | - | 804,000 | 0.90 |
| Total | - | 804,000 | - | 804,000 | 0.90 |

## 2. Acquisition 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 | 1,268 | 1,474,651 |
| Treasury shares acquired during the current period | 116 | 166,680 |

(Note) Treasury shares acquired during the current period exclude shares in amounts less than one unit purchased from June 1, 2026 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 | 4,577 | - |
| Treasury shares acquired during the current period | 4,401 | - |

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, 2026 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 Businesses (Disposal in the form of restricted share compensation) | 77,865 | 81,802,633 | - | - |
| Other Businesses (Sale of shares in amounts less than one unit) | 96 | 100,862 | - | - |
| Number of treasury shares held | 804,024 | - | 808,541 | - |

Notes: 1. Treasury shares disposed of during the current period exclude shares in amounts less than one unit sold from June 1, 2026 to the date of filing the Annual Securities Report.

2. The number of treasury shares held during the current period excludes shares in amounts less than one unit purchased or sold from June 1, 2026 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 24, 2026 Resolution by the Annual General Meeting of Shareholders (tent.) | 3,530 | 40 |

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

# 4. Corporate Governance

## (1) Overview of Corporate Governance

### (i) Basic views on corporate governance

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

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

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

The Company transitioned to a structure with an Audit and Supervisory Committee pursuant to a resolution adopted at the Annual General Meeting of Shareholders held in June 2025. To promptly respond to a drastically changing business environment, the authority to make certain decisions on business execution will be delegated to the President and Chief Executive Officer (Representative Director) as necessary.

The Board of Directors is working to further strengthen its supervisory function by increasing the ratio of Outside Directors and placing focus on deliberation and decision-making regarding basic management policies 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 has been adopted that simultaneously realizes prompt and efficient business execution and a high level of management supervision.

Note that with regard to nominations and compensation, the Company has established a Nomination and Compensation Advisory Committee (chaired by an Outside Director) as an advisory body to the Board of Directors, with a majority of its members consisting of Outside Directors, and is striving to ensure even greater transparency and fairness.

#### (a) Board of Directors

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 Articles of Incorporation stipulate that the number of Directors shall not exceed 15 (of whom no more than five may serve as members of the Audit and Supervisory Committee). The Company appoints Directors so that Outside Directors constitute at least half of the total. 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, revisions of institutional design, safety and disaster prevention, quality, innovation, research and development, risk management, operational innovation, 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 and Director | Seiji Narahara | 17/17 (100%) | |
| President and Representative Director (CEO and Co-COO) | Ikuo Takeuchi | 17/17 (100%) | |
| Representative Director | Taichi Sakai | 17/17 (100%) | |
| Director | Takahito Sagara | 17/17 (100%) | |
| Outside Director | Masaaki Harima | 16/17 (94%) | |
| Outside Director | Hiroshi Fukushi | 16/17 (94%) | |
| Outside Director | Shoko Takase | 17/17 (100%) | |
| Outside Director | Yuki Kanzaki | 13/13 (100%) | Assumed the office of Director on June 25, 2025 |
| Director Audit and Supervisory Committee Member | Takayuki Tabo | 13/13 (100%) | Assumed the office of Director on June 25, 2025 |
| Outside Director Audit and Supervisory Committee Member | Akihiko Irie | 13/13 (100%) | Assumed the office of Director on June 25, 2025 |
| Outside Director Audit and Supervisory Committee Member | Wakyu Shinmen | 13/13 (100%) | Assumed the office of Director on June 25, 2025 |

| Title | Name | Attendance | Remarks |
|---|---|---|---|
| Director | Takehiko Inada | 4/4 (100%) | Retired on June 25, 2025 |
| Outside Director | Takafumi Isogai | 4/4 (100%) | Retired on June 25, 2025 |
| Outside Director | Kimie Sakuragi | 4/4 (100%) | Retired on June 25, 2025 |

(Note) Prior to the transition to a company with an Audit and Supervisory Committee, Takayuki Tabo served as a Corporate Auditor of the Company, while Akihiko Irie and Wakyu Shinmen served as Outside Corporate Auditors of the Company, and they attended all four Board of Directors meetings held during that period.

(b) Business execution

The Company operates under an executive officer system. 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 or a Director. The Corporate Planning Committee and the Financial Control Committee are established under the Board of Management. They deliberate on important investment and financing projects from their respective expert standpoints, thereby managing business risk. Additionally, the Board of Executive Officers discusses management issues and communicates management policies.

(c) Audit and Supervisory Committee

The Audit and Supervisory Committee consists of three directors who are members of the Audit and Supervisory Committee (including two Outside Directors). From the standpoint of ensuring the effectiveness of auditing and supervising the execution of duties by the Directors, the Committee also includes as members individuals with expertise and skills in finance and accounting as well as knowledge of the businesses of the Group. In addition to attending important meetings, including Board of Directors meetings, Audit and Supervisory Committee Members conduct audits and supervision of management by reviewing important documents, such as reports and approval requests, received from Directors and other officers.

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

To ensure transparency in the election and dismissal of Directors 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 six meetings (in addition to two meetings held via written deliberation), 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.

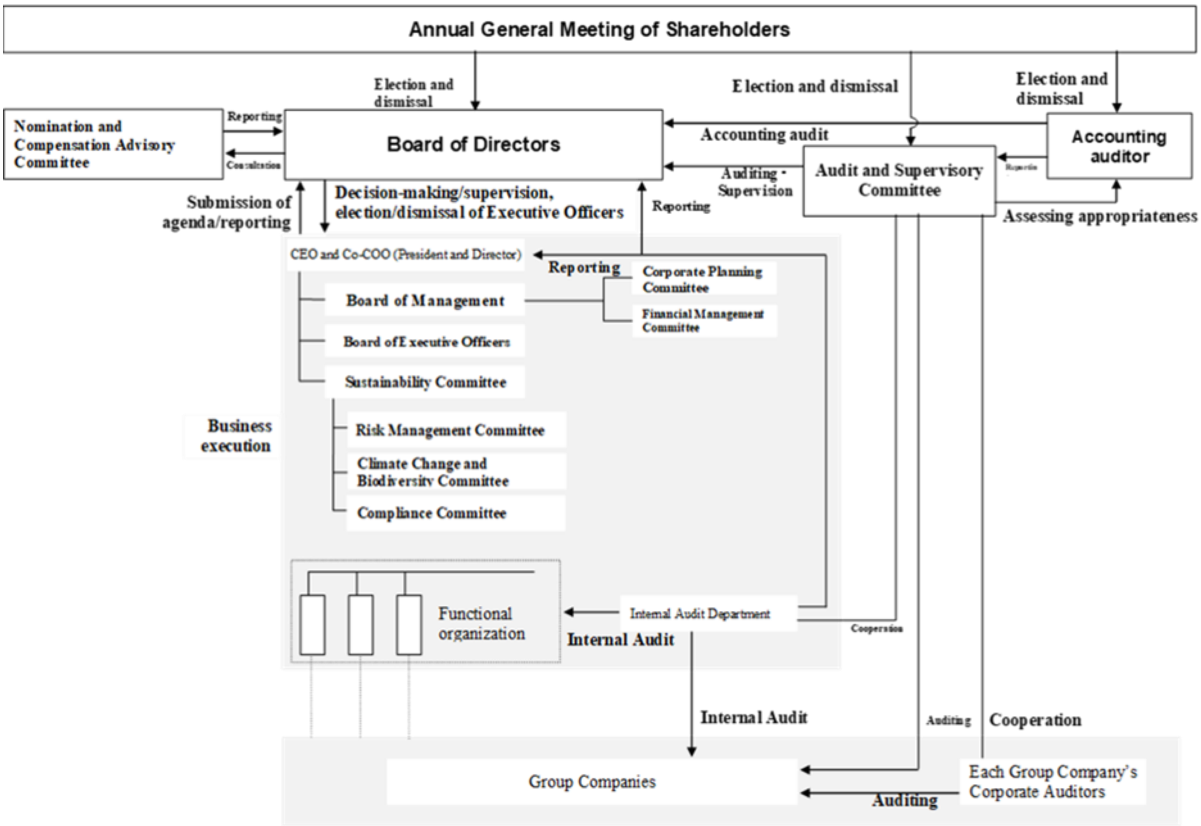
Attendance at the Nomination and Compensation Advisory Committee meetings held in the current fiscal year

| | Name (Title) | Attendance | Remarks |
|---|---|---|---|
| Chairperson | Hiroshi Fukushi (Outside Director) | 6/6 (100%) | |
| Committee Member | Kimie Sakuragi (Outside Director) | 2/2 (100%) | June 25, 2025<br>Resignation as Committee Member |
| Committee Member | Seiji Narahara (Chair of the Board and Director) | 6/6 (100%) | |
| Observer | Wakyu Shinmen (Outside Corporate Auditor) | 2/2 (100%) | June 25, 2025<br>Resignation as Observer |
| Committee Member | Shoko Takase (Outside Director) | 4/4 (100%) | June 25, 2025<br>Appointment as Committee Member |
| Committee Member | Wakyu Shinmen<br>(Outside Director<br>Audit and Supervisory Committee Member) | 4/4 (100%) | June 25, 2025<br>Appointment as Committee Member |

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

The schematic diagram illustrating the Company’s corporate governance system is as follows.

**[Diagram of Corporate Governance System]**



(iv) Progress of internal control system

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

- The Company adopts an executive officer system in order to improve the transparency and fairness of management by clearly separating decision-making/oversight and business execution. Under the executive officer system, which is clearly defined by the Articles of Incorporation, the Board of Directors oversees the business execution of Executive Officers. The Executive Officer Regulations also clearly define that Executive Officers have an obligation to comply with laws and regulations and the Articles of Incorporation.
- The Company establishes *a Compliance Committee*, which is chaired by the Executive Officer in charge of compliance, and the 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 are 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 have 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 investment expenditure 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 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 Committee 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 exchanges 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 appropriate internal controls.

(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) Overview of contents of limited liability agreements

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.

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

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

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

The scope of the insured is as follows:

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

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

(vii) Number of Directors

The Company's Articles of Incorporation stipulate that the number of Directors shall not exceed 15 (of whom no more than five may serve as members of the Audit and Supervisory Committee).

(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 or other means 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 it allows the Company shares to be freely traded as a listed company, the decision on whether to accept a large-scale purchase of the Company's shares that entails transfer of control over the Company should be left ultimately to the shareholders.

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

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

(2) Special efforts for realization of the basic policy

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

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

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

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

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

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

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

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

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

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

(2) Directors (and Other Officers)

(i) List of officers

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

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 | 709 |
| | | | April 2009 | Deputy Director, General Manager, Finance Department | | |
| | | | April 2010 | Executive Officer | | |
| | | | June 2011 | Director and Executive Officer | | |
| | | | April 2014 | President & Director, CEO and Co-COO | | |
| | | | April 2021 | Chair of the Board and Director (current position) | | |
| | | | June 2023 | Outside Director Member of the Board, SCREEN Holdings Co., Ltd. (current position) | | |
| | | | May 2025 | Representative Director and Chairman, Sen-i Kaikan Co., Ltd. (current position) | | |
| 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 | 561 |
| | | | 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, Environment, Safety and Disaster Management Board Production engineering department, Procurement and Logistics Department Supervisor, | Taichi Sakai | November 26, 1962 | April 1986 | Joined the Company | (Note) 2 | 243 |
| | | | 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 in Charge of Special Assignments for the President | Takahito Sagara | January 6, 1967 | April 1990 | Joined the Company | (Note) 2 | 186 |
| | | | April 2020 | Deputy Director, General Manager, Medical Membranes Department, Medical Materials 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 | | |
| | | | April 2026 | Director (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. | (Note) 2 | 27 |
| | | | June 2011 | Corporate Executive Officer | | |
| | | | June 2013 | Member of the Director and Managing Executive Officer | | |
| | | | June 2013 | General Manager, Bioscience Products & Fine Chemicals Division | | |
| | | | June 2015 | Member of the Director and Senior Managing Executive Officer | | |
| | | | 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) | | |
| | | | June 2025 | Outside Director (Audit and Supervisory Committee Member), Members Co., Ltd. (current position) | | |
| Director (Outside Director) | Shoko Takase | January 4, 1965 | April 1987 | Joined IBM Japan Ltd. | (Note) 2 | 15 |
| | | | January 2005 | Seconded to IBM Corporation (IBM Corporation USA Headquarters) | | |
| | | | January 2010 | Manager of Strategy and Marketing, Global Technology Services, IBM Japan Ltd.<br>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 | | |
| | | | June 2023 | Director, the Company (current position) | | |
| | | | June 2023 | Outside Director of GLOBERIDE, Inc. (current position) | | |
| Director (Outside Director) | Yuki Kanzaki | April 24, 1963 | March 1992 | Joined Kirin Brewery Co., Ltd. (current Kirin Holdings Company, Limited) | (Note) 2 | - |
| | | | 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 | Managing Executive Officer General Manager of Yokohama Plant of Production Division | | |
| | | | March 2020 | Managing Executive Officer and General Manager of Corporate Planning Department at Kyowa Hakko Bio Co., Ltd. | | |
| | | | January 2022 | President and Representative Director （CEO and Co-COO） | | |
| | | | 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 (current position) | | |

| 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<br>October 2013<br><br>April 2017<br>April 2020<br><br>June 2021<br>June 2025 | Joined the Company<br>Deputy Director, General Manager, Accounting and Control Department<br>Executive Officer<br>President and Chief Operating Officer, Toyobo STC Co., Ltd.<br>Corporate Auditor<br>Director, the Company (Standing Audit and Supervisory Committee Member) (current position) | (Note) 3 | 57 |
| Director (Audit and Supervisory Committee Member) | Akihiko Irie | September 18, 1956 | April 1980<br>June 2009<br>April 2012<br>April 2015<br>June 2015<br>June 2019<br><br>June 2021<br><br>June 2025 | Joined Osaka Gas Co., Ltd.<br>Corporate Officer<br>Corporate Executive Officer<br>Deputy Director<br>Audit & Supervisory Board Member<br>Outside Audit & Supervisory Board Member, Osaka Gas Urban Development Co., Ltd.<br>Audit and Supervisory Committee Member, the Company<br>Director, the Company (Audit and Supervisory Committee Member) (current position) | (Note) 3 | 61 |
| Director (Audit and Supervisory Committee Member) | Wakyu Shinmen | January 14, 1957 | October 1982<br>March 1983<br>August 1997<br><br><br>October 2013<br><br>September 2021<br>September 2022<br>June 2023<br><br>June 2023<br><br><br>June 2025 | Joined Tohmatsu Awoki & Co. (currently Deloitte Touche Tohmatsu LLC)<br>Registered as a certified public accountant<br>Appointed as a Designated Engagement Partner (currently Partner) at Deloitte Touche Tohmatsu LLC<br>General Manager of the Kansai Business Department, Audit Business Division at Deloitte Touche Tohmatsu LLC<br>Retired from Deloitte Touche Tohmatsu LLC<br>Representative of Shinmen Certified Public Accountant Office<br>Audit and Supervisory Committee Member, the Company<br>Outside Audit & Supervisory Board Member, SEKISUI CHEMICAL CO., LTD. (current position)<br>Director, the Company (Audit and Supervisory Committee Member) (current position) | (Note) 3 | - |
| Total | | | | | | 1,862 |

Notes: 1. Directors Masaaki Harima, Hiroshi Fukushi, Shoko Takase and Yuki Kanzaki and Directors (Audit and Supervisory Committee 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 elected 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 of Audit and Supervisor Committee Members 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<br>April 1996<br>February 2006<br>June 2015<br>June 2015<br>December 2016<br>June 2019 | Registered as an attorney at law<br>Joined Takagi Motaichi Law Office<br>Outside Corporate Auditor, Zojirushi Corporation<br>Outside Corporate Auditor, NCS&A Co., Ltd.<br>Outside Corporate Auditor, the Company<br>Joined Yasaka Law Office<br>Substitute Director, the Company | - |

| Name | Date of birth | Career summary | | Number of shares held (Hundred shares) |
|---|---|---|---|---|
| | | June 2025 | Substitute Director, the Company (Audit and Supervisory Committee Member) (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 |
|---|---|
| Senior Managing Executive Officer<br>Head, Films Division, and Head, Tokyo Branch | Masanao Kudo |
| Managing Executive Officer<br>HR, Administration and Legal Division | Takehiko Inada |
| Managing Executive Officer<br>Head, Environmental and Functional Materials Division | Naoki Fujii |
| Managing Executive Officer<br>Head, Fibers and Textiles Division | Tadao Kuroki |
| Managing Executive Officer<br>Head, Life Science Division | Kazuhito Ikeda |
| Managing Executive Officer<br>Sustainability and Corporate Planning Division | Norio Iizuka |
| Executive Officer<br>Management and Administration Division | Hidekazu Takahashi |
| Executive Officer<br>Controlling Supervisor, TX and Operational Reforms and Controlling Supervisor, Toyobo Transformation and Business Innovation Department | Tetsuro Yabuki |
| Executive Officer<br>Controlling Supervisor, Research and Business Development Division | Toshiyuki Oya |
| Executive Officer<br>Deputy Head, Life Science Division, Controlling Supervisor, Medical Materials Operating Department | Atsushi Sogabe |
| Executive Officer<br>Controlling Supervisor, Risk Management Department and Head, Quality Assurance Division | Masakazu Iwasaki |
| Executive Officer<br>Head, Tsuruga Research and Production Center | Katsuya Toita |
| Executive Officer<br>Head, Iwakuni Production Center | Shingo Ito |
| Executive Officer<br>Assigned to Fibers and Textiles Division | Takayasu Nagao |
| Executive Officer<br>Controlling Supervisor, Packaging Operating Department | Hideyuki Kagi |
| Executive Officer<br>General Manager of Inuyama Plant | Masafumi Koseki |
| Executive Officer<br>Head, Corporate Research Laboratory | Runa Nakamura |

(b) *Election of Eight Directors (Excluding Directors Who Are Audit and Supervisory Committee Members)* has been submitted for review as an agenda (items for resolution) at the Annual General Meeting of Shareholders scheduled to be held on June 24, 2026. Should this proposal 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 of officers are stated with inclusion of the content (title and other information) 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<br>April 2009 Deputy Director, General Manager, Finance Department<br>April 2010 Executive Officer<br>June 2011 Director and Executive Officer<br>April 2014 President & Director, CEO and Co-COO<br>April 2021 Chair of the Board & Director (current position)<br>June 2023 Director (Outside) Member of the Board, SCREEN Holdings Co., Ltd. (current position)<br>May 2025 Representative Director and Chairman, Sen-i Kaikan Co., Ltd. (current position) | (Note) 2 | 709 |
| President & Director, CEO and Co-COO<br>(Representative Director)<br>Controlling Supervisor, Internal Audit Department | Ikuo Takeuchi | October 15, 1962 | April 1985 Joined the Company<br>October 2015 Deputy Director, General Manager, Corporate Planning Office<br>April 2018 Executive Officer<br>April 2020 Managing Executive Officer<br>June 2020 Director and Managing Executive Officer<br>April 2021 President and Director, CEO and Co-COO (current position) | (Note) 2 | 561 |
| Director and Senior Managing Executive Officer<br>(Representative Director)<br>Head, Environment, Safety and Disaster Management Division<br>Production engineering department, procurement/logistics Controlling Supervisor, | Taichi Sakai | November 26, 1962 | April 1986 Joined the Company<br>April 2016 Deputy Director, Senior General Manager of the Production Technology Division and Global Business Planning Division Officer<br>December 2020 Executive Officer<br>April 2023 Managing Executive Officer<br>June 2023 Director and Managing Executive Officer<br>April 2024 Director and Senior Managing Executive Officer (current position) | (Note) 2 | 243 |
| Director and Managing Executive Officer<br>Head, Life Science Division | Kazuhito Ikeda | August 31, 1967 | April 1990 Joined the Company<br>July 2011 General Manager of Iwakuni Membrane Plant<br>October 2019 Deputy Director, General Manager of AC Equipment Department, AC & SB Operating Department<br>April 2021 Deputy Director, General Manager of Environmental Solutions Operating Department, General Manager of environmental solutions apparatus Department, and General Manager of Environmental Solutions Business Development Department<br>April 2023 Executive Officer<br>April 2026 Managing Executive Officer (current position)<br>June 2026 Director and Managing Executive Officer (tent.) | (Note) 2 | 108 |
| Director<br>(Outside Director) | Masaaki Harima | December 9, 1950 | April 1977 Assistant Judge, Osaka District Court<br>April 1980 Fukushima District / Family Court Assistant Judge, Fukushima Summary Court Judge<br>May 1981 Registered as an attorney at law (Osaka Bar Association)<br>September 1987 Founded Harima Law Office (currently Fushimimachi Lawyer's Office)<br>April 2010 Chairman, Osaka City Fair Work Committee<br>June 2011 Outside Corporate Auditor, Ishihara Sangyo Kaisha, Ltd.<br>March 2014 Chairman, Osaka Prefecture Labor Relations Board<br>June 2014 Independence Committee, the Company<br>November 2018 Member, Osaka Prefecture Pollution Examination Committee<br>October 2019 Sakai City Audit Committee Member<br>June 2020 Director, the Company (current position)<br>April 2021 Chairman, Osaka Prefecture Pollution Examination Committee | (Note) 2 | - |

| 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.<br>June 2011 Corporate Executive Officer<br>June 2013 Member of the Board & Corporate Vice President<br>June 2013 General Manager, Bioscience Products & Fine Chemicals Division<br>June 2015 Member of the Board & Corporate Senior Vice President<br>June 2017 Representative Director<br>June 2019 Director, Corporate Executive Deputy President<br>June 2019 Chief Digital Officer<br>May 2021 Chairman, Japan Food Additives Association<br>May 2021 Vice Chairman, Japan Food Hygiene Association<br>June 2021 Representative Executive Officer & Executive Vice President, Ajinomoto Co., Ltd.<br>April 2022 Director and Executive Officer<br>June 2022 Senior Corporate Advisor<br>June 2022 Director, the Company (current position)<br>June 2022 Outside Director of MEGMILK SNOW BRAND Co., Ltd. (current position)<br>June 2025 Outside Director / Audit and Supervisory Committee Member, Members Co., Ltd. (current position) | (Note) 2 | 27 |
| Director (Outside Director) | Shoko Takase | January 4, 1965 | April 1987 Joined IBM Japan Ltd.<br>January 2005 Seconded to IBM Corporation (IBM Corporation USA Headquarters)<br>January 2010 Manager of Strategy and Marketing, Global Technology Services, IBM Japan Ltd.<br>Brand Executive of Tivoli, Software Group<br>July 2015 Mobile County Leader, Growth Initiatives<br>July 2016 Brand Executive of Resiliency Services, Global Technology Services<br>July 2018 Director, Head of the IBM Cloud Solutions Center, IBM Japan, Ltd.<br>April 2019 Managing Director for Enterprise Sector, Cisco Systems G.K.<br>July 2021 Advisor of TechnoPro Holdings, Inc.<br>September 2021 Outside Director<br>June 2023 Director, the Company (current position)<br>June 2023 Outside Director of GLOBERIDE, Inc. (current position) | (Note) 2 | 15 |
| Director (Outside Director) | Yuki Kanzaki | April 24, 1963 | March 1992 Joined Kirin Brewery Co., Ltd. (current Kirin Holdings Company, Limited)<br>March 2016 Executive Officer, General Manager of Kobe Plant of Production Division at Kirin Brewery Co., Ltd.<br>March 2017 Executive Officer, General Manager of Yokohama Plant of Production Division<br>March 2019 Senior Executive Officer, General Manager of Yokohama Plant of Production Division<br>March 2020 Senior Executive Officer and General Manager of Corporate Strategy Department at Kyowa Hakko Bio Co., Ltd.<br>January 2022 President and CEO<br>March 2022 Managing Executive Officer of Kirin Holdings Company, Limited and President and CEO of Kyowa Hakko Bio Co., Ltd.<br>March 2025 Outside Director of Daifuku Co., Ltd. (current position)<br>June 2025 Director, the Company (current position) | (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<br>October 2013 Deputy Director, General Manager, Accounting Department<br>April 2017 Executive Officer<br>April 2020 President and Chief Operating Officer, Toyobo STC Co., Ltd.<br>June 2021 Corporate Auditor<br>June 2025 Director, the Company (Standing Audit and Supervisory Committee Member) (current position) | (Note) 3 | 57 |
| Director (Audit and Supervisory Committee Member) | Akihiko Irie | September 18, 1956 | April 1980 Joined Osaka Gas Co., Ltd.<br>June 2009 Corporate Officer<br>April 2012 Corporate Executive Officer<br>April 2015 Deputy Director<br>June 2015 Audit & Supervisory Board Member<br>June 2019 Outside Audit & Supervisory Board Member, Osaka Gas Urban Development Co., Ltd.<br>June 2021 Audit and Supervisory Committee Member, the Company<br>June 2025 Director, the Company (Audit and Supervisory Committee Member) (current position) | (Note) 3 | 61 |
| Director (Audit and Supervisory Committee Member) | Wakyu Shinmen | January 14, 1957 | October 1982 Joined Tohmatsu Awoki & Co. (currently Deloitte Touche Tohmatsu LLC)<br>March 1983 Registered as a certified public accountant<br>August 1997 Appointed as a Designated Engagement Partner (currently Partner) at Deloitte Touche Tohmatsu LLC<br>October 2013 General Manager of the Kansai Business Department, Audit Business Division at Deloitte Touche Tohmatsu LLC<br>September 2021 Retired from Deloitte Touche Tohmatsu LLC<br>September 2022 Representative of Shinmen Certified Public Accountant Office<br>June 2023 Audit and Supervisory Committee Member, the Company<br>June 2023 Outside Audit & Supervisory Board Member, SEKISUI CHEMICAL CO., LTD. (current position)<br>June 2025 Director, the Company (Audit and Supervisory Committee Member) (current position) | (Note) 3 | - |
| Total | | | | | 1,784 |

Notes: 1. Directors Masaaki Harima, Hiroshi Fukushi, Shoko Takase and Yuki Kanzaki and Directors (Audit and Supervisory Committee 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 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 of Audit and Supervisor Committee Members 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<br>April 1996 Joined Takagi Motaichi Law Office<br>February 2006 Outside Corporate Auditor, Zojirushi Corporation<br>June 2015 Outside Corporate Auditor, NCS&A Co., Ltd.<br>June 2015 Outside Corporate Auditor, the Company<br>December 2016 Joined Yasaka Law Office<br>June 2019 Substitute Director, the Company<br>June 2025 Substitute Director, the Company (Audit and Supervisory Committee Member) (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 |
|---|---|
| Managing Executive Officer<br>Head, Films Division, and Head, Tokyo Branch | Masanao Kudo |
| Managing Executive Officer<br>HR, Administration and Legal Division | Takehiko Inada |
| Managing Executive Officer<br>Head, Environmental and Functional Materials Division | Naoki Fujii |
| Managing Executive Officer<br>Head, Fibers and Textiles Division | Tadao Kuroki |
| Managing Executive Officer<br>Sustainability and Planning Division | Norio Iizuka |
| Executive Officer<br>Management Division | Hidekazu Takahashi |
| Executive Officer<br>Controlling Supervisor, TX and Operational Reforms and Controlling Supervisor, Toyobo Transformation and Business Innovation Department | Tetsuro Yabuki |
| Executive Officer<br>Controlling Supervisor, Research and Business Development Division | Toshiyuki Oya |
| Executive Officer<br>Deputy Head, Life Science Division, Controlling Supervisor, Medical Products Business | Atsushi Sogabe |
| Executive Officer<br>Controlling Supervisor, Risk Management Department and Head, Quality Assurance Division | Masakazu Iwasaki |
| Executive Officer<br>Head, Tsuruga Research and Production Center | Katsuya Toita |
| Executive Officer<br>Head, Iwakuni Production Center | Shingo Ito |
| Executive Officer<br>Assigned to Fibers and Textiles Division | Takayasu Nagao |
| Executive Officer<br>Controlling Supervisor, Packaging Operating Department | Hideyuki Kagi |
| Executive Officer<br>General Manager of Inuyama Plant | Masafumi Koseki |
| Executive Officer<br>Head, Corporate Research Laboratory | Runa Nakamura |

(ii) Outside officers

The Company has six Outside Directors. There are no special interests between any of them 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<br>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<br>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.<br>Hiroshi Fukushi worked for Ajinomoto Co., Ltd., a business partner of the Company. Net Sales from transactions with Ajinomoto make up less than 1% of the Company's net sales on average for the past three years. |
| Outside Director<br>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.<br>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 net sales on average for the past three years. |
| Outside Director<br>Yuki Kanzaki | The Company elected Yuki Kanzaki so that her extensive experience and wide-ranging knowledge as a manager and high level of expertise in the production and research and development fields can be leveraged to provide advice and supervision to the Company's management. |
| Outside Director<br>(Audit and Supervisory Committee Member)<br>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.<br>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<br>(Audit and Supervisory Committee Member)<br>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. |

(b) Independence standards for outside officers

The Company deems that if none of the attributes in the following items apply, the Outside Director (or the candidate for Outside Director) 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 that obtains more than ¥100 million per year in this manner)

g. Executives of companies with which outside officers of the Company hold concurrent positions

h. An individual to whom any item in a. to g. above has applied within the past three years

i. A spouse or relation within the second degree of an individual to whom any item in a. to h. above applies

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

(iii) Mutual cooperation between supervision or audit by Outside Directors and internal audits, Audit and Supervisory Committee and accounting audits, as well as relationships with internal control divisions

Audit and Supervisory Committee Members 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) Status of Audit and Supervisory Committee audits

(a) Organization, personnel

As the Company transitioned to a company with an Audit and Supervisory Committee pursuant to a resolution adopted at the 167th Annual General Meeting of Shareholders held on June 25, 2025, the information provided covers matters pertaining to a company with a Board of Corporate Auditors for the period prior to June 25, 2025, and matters pertaining to a company with an Audit and Supervisory Committee for the period on or after that date.

As of the filing date of the Annual Securities Report, the Audit and Supervisory Committee of the Company consists of three members: one Standing Audit and Supervisory Committee Member and two Outside Audit and Supervisory Committee Members. In addition, in order to assist with the duties of Audit and Supervisory Committee Members, we have assigned Audit and Supervisory Committee staff.

Standing Audit and Supervisory Committee Member Takayuki Tabo has extensive experience in the Accounting and Control Department, and Outside Audit and Supervisory Committee Member Wakyu Shinmen has long years of experience as a certified public accountant and has considerable knowledge of finance and accounting.

(b) Status of the activities of the Audit and Supervisory Committee

The Audit and Supervisory Committee conducts audits covering the Directors' overall duties in accordance with the Audit and Supervisory Committee's audit standards established by the Committee itself, as well as its audit policies and plans.

i) Attendance at meetings of the Board of Corporate Auditors, the Audit and Supervisory Committee, and the Board of Directors held during the current fiscal year

Board of Corporate Auditors (prior to transition to a Company with an Audit and Supervisory Committee)

| Title | Name | Attendance at meetings of the Board of Corporate Auditors | Attendance at meetings of the Board of Directors |
|---|---|---|---|
| Full-time Corporate Auditor | Takayuki Tabo | 5/5 (100%) | 4/4 (100%) |
| Outside Corporate Auditor | Akihiko Irie | 5/5 (100%) | 4/4 (100%) |
| Outside Corporate Auditor | Wakyu Shinmen | 5/5 (100%) | 4/4 (100%) |

Audit and Supervisory Committee Member

| Title | Name | Attendance at meetings of the Audit and Supervisory Committee | Attendance at meetings of the Board of Directors |
|---|---|---|---|
| Standing Audit and Supervisory Committee Member | Takayuki Tabo | 11/11 (100%) | 13/13 (100%) |
| Outside Audit and Supervisory Committee Member | Akihiko Irie | 11/11 (100%) | 13/13 (100%) |
| Outside Audit and Supervisory Committee Member | Wakyu Shinmen | 11/11 (100%) | 13/13 (100%) |

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

ii) Specific matters for consideration by the Audit and Supervisory Committee

Specific matters for consideration at the Board of Corporate Auditors include preparing audit reports, selecting the Chair of the Audit and Supervisory Committee, etc., 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 t*he state of the initiatives for the improvement of employee engagement*.

iv) Main activities of the Audit and Supervisory Committee

Audit and Supervisory Committee Members 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 and reading important documents such as approval requests. They request explanations as necessary and express their opinions from an independent and objective standpoint.

Note that during the current fiscal year, Audit and Supervisory Committee Members mainly conducted the following activities, which were spearheaded by Standing Audit and Supervisory Committee Members and conducted in cooperation with Outside Audit and Supervisory Committee Members.

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 Audit and Supervisory Committee 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. At these meetings, Corporate Auditors receive briefings on key audit matters for the current fiscal year and engage in question-and-answer sessions.

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 Chair of the Board and Director, President and Director, Outside Directors, and Directors and Executive Officers in charge of divisions. In the gathering, Corporate Auditors make recommendations based on audit findings, and receive reports and exchange opinions as necessary.

Collaboration with Internal Audit Department: Corporate Auditors receive reports on audit results from and exchange information and opinions as necessary with the Internal Audit Department. For some audited entities, Corporate Auditors conducted audits jointly with the Internal Audit Department to strengthen collaboration. The Company regularly holds three-way audit meetings, where the Audit and Supervisory Committee, the Accounting Auditor and the Internal Audit Department reports on the status of their respective audits and exchanged information, in an effort to enhance the effectiveness and efficiency of respective audits and develop an audit environment.

Furthermore, from the perspective of appropriately supervising the appointment and compensation of Directors (excluding Directors who are Audit and Supervisory Committee Members), one outside member of the Audit and Supervisory Committee attends meetings of the Nomination and Compensation Advisory Committee. The Audit and Supervisory Committee then shares the deliberations of that Committee and forms its own opinions.

(ii) Internal audits

The Company has established the Internal Audit Department as an organization placed under the direct control of President and Representative Director. With its 16 members, the Internal Audit Department conducts internal audits of the Company and group companies based on audit plans and conducts monitoring activities to evaluate the effectiveness of internal controls. The Internal Audit Department conducts operational 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. Additionally, for certain audited organizations, the Internal Audit Department conducts audits jointly with the Audit and Supervisory Committee. 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 and Representative Director, the Board of Directors, and the Audit and Supervisory Committee 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 information with the Accounting Auditor.

(iii) Accounting audits

a. Name of audit corporation

KPMG AZSA LLC

b. Continuous audit period

57 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
Takuya Obata
Hideto Yoshimochi

d. Composition of assistants relating to audit work

The total number of assistants related to the accounting audit of the Company was 73, including 22 certified public accountants and 51 others.

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

The Company selected KPMG AZSA LLC as the certified public accountants 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 the Audit and Supervisory Committee

The Audit and Supervisory Committee 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 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 | 84 | 4 | 87 | 4 |
| Consolidated subsidiaries | 48 | 16 | 47 | 19 |
| Total | 132 | 20 | 134 | 23 |

Fees for non-audit services paid by the Company to certified public accountants 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 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 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 | - | 17 |
| Consolidated subsidiaries | 52 | 8 | 26 | 21 |
| Total | 52 | 28 | 26 | 38 |

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

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

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

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

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 Audit and Supervisory Committee on the fees for the Accounting Auditor

The Audit and Supervisory Committee 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 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)

The Board of Directors proposes a draft of the determination policy for the content of individual compensation (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 compensation policy was adopted by a resolution of the Board of Directors on November 25, 2025, and will be reflected in compensation effective for the July 2026 pay period.

(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 Directors who are Audit and Supervisory Committee Members) 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 an Executive Officer) | Company's overall performance: Individual performance = 2:1 |
| Director (concurrently serving as an 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. For the Representative Director, ROE is added as a performance indicator, and the ratio is set at EBITDA:ROE = 2:1.

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 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 Directors who are Audit and Supervisory Committee Members) 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 Directors who are Audit and Supervisory Committee Members) 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 Directors who are Audit and Supervisory Committee Members) and Executive Officers

| Monetary compensation | | Non-monetary compensation |
|---|---|---|
| Basic compensation | Performance-based compensation (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

a. Compensation for Outside Directors (Directors who are Audit and Supervisory Committee Members) is to be fixed monetary compensation in view of their role and independence.

b. Compensation for Directors who are Audit and Supervisory Committee Members is to be fixed monetary compensation in accordance with their respective duties and responsibilities, and is to be decided by discussions with the Audit and Supervisory Committee 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 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 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 aligned with the Determination Policy.

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

| Officer category | Total amount of compensation (Millions of yen) | Total amount of compensation by type (Millions of yen) | | | Number of eligible officers (People) |
|---|---|---|---|---|---|
| | | Basic compensation | Performance-based compensation | Non-monetary compensation (Restricted share compensation) | |
| Directors (excluding Outside Directors and Directors who are Audit and Supervisory Committee Members) | 259 | 162 | 72 | 26 | 5 |
| Directors who are Audit and Supervisory Committee Members (excluding Outside Directors) | 23 | 23 | - | - | 1 |
| Corporate Auditors (excluding Outside Corporate Auditors) | 7 | 7 | - | - | 1 |
| Outside officers | 64 | 64 | - | - | 8 |

(Note) 1. Based on a resolution adopted at the 167th Annual General Meeting of Shareholders held on June 25, 2025, the Company transitioned from a company with a Board of Auditors to a company with an Audit and Supervisory Committee on the same date.

Prior to the transition to a company with an Audit and Supervisory Committee, the amount of compensation 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.

Following the transition to a company with an Audit and Supervisory Committee, the amount of compensation for Directors (excluding Directors who are Audit and Supervisory Committee Members) was resolved at the 167th Annual General Meeting of Shareholders held on June 25, 2025, to be within ¥35 million per month (of which up to ¥5 million is for Outside Directors), the amount of compensation for Directors who are Audit and Supervisory Committee Members was set at up to ¥5 million per month, and the amount of compensation for the grant of restricted shares to Directors (excluding Directors who are Audit and Supervisory Committee Members) was set at up to ¥35 million per year.

2. Matters related to performance-based compensation

(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 and Directors who are Audit and Supervisory Committee Members). 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 | 166th term | 167th term |
|---|---|---|
| Target (Hundred million yen) | 367 | 405 |
| Actual (Hundred million yen) | 288 | 394 |

(Note) In evaluations of company-wide performance, results for the 166th term are reflected in compensation for the period between April 2025 and June 2025 and results for the 167th term are reflected in compensation for the period between July 2025 and March 2026.

(4) Regarding the non-financial indicators set as evaluation criteria for short-term incentive compensation (set separately for each of the following elements: safety and disaster prevention, human capital, and climate change response), the target for climate change response (GHG emissions reduction target: 2.9% reduction compared to the previous fiscal year; actual result: 4.7% reduction) was 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 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. Regarding the status as of the end of March 2026, the matter was deliberated at the Board of Directors meeting on May 26, 2026, and the decision was made to continue holding the shares.

(b) Number of stocks and carrying amounts

| | Number of stocks (Stock) | Total carrying amount (Millions of yen) |
|---|---|---|
| Unlisted shares | 45 | 1,685 |
| Shares other than unlisted shares | 3 | 315 |

(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 | 1 | - | This is because the issuing company became a subsidiary of a newly established holding company through a joint share transfer, resulting in the allocation of shares in the holding company to the Company. |
| Shares other than unlisted shares | 1 | 3 | The issuer is a key customer of the Company's packaging film 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) |
|---|---|---|
| Shares other than unlisted shares | 2 | 682 |

(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 | The Company had held its shares to maintain and strengthen the relationship with the issuer as a strategic partner for supplying raw materials for high-performance products. | No |
| | - | 446 | | |
| Taisei Lamick Group Co., Ltd. | 112,054 | 110,663 | The issuer is a key customer of the Company's packaging film business, and the Company holds its shares to maintain a stable relationship. The increase in shares held is due to the Shareholding Association. | No |
| | 279 | 275 | | |
| Hisamitsu Pharmaceutical Co., Inc. | - | 20,000 | The issuer is a key customer of the Company's industrial films business, and the Company had held its shares to maintain a stable relationship. | No |
| | - | 80 | | |
| Sun A Kaken Co., Ltd. | 35,000 | 35,000 | The issuer is a key customer of the Company's industrial films and packaging film businesses, and the Company holds its shares to maintain a stable relationship. | No |
| | 25 | 19 | | |
| Maruto Sangyo Co., Ltd. | 4,575 | 4,575 | The issuer is a key customer of the Company's packaging film business, and the Company holds its shares to maintain a stable relationship. | No |
| | 10 | 8 | | |

(Note) 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.

(iii) Equity investments held for pure investment purposes

Not applicable

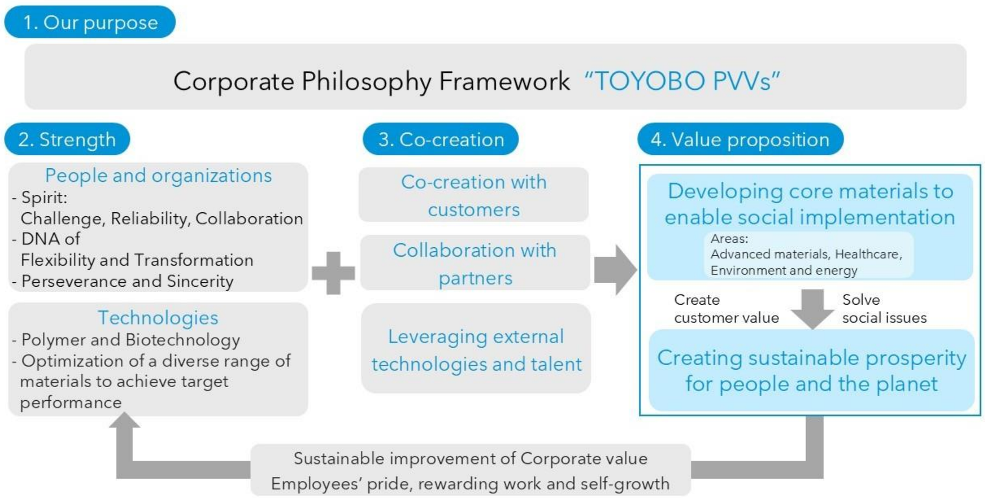
## 5. Employees

### (1) Basic Policies Regarding Human Resources Strategy

<Business strategy>

In our value creation story that we newly formulated as part of the *2030 Medium-Term Management Plan*, which is positioned in the latter half of our long-term vision, *Sustainable Vision 2030,* we aim to create and deliver customer value through our Group's *strengths* and *co-creation* with partners, including our customers, and to solve social issues. Through these efforts, we seek to enhance sustainable corporate value while fostering employees' pride, rewarding work, and self-growth.

(Diagram of the Group's value creation story)



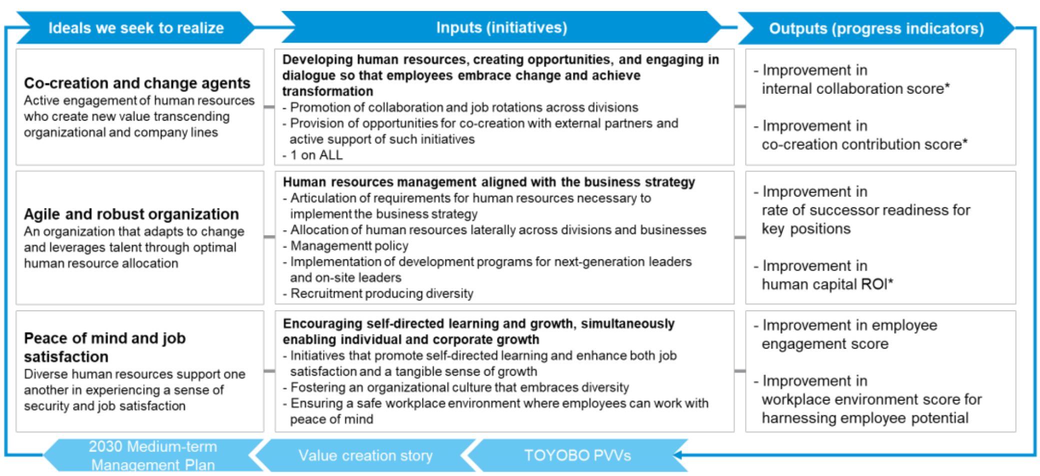

<Ideals we seek to realize>

To realize the above business strategy, we will implement human resources and labor management initiatives aimed at: (1) *Developing human resources who create new value transcending organizational and company lines* (Co-creation and change agents); (2) *Building an organization that adapts to change and leverages talent through optimal human resource allocation* (Agile and robust organization); and, as the foundation for these, (3) *Fostering a culture where diverse human resources support one another in experiencing a sense of security and job satisfaction* (Peace of mind and job satisfaction).

By adopting these three perspectives of *human resources, organization,* and *culture,* we aim to maximize human resource empowerment, our most important and valuable management asset, and thereby achieve our business targets.

<Human resources strategy and key indicators>

To realize our ideal *human resources, organization,* and *culture,* we will implement the following measures under the 2030 Medium-Term Management Plan.




* KPIs are scheduled to be determined and implemented during FY 3/27

<Approach to and policy for determining employee compensation>

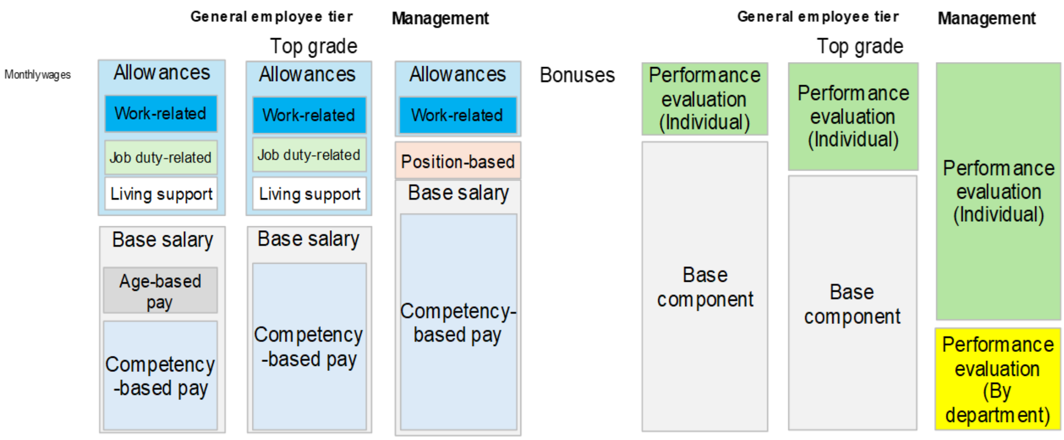
For employees, compensation is both the reward for their work and the foundation of their livelihood that allows them to work with peace of mind. For the Company, however, it serves as the cornerstone of business operations, encompassing not only labor costs but also investment in people. Through overall compensation that includes (1) *Direct monetary compensation (such as monthly wages and bonuses),* (2) *indirect monetary compensation (such as employee benefits),* and (3) *non-monetary compensation,* we make the Company attractive for recruitment and retention, and endeavor to maximize the potential of our human capital by enhancing motivation and developing capability with a sense of security among employees as the foundation as we aim to reach our business targets.

Monthly wages consist of: (1) *Base salary,* which is set according to the required role and other factors; and (2) *Allowances,* which consist of job duty-related (such as position and responsibilities), work-related (such as shift work, overtime, and late-night work), and living support (such as housing).

Decisions regarding improvements to monthly wages (wage increases) are made following negotiations with the labor union, taking into account social trends (such as price levels and competition) and the business environment. The cumulative wage increase rate, including regular pay raises and base pay increases, for FY 3/25 through FY 3/27 is 5% or more. (Wage increases are determined in the fiscal year immediately preceding the applicable fiscal year.)

Bonuses are determined through an agreement with the labor union and are based on a performance-linked formula. The Company determines the bonus amount based on its performance during the relevant term and reflects individual performance in the amount paid, thereby distributing profits in accordance with both Company performance and individual achievements. If the Company's performance during the relevant term falls outside the scope of the formula, the amount is determined through negotiations with the labor union.

Note that for management, a separate compensation system from the one described above is adopted for both monthly wages and bonuses, with greater emphasis placed on job responsibilities and the performance and results of the Company and the relevant department.




(Note) This policy applies to Toyobo Co., Ltd.

(2) Employees

(i) Information about the Group

As of March 31, 2026

| Segment | Number of employees (People) | |
|---|---|---|
| Films | 2,012 | [228] |
| Life Science | 1,083 | [125] |
| Environmental and Functional Materials | 1,760 | [123] |
| Functional Textiles and Trading | 3,368 | [931] |
| Real Estate | 44 | [7] |
| Other Businesses | 559 | [125] |
| Company-wide (common) | 572 | [104] |
| Total | 9,398 | [1,643] |

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

(ii) Information about the Reporting Company

As of March 31, 2026

| Number of employees (People) | Average age | Average years of service | Average annual salary (Yen) | Percentage change in average annual salary compared to previous fiscal year (%) |
|---|---|---|---|---|
| 2,885 [469] | 40.1 | 14.2 | 6,853,737 | 6.8 |

| Segment | Number of employees (People) | |
|---|---|---|
| Films | 1,385 | [94] |
| Life Science | 702 | [98] |
| Environmental and Functional Materials | 73 | [7] |
| Functional Textiles and Trading | 126 | [159] |
| Real Estate | - | [-] |
| Other Businesses | 44 | [7] |
| Company-wide (common) | 555 | [104] |
| Total | 2,885 | [469] |

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.

(iii) 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.

(iv) Ratio of female workers among those in managerial positions, ratio of male workers taking childcare leave, and difference in amount of pay between male and female workers

(a) Reporting company

| Current fiscal year | | | | |
|---|---|---|---|---|
| Ratio of female workers among those in managerial positions (%) (Note) 1 | Ratio of male workers taking childcare leave (%) (Note) 2 | Difference in amount of 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 | 116.2 | 66.8 | 68.8 | 51.5 |

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 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.

(b) Consolidated subsidiaries

| Current fiscal year | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Name | Ratio of female workers among those in managerial positions (%) (Note) 1 | Ratio of male workers taking childcare leave (%) | | | | Difference in amount of 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 | 64.2 | 71.1 | 59.9 |
| Toyobo Engineering Co., Ltd. | 3.2 | 133.0 | 133.0 | - | (Note) 1 | 73.4 | 74.6 | 53.1 |
| Japan Exlan Co., Ltd. | 5.6 | 50.0 | - | - | (Note) 2 | 66.5 | 85.1 | 52.6 |
| Miyukikeori Co., Ltd. | 5.4 | 0.0 | - | - | (Note) 2 | 72.0 | 69.4 | 68.3 |
| Toyo Cloth Co., Ltd. | 1.7 | 71.0 | - | - | (Note) 2 | 71.9 | 74.1 | 82.4 |
| Toyo Knit Co., Ltd. | 0.0 | - | - | - | (Note) 3 | 68.4 | 76.4 | 66.2 |
| Cosmo Electronics Co., Ltd. | 21.1 | 67.0 | 50.0 | 100.0 | (Note) 1 | 73.1 | 71.3 | 94.4 |
| Miyuki Sewing Co., Ltd. | 40.9 | - | - | - | (Note) 3 | 74.4 | 77.8 | 70.7 |

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 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 on 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.

# 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, 2025 to March 31, 2026) 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

The Company implements special measures to ensure the appropriateness of the consolidated financial statements. 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

(1) Consolidated Financial Statements

(i) Consolidated Balance Sheets

(Millions of yen)

| | Previous fiscal year (As of March 31, 2025) | Current fiscal year (As of March 31, 2026) |
|---|---|---|
| Assets | | |
| Current assets | | |
| Cash and deposits | *2 28,581 | *2 31,107 |
| Notes receivable - trade | 1,743 | 722 |
| Accounts receivable - trade | 90,802 | 87,486 |
| Contract assets | 207 | 732 |
| Electronically recorded monetary claims - operating | 13,400 | 12,755 |
| Merchandise and finished goods | 65,055 | 66,699 |
| Work in process | 22,023 | 23,401 |
| Raw materials and supplies | 31,904 | 37,955 |
| Other | 14,109 | 10,207 |
| Allowance for doubtful accounts | (330) | (521) |
| Total current assets | 267,495 | 270,543 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures, net | *7 73,763 | *7 88,751 |
| Machinery, equipment and vehicles, net | *7 63,720 | *7 82,648 |
| Land | *6 90,203 | *6 92,402 |
| Construction in progress | 55,958 | 23,022 |
| Other, net | 12,875 | 13,109 |
| Total property, plant and equipment | *1, *2 296,518 | *1, *2 299,932 |
| Intangible assets | | |
| Other | 5,032 | 4,844 |
| Total intangible assets | 5,032 | 4,844 |
| Investments and other assets | | |
| Investment securities | *4 12,274 | *4 11,784 |
| Retirement benefit asset | 4,358 | 12,291 |
| Deferred tax assets | 21,427 | 18,346 |
| Other | *4 10,762 | *4 9,986 |
| Allowance for doubtful accounts | (68) | (59) |
| Total investments and other assets | 48,754 | 52,348 |
| Total non-current assets | 350,304 | 357,124 |
| Total assets | 617,799 | 627,667 |

(Millions of yen)

| | Previous fiscal year (As of March 31, 2025) | Current fiscal year (As of March 31, 2026) |
|---|---|---|
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable - trade | 48,389 | 45,075 |
| Electronically recorded obligations - operating | 3,436 | 1,773 |
| Short-term borrowings | 53,043 | 54,700 |
| Commercial papers | 5,000 | 2,000 |
| Current portion of bonds payable | 10,000 | 10,000 |
| Current portion of long-term borrowings | 11,684 | 12,426 |
| Provision for bonuses | 5,260 | 5,863 |
| Other | *2, *5 23,509 | *2, *5 25,758 |
| Total current liabilities | 160,320 | 157,595 |
| Non-current liabilities | | |
| Bonds payable | 67,000 | 67,000 |
| Long-term borrowings | 114,343 | 108,345 |
| Deferred tax liabilities for land revaluation | 18,990 | 18,956 |
| Provision for retirement benefits for directors (and other officers) | 209 | 202 |
| Retirement benefit liability | 14,122 | 13,100 |
| Other | 10,770 | 10,474 |
| Total non-current liabilities | 225,435 | 218,077 |
| Total liabilities | 385,755 | 375,672 |
| Net assets | | |
| Shareholders' equity | | |
| Share capital | 51,730 | 51,730 |
| Capital surplus | 32,661 | 32,614 |
| Retained earnings | 68,967 | 76,238 |
| Treasury shares | (925) | (845) |
| Total shareholders' equity | 152,433 | 159,737 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 1,857 | 2,064 |
| Deferred gains or losses on hedges | 12 | 13 |
| Revaluation reserve for land | *6 40,174 | *6 40,755 |
| Foreign currency translation adjustment | (603) | 3,112 |
| Remeasurements of defined benefit plans | 1,439 | 7,632 |
| Total accumulated other comprehensive income | 42,879 | 53,577 |
| Non-controlling interests | 36,732 | 38,681 |
| Total net assets | 232,044 | 251,995 |
| Total liabilities and net assets | 617,799 | 627,667 |

(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, 2024 to March 31, 2025) | Current fiscal year (From April 1, 2025 to March 31, 2026) |
|---|---|---|
| Net sales | *1 422,032 | *1 421,563 |
| Cost of sales | *2, *4 324,977 | *2, *4 313,411 |
| Gross profit | 97,055 | 108,152 |
| Selling, general and administrative expenses | *3, *4 80,402 | *3, *4 80,247 |
| Operating profit | 16,653 | 27,906 |
| Non-operating income | | |
| Dividend income | 321 | 405 |
| Foreign exchange gains | - | 529 |
| Insurance fee income | 84 | 273 |
| Compensation income | 575 | 10 |
| Subsidy income | 890 | 580 |
| Other | 1,284 | 901 |
| Total non-operating income | 3,153 | 2,699 |
| Non-operating expenses | | |
| Interest expenses | 2,182 | 2,920 |
| Share of loss of entities accounted for using equity method | 129 | 839 |
| Other | 6,904 | 3,968 |
| Total non-operating expenses | 9,216 | 7,727 |
| Ordinary profit | 10,591 | 22,878 |
| Extraordinary income | | |
| Gain on sale of non-current assets | *5 737 | *5 1,296 |
| Gain on sale of investment securities | *6 124 | *6 501 |
| Gain on liquidation of subsidiaries and associates | - | 93 |
| Gain on sale of shares of subsidiaries and associates | 1,489 | - |
| Gain on sale of investments in capital of subsidiaries and associates | - | 296 |
| Total extraordinary income | 2,350 | 2,186 |
| Extraordinary losses | | |
| Impairment losses | *10 1,929 | *10 382 |
| Loss on disposal of non-current assets | *7 3,718 | *7 2,646 |
| Loss on sale of non-current assets | 126 | - |
| Business restructuring expenses | - | *8 568 |
| Extra retirement payments | - | *9 1,152 |
| Loss on revision of retirement benefit plan | - | 939 |
| Total extraordinary losses | 5,772 | 5,687 |
| Profit before income taxes | 7,168 | 19,376 |
| Income taxes - current | 3,246 | 4,788 |
| Income taxes - deferred | (1,277) | 345 |
| Total income taxes | 1,969 | 5,133 |
| Profit | 5,199 | 14,243 |
| Profit attributable to non-controlling interests | 3,196 | 3,069 |
| Profit attributable to owners of parent | 2,003 | 11,174 |

Consolidated Statements of Comprehensive Income

(Millions of yen)

| (Consolidated Statements of Comprehensive Income) | Previous fiscal year (From April 1, 2024 to March 31, 2025) | Current fiscal year (From April 1, 2025 to March 31, 2026) |
|---|---|---|
| Profit | 5,199 | 14,243 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | 55 | 207 |
| Deferred gains or losses on hedges | (58) | 54 |
| Revaluation reserve for land | (292) | 205 |
| Foreign currency translation adjustment | (634) | 4,181 |
| Remeasurements of defined benefit plans, net of tax | 488 | 6,194 |
| Share of other comprehensive income of entities accounted for using equity method | 669 | 279 |
| Total other comprehensive income | * 227 | * 11,119 |
| Comprehensive income | 5,426 | 25,362 |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of parent | 2,260 | 21,496 |
| Comprehensive income attributable to non-controlling interests | 3,166 | 3,866 |

(iii) Consolidated Statements of Changes in Net Assets

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 |

For the fiscal year ended March 31, 2026

(Millions of yen)

| | Shareholders' equity | | | | |
|---|---|---|---|---|---|
| | Share capital | Capital surplus | Retained earnings | Treasury shares | Total shareholders' equity |
| Balance at beginning of period | 51,730 | 32,661 | 68,967 | (925) | 152,433 |
| Changes during period | | | | | |
| Dividends of surplus | | | (3,527) | | (3,527) |
| Profit attributable to owners of parent | | | 11,174 | | 11,174 |
| Reversal of revaluation reserve for land | | | (375) | | (375) |
| Purchase of treasury shares | | | | (1) | (1) |
| Disposal of treasury shares | | (11) | | 82 | 70 |
| Change in scope of consolidation | | 7 | | | 7 |
| Capital increase of consolidated subsidiaries | | (42) | | | (42) |
| Net changes in items other than shareholders' equity | | | | | |
| Total changes during period | - | (47) | 7,271 | 80 | 7,304 |
| Balance at end of period | 51,730 | 32,614 | 76,238 | (845) | 159,737 |

| | 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 | 1,857 | 12 | 40,174 | (603) | 1,439 | 42,879 | 36,732 | 232,044 |
| Changes during period | | | | | | | | |
| Dividends of surplus | | | | | | | | (3,527) |
| Profit attributable to owners of parent | | | | | | | | 11,174 |
| Reversal of revaluation reserve for land | | | | | | | | (375) |
| Purchase of treasury shares | | | | | | | | (1) |
| Disposal of treasury shares | | | | | | | | 70 |
| Change in scope of consolidation | | | | | | | | 7 |
| Capital increase of consolidated subsidiaries | | | | | | | | (42) |
| Net changes in items other than shareholders' equity | 207 | 1 | 581 | 3,716 | 6,194 | 10,698 | 1,949 | 12,647 |
| Total changes during period | 207 | 1 | 581 | 3,716 | 6,194 | 10,698 | 1,949 | 19,951 |
| Balance at end of period | 2,064 | 13 | 40,755 | 3,112 | 7,632 | 53,577 | 38,681 | 251,995 |

(iv) Consolidated Statements of Cash Flows

(Millions of yen)

| | Previous fiscal year (From April 1, 2024 to March 31, 2025) | Current fiscal year (From April 1, 2025 to March 31, 2026) |
|---|---|---|
| Cash flows from operating activities | | |
| Profit before income taxes | 7,168 | 19,376 |
| Depreciation | 22,698 | 24,631 |
| Impairment losses | 1,929 | 382 |
| Increase (decrease) in allowance for doubtful accounts | (1,186) | 130 |
| Increase (decrease) in retirement benefit liability | (625) | (1,411) |
| Decrease (increase) in retirement benefit asset | (1,021) | 476 |
| Interest and dividend income | (612) | (641) |
| Interest expenses | 2,182 | 2,920 |
| Foreign exchange losses (gains) | 662 | (529) |
| Share of loss (profit) of entities accounted for using equity method | 129 | 839 |
| Loss (gain) on sales and disposal of property, plant and equipment, net | 3,107 | 1,350 |
| Loss (gain) on sale and valuation of investment securities | (124) | (501) |
| Loss (gain) on sale of shares of subsidiaries and associates | (1,489) | - |
| Loss (gain) on sale of investments in capital of subsidiaries and associates | - | (296) |
| Business restructuring expenses | - | 568 |
| Premium severance pay | - | 1,152 |
| Loss (gain) on revision of retirement benefit plan | - | 939 |
| Decrease (increase) in trade receivables | (6,855) | 6,202 |
| Decrease (increase) in inventories | 1,168 | (7,134) |
| Increase (decrease) in trade payables | 729 | (6,014) |
| Increase/decrease in consumption taxes payable/consumption taxes refund receivable | 2,376 | 725 |
| Other, net | 5,544 | 4,739 |
| Subtotal | 35,779 | 47,904 |
| Payment of premium severance pay | - | (1,152) |
| Income taxes refund (paid) | (5,661) | (1,720) |
| Net cash provided by (used in) operating activities | 30,118 | 45,032 |
| Cash flows from investing activities | | |
| Purchase of property, plant and equipment and intangible assets | (45,225) | (29,150) |
| Proceeds from sale of property, plant and equipment and intangible assets | 1,079 | 2,510 |
| Proceeds from sale of shares of subsidiaries resulting in change in scope of consolidation | 1,946 | - |
| Proceeds from sale of investments in capital of subsidiaries resulting in change in scope of consolidation | - | 993 |
| Long-term loan advances | - | (63) |
| Proceeds from collection of long-term loans receivable | 23 | 127 |
| Interest and dividends received | 628 | 1,110 |
| Other, net | (4,837) | (2,603) |
| Net cash provided by (used in) investing activities | (46,386) | (27,077) |

(Millions of yen)

| | Previous fiscal year (From April 1, 2024 to March 31, 2025) | Current fiscal year (From April 1, 2025 to March 31, 2026) |
|---|---|---|
| Cash flows from financing activities | | |
| Net increase (decrease) in short-term borrowings | (15,350) | 1,416 |
| Net increase (decrease) in commercial papers | 5,000 | (3,000) |
| Proceeds from long-term borrowings | 40,500 | 4,462 |
| Repayments of long-term borrowings | (13,329) | (9,984) |
| Proceeds from issuance of bonds | 17,000 | 10,000 |
| Redemption of bonds | (15,000) | (10,000) |
| Purchase of treasury shares | (2) | (1) |
| Interest paid | (2,122) | (2,878) |
| Dividends paid | (3,525) | (3,515) |
| Dividends paid to non-controlling interests | (752) | (1,853) |
| Purchase of investments in capital of subsidiaries without change in scope consolidation | (219) | - |
| Other, net | (1,711) | (1,153) |
| Net cash provided by (used in) financing activities | 10,490 | (16,506) |
| Effect of exchange rate change on cash and cash equivalents | (105) | 1,253 |
| Net increase (decrease) in cash and cash equivalents | (5,883) | 2,702 |
| Cash and cash equivalents at beginning of period | 33,310 | 27,427 |
| Cash and cash equivalents at end of period | * 27,427 | * 30,128 |

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: 47

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

Effective from the current fiscal year, Toyobo Automotive Textiles (CHANGSHU) Co., Ltd. has been excluded from the scope of consolidation because the Company's entire equity interest in it was transferred, and SANTOYOKO (HONG KONG) CO., LTD. has been excluded from the scope of consolidation because the distribution of residual assets was completed following liquidation proceedings. Arabian Japanese Membrane Company, LLC has changed its trade name to TOYOBO MC Middle East Industries Company, LLC.

(2) Unconsolidated subsidiaries (Toho Kako Co., Ltd. and others) 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.

(2) Unconsolidated subsidiaries other than those in the preceding item (1) (Toho Kako Co., Ltd. and others) and associates (Hokuriku Air Chemicals Corporation and others) 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 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 and similar instruments 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 and similar instruments with no market price

Stated at cost using the moving-average method.

Inventories

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

(2) Depreciation and amortization methods for significant depreciable assets

Property, plant and equipment (excluding lease assets)

Depreciated using the straight-line method.

Intangible assets (excluding lease assets)

Amortized using the straight-line method. Software for internal use is amortized using the straight-line method over the estimated useful life in-house (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 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 instruments 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 | 296,518 | 299,932 |
| Retirement benefit asset | 4,358 | 12,291 |
| Retirement benefit liability | 14,122 | 13,100 |
| Deferred tax assets | 21,427 | 18,346 |

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 and other factors. The uncertainty of these estimates and related matters 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 that 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 up to the previous fiscal year and signs of impairment that continue to be observed due to delays in the revenue plan for new production equipment. However, the recognition 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 ¥12,162 million. Note that the future business plan used to calculate undiscounted future cash flows includes estimates related to the revenue plan for 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 3.0% 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 | 2,170 |
| Discount rates: increase of 0.5 percentage points | (2,027) |

(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 related to the revenue plan for new production equipment in the Company's packaging film 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)

- 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, taking into account international accounting standards. As its basic policy in this regard, the ASBJ announced a lease accounting standard and related guidance 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 that basically requires 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 and related guidance will be applied from the beginning of the fiscal year ending March 31, 2028.

(3) Impact of application of accounting standard

The impact of the *Accounting Standard for Leases* and related guidance on the consolidated financial statements is currently being assessed.

(Changes in presentation method)

(Consolidated statements of income)

Insurance fee 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. To reflect this change in presentation method, the consolidated financial statements for the previous fiscal year have been reclassified.

As a result, for the consolidated statement of income for the previous fiscal year, ¥1,368 million that was previously displayed as 'other' under non-operating income has been reclassified into insurance fee income of ¥84 million and 'other' of ¥1,284 million.

Share of loss of entities accounted for using equity method, which was included in 'other' under non-operating expenses in the previous fiscal year, is presented separately in the current fiscal year because the item now accounts for 10% or more of total non-operating expenses. Also, salaries paid to dispatched employees, which were presented separately under non-operating expenses 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, ¥693 million that was previously displayed as salaries paid to dispatched employees under non-operating expenses and ¥6,340 million that was previously displayed as 'other' have been reclassified into share of loss of entities accounted for using equity method of ¥129 million and 'other' of ¥6,904 million.

Loss on sale of non-current assets, which was included in 'other' under extraordinary losses in the previous fiscal year, is presented separately starting from the current fiscal year to enhance the clarity of disclosure. To reflect this change in presentation method, the consolidated financial statements for the previous fiscal year have been reclassified.

As a result, for the consolidated statement of income for the previous fiscal year, ¥126 million that was previously displayed as 'other' under extraordinary losses has been reclassified into loss on sale of non-current assets of ¥126 million.

(Consolidated statements of cash flows)

Proceeds from sale of investment securities, which was presented separately in cash flows from investing activities in the previous fiscal year, are now included in 'other' from the perspective of materiality. To reflect this change in presentation method, the consolidated financial statements for the previous fiscal year have been reclassified.

As a result, in the consolidated statement of cash flows for the previous fiscal year, proceeds from sale of investment securities of ¥160 million and 'other' of ¥(4,997) million under cash flows from investing activities have been reclassified as 'other' of ¥(4,837) million.

(Consolidated balance sheets)

*1. Accumulated depreciation directly deducted from property, plant, and equipment was ¥445,978 million for the previous fiscal year and ¥451,576 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, 2025 | As of March 31, 2026 |
|---|---|---|
| Cash and deposits | ¥25 million | ¥28 million |
| Property, plant and equipment | 176 | 159 |
| Total | ¥201 million | ¥187 million |

Collateralized debt obligations are as follows:

| | As of March 31, 2025 | As of March 31, 2026 |
|---|---|---|
| Other current liabilities (deposits received) | ¥118 million | ¥126 million |
| Total | ¥118 million | ¥126 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, 2025 | | As of March 31, 2026 | |
|---|---|---|---|
| Toyobo Indorama Advanced Fibers Co.,Ltd. | ¥3,662 million | Toyobo Indorama Advanced Fibers Co.,Ltd. | ¥3,550 million |
| PT.TRIAS TOYOBO ASTRIA | 1,142 | Cast Film Japan Co., Ltd. | 1,155 |
| Cast Film Japan Co., Ltd. | 1,025 | PT.TRIAS TOYOBO ASTRIA | 1,071 |
| Indorama Ventures Mobility Obernburg GmbH | 940 | | |
| Total | ¥6,769 million | Total | ¥5,775 million |

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

| | As of March 31, 2025 | As of March 31, 2026 |
|---|---|---|
| Investment securities (shares) | ¥6,530 million | ¥5,943 million |
| [of which, the amount on the right is the amount of investment in companies under common control] | (2,297) | (2,366) |
| 'Other' under investments and other assets (investments) | 2,142 | 1,684 |

*5. Contract liabilities

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

*6. Revaluation reserve for land

In accordance with the Act on Revaluation of Land (Act No. 34 published on March 31, 1998), the Company and two consolidated subsidiaries (in the previous fiscal year, the Company 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, 2025 | As of March 31, 2026 |
|---|---|---|
| Difference between the year-end fair value of land subject to revaluation and the carrying amount after the revaluation | ¥29,435 million | ¥32,049 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.

*7. Amount of accelerated depreciation for tax purposes

The following is 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, 2025 | As of March 31, 2026 |
|---|---|---|
| Amount of accelerated depreciation for tax purposes | ¥607 million | ¥607 million |
| [Of which, the amount on the right is the amount of buildings and structures] | (281) | (281) |
| [Of which, the amount on the right is the amount of machinery, equipment, and vehicles] | (327) | (327) |

8. Others

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

| | As of March 31, 2025 | As of March 31, 2026 |
|---|---|---|
| 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, 2025 | For the fiscal year ended March 31, 2026 |
|---|---|
| ¥767 million | ¥(1,275) million |

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

| | For the fiscal year ended March 31, 2025 | For the fiscal year ended March 31, 2026 |
|---|---|---|
| Transport and storage costs | ¥13,340 million | ¥13,115 million |
| Salaries and bonuses | 18,717 | 19,308 |
| Provision for bonuses | 2,097 | 2,137 |
| Retirement benefit expenses | 1,323 | 1,181 |
| Research and development expenses | 14,364 | 14,113 |

*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, 2025 | For the fiscal year ended March 31, 2026 |
|---|---|
| ¥14,261 million | ¥14,113 million |

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

| For the fiscal year ended March 31, 2025 | | For the fiscal year ended March 31, 2026 | |
|---|---|---|---|
| Buildings and structures | ¥1 million | Buildings and structures | ¥200 million |
| Machinery, equipment, and vehicles | 46 | Machinery, equipment, and vehicles | 13 |
| Land | 689 | Land | 1,072 |
| 'Other' under property, plant, and equipment | 1 | 'Other' under property, plant, and equipment | 11 |
| Total | ¥737 million | Total | ¥1,296 million |

*6. Gain on sale of investment securities

For the fiscal year ended March 31, 2025

All are related to available-for-sale securities.

For the fiscal year ended March 31, 2026

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, 2025 | | For the fiscal year ended March 31, 2026 | |
|---|---|---|---|
| Buildings and structures | ¥2,172 million | Buildings and structures | ¥1,031 million |
| Machinery, equipment, and vehicles | 1,489 | Machinery, equipment, and vehicles | 1,519 |
| 'Other' under property, plant, and equipment | 57 | 'Other' under property, plant, and equipment | 55 |
| Construction in progress | - | Construction in progress | 41 |
| Total | ¥3,718 million | Total | ¥2,646 million |

*8. The details of business restructuring expenses are as follows.
These are expenses associated with the reorganization of the airbag fabrics business at a consolidated subsidiary.

*9. The details of the extra retirement payments are as follows.
These are additional retirement benefits related to second-career support and other initiatives implemented as part of human resources policies at the Company and some consolidated subsidiaries.

*10. Impairment losses
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 previous fiscal year.

| Location | Use | Main type |
|---|---|---|
| Toyobo MC Corporation<br>Iwakuni Site, Tsuruga Site, and others.<br>(Iwakuni, Yamaguchi; Tsuruga, Fukui; and others.) | Business assets<br>(Nonwoven fabric production facilities) | Buildings and structures<br>Machinery, equipment, and vehicles<br>Construction in progress<br>etc. |
| Xenomax - Japan Co., Ltd.<br>Head office plant<br>(Tsuruga, Fukui) | Business assets<br>(Film production facility) | Buildings and structures |
| Toyobo Co., Ltd.<br>Inuyama Plant and others<br>(Inuyama, Aichi and others) | Assets to be suspended | Buildings and structures<br>Machinery, equipment, and vehicles<br>Construction in progress<br>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. 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.

For the fiscal year ended March 31, 2026

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

| Location | Use | Main type |
|---|---|---|
| Xenomax - Japan Co., Ltd.<br>Head office plant<br>(Tsuruga, Fukui) | Business assets<br>(Film production facility) | Buildings and structures<br>Machinery, equipment, and vehicles |
| TOYOBO INDUSTRIAL MATERIALS<br>AMERICA, INC.<br>(Alabama, U.S.A.) | Assets to be disposed | Buildings and structures<br>Machinery, equipment, and vehicles<br>Construction in progress<br>etc. |
| Toyo Cloth Co., Ltd.<br>Head office, Tarui Production Center<br>(Sennan, Osaka) | Assets to be suspended | Buildings and structures<br>Machinery, equipment, and vehicles<br>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. Therefore, the carrying amount of these assets has been reduced to the recoverable amount, and the reduction was recognized as an impairment loss of ¥382 million.

The breakdown is as follows:

| | |
|---|---|
| Buildings and structures | ¥115 million |
| Machinery, equipment, and vehicles | ¥212 million |
| Construction in progress | ¥44 million |
| Other | ¥11 million |
| Total | ¥382 million |

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

(Consolidated statements of comprehensive income)

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

| | For the fiscal year ended March 31, 2025 | For the fiscal year ended March 31, 2026 |
|---|---|---|
| Valuation difference on available-for-sale securities: | | |
| Amount arising during the period | ¥218 million | ¥797 million |
| Reclassification adjustment | (125) | (491) |
| Amount before income taxes and tax effects | 93 | 306 |
| Income taxes and tax effects | (38) | (99) |
| Valuation difference on available-for-sale securities | 55 | 207 |
| Deferred gains or losses on hedges: | | |
| Amount arising during the period | (83) | 79 |
| Reclassification adjustment | - | - |
| Amount before income taxes and tax effects | (83) | 79 |
| Income taxes and tax effects | 25 | (25) |
| Deferred gains or losses on hedges | (58) | 54 |
| Revaluation reserve for land | | |
| Income taxes and tax effects | (292) | 205 |
| Revaluation reserve for land | (292) | 205 |
| Foreign currency translation adjustment: | | |
| Amount arising during the period | (633) | 4,518 |
| Reclassification adjustment | (3) | (318) |
| Amount before income taxes and tax effects | (636) | 4,200 |
| Income taxes and tax effects | 1 | (20) |
| Foreign currency translation adjustment | (634) | 4,181 |
| Adjustment of defined benefit plans: | | |
| Amount arising during the period | 395 | 8,584 |
| Reclassification adjustment | 312 | 464 |
| Amount before income taxes and tax effects | 707 | 9,048 |
| Income taxes and tax effects | (219) | (2,854) |
| Remeasurements of defined benefit plans, net of tax | 488 | 6,194 |
| Share of other comprehensive income of entities accounted for using the equity method: | | |
| Amount arising during the period | 669 | 279 |
| Reclassification adjustment | - | - |
| Share of other comprehensive income of entities accounted for using the equity method | 669 | 279 |
| Total other comprehensive income | 227 | 11,119 |

(Consolidated statements of changes in net assets)

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

| (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 |

For the fiscal year ended March 31, 2026

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<br>Common shares | 89,048 | - | - | 89,048 |
| Total | 89,048 | - | - | 89,048 |
| Treasury shares<br>Common shares (Notes) 1, 2 | 876 | 5 | 77 | 804 |
| Total | 876 | 5 | 77 | 804 |

Notes: 1. The increase of 5,000 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 4,000 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 of 0 shares due to requests for the sale of shares in amounts less than one unit and a decrease of 77,000 shares due to disposal of treasury shares as restricted share compensation.

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, 2025 | Common shares | 3,527 | 40 | March 31, 2025 | June 26, 2025 |

(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 24, 2026.

| (Resolution) | Share class | Total dividend (Millions of yen) | Source of dividend | Dividend per share (Yen) | Record date | Effective date |
|---|---|---|---|---|---|---|
| Annual General Meeting of Shareholders on June 24, 2026 | Common shares | 3,530 | Retained earnings | 40 | March 31, 2026 | June 25, 2026 |

(Consolidated statements of cash flows)

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

| | For the fiscal year ended March 31, 2025 | For the fiscal year ended March 31, 2026 |
|---|---|---|
| Cash and deposits | ¥28,581 million | ¥31,107 million |
| Time deposits maturing after three months | (1,155) | (978) |
| Cash and cash equivalents | ¥27,427 million | ¥30,128 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, 2025 | As of March 31, 2026 |
|---|---|---|
| Lease payables at end of period | | |
| Within 1 year | ¥1,470 million | ¥1,519 million |
| Over 1 year | 1,430 | 1,236 |
| Total | ¥2,900 million | ¥2,755 million |

(Lessor)

Lease receivables for non-cancelable operating leases

| | As of March 31, 2025 | As of March 31, 2026 |
|---|---|---|
| Lease receivables at end of period | | |
| Within 1 year | ¥507 million | ¥550 million |
| Over 1 year | 4,583 | 4,128 |
| Total | ¥5,090 million | ¥4,678 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 bonds payable, 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 regulations 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. The hedging instruments, hedged items, hedging policy, and 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*.

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 by 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 bonds payable are used mainly to finance investment expenditure, other investments, and lending.

In accordance with the internal regulations 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 officer 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 officer 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 of financial instruments

The following table summarizes the carrying amounts and the estimated fair values of financial instruments as of March 31, 2025 and 2026.

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) | - |

As of March 31, 2026

(Millions of yen)

| | Book value | Fair value | Difference |
|---|---|---|---|
| (1) Investment securities*2 | | | |
| Available-for-sale securities | 3,120 | 3,120 | - |
| Total assets | 3,120 | 3,120 | - |
| (2) Bonds payable | 77,000 | 74,563 | (2,437) |
| (3) Long-term borrowings | 120,771 | 118,031 | (2,740) |
| Total liabilities | 197,771 | 192,594 | (5,176) |
| Derivatives*4 | | | |
| (i) Derivatives to which hedge accounting is not applied | 11 | 11 | - |
| (ii) Derivatives to which hedge accounting is applied | 56 | 56 | - |
| Total derivatives | 67 | 67 | - |

Notes: 1. Cash and deposits, notes receivable - trade, accounts receivable - trade, electronically recorded monetary claims - operating, notes and accounts payable - trade, electronically recorded obligations - operating, 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 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, 2025 | As of March 31, 2026 |
|---|---|---|
| Unlisted shares | 8,519 | 8,026 |

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 ¥660 million at the end of the previous fiscal year and ¥638 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, 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 | - | - | - |
| Electronically recorded monetary claims - operating | 13,400 | - | - | - |
| Total | 134,526 | - | - | - |

As of March 31, 2026

(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 | 31,107 | - | - | - |
| Notes receivable - trade | 722 | - | - | - |
| Accounts receivable - trade | 87,486 | - | - | - |
| Electronically recorded monetary claims - operating | 12,755 | - | - | - |
| Total | 132,069 | - | - | - |

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, 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 and 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 |

As of March 31, 2026

(Millions of yen)

| | Within 1 year | Over 1 year and within 2 years | Over 2 years and within 3 years | Over 3 years and within 4 years | Over 4 years and within 5 years | Over 5 years |
|---|---|---|---|---|---|---|
| Short-term borrowings | 54,700 | - | - | - | - | - |
| Commercial papers | 2,000 | - | - | - | - | - |
| Bonds payable | 10,000 | 20,000 | 20,000 | - | 10,000 | 17,000 |
| Long-term borrowings | 12,426 | 17,904 | 14,053 | 22,435 | 7,433 | 46,520 |
| Total | 79,125 | 37,904 | 34,053 | 22,435 | 17,433 | 63,520 |

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, 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) |

As of March 31, 2026

(Millions of yen)

| Category | Fair value | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Investment securities | | | | |
| Available-for-sale securities | | | | |
| Shares | 3,120 | - | - | 3,120 |
| Total assets | 3,120 | - | - | 3,120 |
| Derivatives | | | | |
| Currency-related | - | 67 | - | 67 |
| Total derivatives | - | 67 | - | 67 |

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

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 |

As of March 31, 2026

(Millions of yen)

| Category | Fair value | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Bonds payable | - | 74,563 | - | 74,563 |
| Long-term borrowings | - | 118,031 | - | 118,031 |
| Total liabilities | - | 192,594 | - | 192,594 |

Note: 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, 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) Bonds payable | - | - | - |
| (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 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 | - |

As of March 31, 2026

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 | 3,120 | 780 | 2,340 |
| (2) Bonds | | | |
| (i) Government bonds, local government bonds, etc. | - | - | - |
| (ii) Corporate bonds | - | - | - |
| (iii) Others | - | - | - |
| (3) Others | - | - | - |
| Total | 3,120 | 780 | 2,340 |

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

(Millions of yen)

| | Book value | Acquisition cost | Difference |
|---|---|---|---|
| (1) Shares | - | - | - |
| (2) Bonds | | | |
| (i) Government bonds, local government bonds, etc. | - | - | - |
| (ii) Corporate bonds | - | - | - |
| (iii) Others | - | - | - |
| (3) Others | 638 | 638 | - |
| Total | 638 | 638 | - |

Note: Shares with no market price (carrying amount of ¥8,026 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, 2026

(Millions of yen)

| Class | Sales proceeds | Total gain on sale | Total loss on sale |
|---|---|---|---|
| (1) Shares | 727 | 501 | - |
| (2) Bonds | | | |
| (i) Government bonds, local government bonds, etc. | - | - | - |
| (ii) Corporate bonds | - | - | - |
| (iii) Others | - | - | - |
| (3) Others | - | - | - |
| Total | 727 | 501 | - |

(Derivatives)

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 | Contract amount 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 | Contract amount excluding a current portion | Fair value |
|---|---|---|---|---|---|
| General treatment | Foreign exchange forward transactions<br>Long position<br>U.S. dollars | Accounts payable - trade | 1,893 | - | (23) |
| Designation treatment of foreign exchange forward contracts | Foreign exchange forward transactions<br>Long position<br>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

As of March 31, 2026

1. Derivatives to which hedge accounting is not applied

(1) Currency-related

(Millions of yen)

| Category | Type of transactions | Contract amount | Contract amount 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 | 4,618 | - | (67) | (67) |
| | Euro | 252 | - | (0) | (0) |
| | Thai baht | 3,687 | - | 71 | 71 |
| | Long position | | | | |
| | U.S. dollars | 429 | - | 8 | 8 |
| | Thai baht | 89 | - | 0 | 0 |
| Total | | 9,075 | - | 11 | 11 |

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 | Contract amount excluding a current portion | Fair value |
|---|---|---|---|---|---|
| General treatment | Foreign exchange forward transactions | Accounts receivable - trade and accounts payable - trade | | | |
| | Short position | | | | |
| | U.S. dollars | | 18 | - | (1) |
| | Long position | | | | |
| | U.S. dollars | | 1,769 | | 57 |
| | Euro | | 27 | | (0) |
| | Chinese yuan | | 41 | | 0 |
| Designation treatment of foreign exchange forward contracts | Foreign exchange forward transactions | Accounts receivable - trade and accounts payable - trade | | | (Note) |
| | Short position | | | | |
| | U.S. dollars | | 178 | - | |
| | Long position | | | - | |
| | U.S. dollars | | 204 | - | |
| Total | | | 2,237 | - | 56 |

Note: Derivatives subject to designation treatment are accounted for together with hedged items, which are accounts receivable - trade and accounts payable - trade. The accounts receivable - trade and 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 receivable - trade and 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 plan, 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.

Additionally, some consolidated subsidiaries revised their retirement benefit plans during the current fiscal year. Regarding the accounting treatment associated with this revision, the Company applied *Accounting Treatment for Transitions Between Retirement Benefit Plans* (Corporate
Accounting Standards Application Guideline No. 1, December 16, 2016) and *Practical Treatment of Accounting for Transitions Between Retirement Benefit Plans* (Practical Response Report No. 2, February 7, 2007) to account for the partial termination of the retirement benefit plans.

Consequently, during the current fiscal year, the Company recorded a loss on revision of retirement benefit plan of ¥939 million under extraordinary losses.

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, 2025 | For the fiscal year ended March 31, 2026 |
|---|---|---|
| Retirement benefit obligations at beginning of year | 61,062 | 57,996 |
| Service cost | 2,494 | 2,360 |
| Interest cost | 870 | 843 |
| Actuarial differences incurred | (1,201) | (6,117) |
| Retirement benefits paid | (4,610) | (5,278) |
| Decrease resulting from revision of retirement benefit plan | - | (357) |
| Other | (619) | 98 |
| Retirement benefit obligations at end of year | 57,996 | 49,544 |

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, 2025 | For the fiscal year ended March 31, 2026 |
|---|---|---|
| Plan assets at beginning of year | 48,357 | 48,231 |
| Expected return on plan assets | 926 | 927 |
| Actuarial differences incurred | (806) | 2,468 |
| Employer's contribution | 2,771 | 1,300 |
| Retirement benefits paid | (3,016) | (2,895) |
| Decrease resulting from revision of retirement benefit plan | - | (1,296) |
| Other | (1) | 0 |
| Plan assets at end of year | 48,231 | 48,735 |

(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, 2025 | As of March 31, 2026 |
|---|---|---|
| Funded retirement benefit obligations | 45,547 | 37,765 |
| Plan assets | (48,231) | (48,735) |
| | (2,684) | (10,971) |
| Unfunded retirement benefit obligations | 12,449 | 11,780 |
| Net liability and asset recorded on the consolidated balance sheets | 9,764 | 809 |
| Retirement benefit liability | 14,122 | 13,100 |
| Retirement benefit asset | (4,358) | (12,291) |
| Net liability and asset recorded on the consolidated balance sheets | 9,764 | 809 |

(4) Retirement benefit expenses and their components

(Millions of yen)

| | For the fiscal year ended March 31, 2025 | For the fiscal year ended March 31, 2026 |
|---|---|---|
| Service cost | 2,494 | 2,360 |
| Interest cost | 870 | 843 |
| Expected return on plan assets | (926) | (927) |
| Amortization of actuarial differences | 452 | 604 |
| Amortization of prior service cost | (140) | (140) |
| Additional retirement benefits | 296 | 1,204 |
| Retirement benefit expenses for defined benefit plans | 3,045 | 3,943 |

Notes: 1. The service cost in the above table includes profit or loss related to retirement benefits of the consolidated subsidiaries, applying the simplified method.

2. In addition to the above, during the current fiscal year, the Company recorded a loss on revision of retirement benefit plan of ¥939 million under extraordinary losses due to revisions to the retirement benefit plans at some consolidated subsidiaries.

(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, 2025 | For the fiscal year ended March 31, 2026 |
|---|---|---|
| Actuarial differences | 847 | 9,188 |
| Prior service cost | (140) | (140) |
| Total | 707 | 9,048 |

(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, 2025 | As of March 31, 2026 |
|---|---|---|
| Unrecognized actuarial differences | (1,829) | (11,021) |
| Unrecognized prior service cost | (256) | (116) |
| Total | (2,085) | (11,137) |

(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, 2025 | As of March 31, 2026 |
|---|---|---|
| Bonds | 25% | 24% |
| Shares | 22 | 21 |
| General accounts | 37 | 40 |
| Cash and deposits | 3 | 0 |
| Other | 13 | 15 |
| 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, 2025 | As of March 31, 2026 |
|---|---|---|
| Discount rate | 1.5% | 3.0% |
| Expected long-term rate of return on plan assets | 2.0% | 2.0% |

3. Defined contribution plans

The amounts contributed to defined contribution plans by the Company and certain consolidated subsidiaries were ¥567 million and ¥600 million for the fiscal years ended March 31, 2025 and 2026, respectively.

4. Multi-employer-type employee pension fund plans

The total amounts contributed to multi-employer type employee pension fund plans, which are accounted for in the same way as defined contribution plans, were ¥4 million and ¥3 million for the fiscal years ended March 31, 2025 and 2026, respectively.

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

(Millions of yen)

| | Previous fiscal year (As of March 31, 2024) | Current fiscal year (As of March 31, 2025) |
|---|---|---|
| Plan assets | 14,768 | 14,628 |
| Total amount of actuarial liabilities in calculation of pension finance and minimum actuarial reserve | 13,935 | 13,972 |
| Difference | 833 | 656 |

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

Previous fiscal year 0.7% (as of March 31, 2024)

Current fiscal year 0.4% (as of March 31, 2025)

(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, 2025 | As of March 31, 2026 |
|---|---|---|
| Deferred tax assets | | |
| Provision for bonuses | ¥1,921 million | ¥2,157 million |
| Write-off of inventories | 1,557 | 1,267 |
| Retirement benefit liability | 3,168 | 209 |
| Allowance for doubtful accounts | 158 | 28 |
| Impairment losses | 5,419 | 4,395 |
| Write-off of investment securities | 809 | 740 |
| Tax loss carry-forwards (Note) | 13,409 | 12,570 |
| Unrealized gain eliminated as inter-company transactions | 9,476 | 9,287 |
| Tax effects related to investments in subsidiaries scheduled for liquidation | - | 1,993 |
| Other | 2,268 | 2,789 |
| Subtotal deferred tax assets | 38,185 | 35,436 |
| Valuation allowance pertaining to tax loss carry-forwards (Note) | (6,985) | (7,551) |
| Valuation allowance pertaining to total future deductible temporary difference | (3,388) | (3,099) |
| Valuation allowance subtotal | (10,373) | (10,650) |
| Total deferred tax assets | 27,812 | 24,786 |
| Deferred tax liabilities | | |
| Adjustments to allowance for doubtful accounts due to consolidation | (1) | (2) |
| Reserve for tax purpose reduction entry | (558) | (564) |
| Retained earnings of foreign subsidiaries | (1,555) | (1,556) |
| Valuation difference on subsidiary assets | (2,475) | (2,490) |
| Qualified post-formation acquisition | (1,335) | (1,335) |
| Qualified company split | (497) | (497) |
| Valuation difference on available-for-sale securities | (631) | (726) |
| Total deferred tax liabilities | (7,053) | (7,171) |
| Net deferred tax assets | ¥20,759 million | ¥17,615 million |

In addition to the above, deferred tax liabilities for land revaluation were recorded under non-current liabilities in the amount of ¥18,990 million for the fiscal year ended March 31, 2025 and ¥18,956 million for the fiscal year ended March 31, 2026.

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

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 and 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.

As of March 31, 2026 (Millions of yen)

| | Within 1 year | Over 1 year and within 2 years | Over 2 years and within 3 years | Over 3 years and within 4 years | Over 4 years and within 5 years | Over 5 years | Total |
|---|---|---|---|---|---|---|---|
| Tax loss carry-forwards (*1) | 494 | 30 | 628 | 533 | 693 | 10,191 | 12,570 |
| Valuation allowance | (462) | (30) | (609) | (448) | (693) | (5,309) | (7,551) |
| Deferred tax assets | 32 | 0 | 19 | 85 | 0 | 4,882 | (*2)5,019 |

(*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.

2. Breakdown of items which caused the difference, if any, between the statutory tax rate and the effective tax rate after adoption of tax-effect accounting

| | As of March 31, 2025 | As of March 31, 2026 |
|---|---|---|
| Effective tax rate | 31.0% | 31.0% |
| (Reconciliation) | | |
| Entertainment and other expenses excluded from deductible expenses | 0.5 | 0.2 |
| Dividend and other income excluded from taxable income | (0.7) | (0.3) |
| Tax credit | (1.8) | (2.5) |
| Valuation allowance | (0.8) | 1.0 |
| Equity in earnings (loss) of associates | 0.6 | 1.3 |
| Retained earnings of foreign subsidiaries | (3.0) | 0.5 |
| Tax rate difference from parent company | (8.3) | (2.3) |
| Unrealized gains or losses | (0.5) | 0.2 |
| Income taxes for prior periods | 3.8 | 0.6 |
| Resident tax on a per-capita basis | 1.6 | 0.6 |
| Effects of exclusion from scope of consolidation | (1.6) | 0.6 |
| Impact from subsidiaries scheduled for liquidation | - | (10.3) |
| Foreign taxes | 5.2 | 2.1 |
| Effects of changes in tax rate | (1.6) | - |
| Other | 3.0 | 3.8 |
| Actual effective tax rate | 27.5% | 26.5% |

3. Accounting treatment for national and local corporate taxes and tax-effect accounting related thereto

The Company and some of its domestic consolidated subsidiaries apply the group tax sharing system. 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.

(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 ¥2,003 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 ¥2,239 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, 2025 | For the fiscal year ended March 31, 2026 |
|---|---|---|---|
| Book value | | | |
| | Opening balance | 29,598 | 29,241 |
| | Changes during period | (357) | (1,020) |
| | Closing balance | 29,241 | 28,221 |
| Fair value at end of period | | 37,806 | 38,397 |

Notes: 1. Carrying amounts are acquisition costs less accumulated depreciation.

2. The change during the previous fiscal year was mainly attributable to a decrease due to depreciation (¥444 million).

The change during the current fiscal year was mainly attributable to a decrease due to sales (¥692 million) and a decrease due to depreciation (¥468 million).

3. The fair value at March 31, 2025 and 2026 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 ¥2,302 million and ¥2,288 million as of March 31, 2025 and 2026, respectively.

(Revenue recognition)

1. Disaggregation of revenue from contracts with customers

For the fiscal year ended March 31, 2025

(Millions of yen)

| | Reportable segments | | | | | | Other | 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 includes rental revenue based on accounting standards for lease transactions.

For the fiscal year ended March 31, 2026

(Millions of yen)

| | Reportable segments | | | | | | Other | Total |
|---|---|---|---|---|---|---|---|---|
| | Films | Life Science | Environmental and Functional Materials | Functional Textiles and Trading | Real Estate | Total | | |
| Japan | 133,066 | 19,857 | 53,790 | 38,798 | 1,026 | 246,537 | 7,110 | 253,647 |
| China | 20,764 | 1,927 | 15,736 | 7,485 | - | 45,912 | 36 | 45,948 |
| Southeast Asia | 17,282 | 1,777 | 18,239 | 25,223 | - | 62,521 | 115 | 62,636 |
| Other regions | 4,057 | 10,933 | 22,361 | 18,106 | - | 55,458 | 405 | 55,863 |
| Revenue from contracts with customers | 175,169 | 34,494 | 110,126 | 89,612 | 1,026 | 410,427 | 7,666 | 418,094 |
| Other revenue | - | - | - | - | 3,470 | 3,470 | - | 3,470 |
| Net sales to outside customers | 175,169 | 34,494 | 110,126 | 89,612 | 4,495 | 413,897 | 7,666 | 421,563 |

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

2. Other revenue includes 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 of 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 previous fiscal year that was included in contract liabilities at the beginning of the current fiscal year. Further, the amount of revenue recognized during the previous fiscal year from performance obligations satisfied (or partially satisfied) in prior periods was immaterial. There are no major changes in contract assets and contract liabilities.

For the fiscal year ended March 31, 2026

(Millions of yen)

| | As of April 1, 2025 | As of March 31, 2026 |
|---|---|---|
| Receivables from contracts with customers | 105,945 | 100,963 |
| Contract assets | 207 | 732 |
| Contract liabilities | 2,095 | 3,083 |

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)

[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 diagnostic reagents, 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, 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 net 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.

For the fiscal year ended March 31, 2026

(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 | 175,169 | 34,494 | 110,126 | 89,612 | 4,495 | 413,897 | 7,666 | 421,563 | - | 421,563 |
| (2) Inter-segment sales and transfers | 949 | 181 | 7,757 | 1,471 | 1,162 | 11,521 | 13,038 | 24,558 | (24,558) | - |
| Total | 176,118 | 34,676 | 117,884 | 91,083 | 5,657 | 425,417 | 20,704 | 446,122 | (24,558) | 421,563 |
| Segment profit | 16,638 | 65 | 9,702 | 1,254 | 2,048 | 29,707 | 1,129 | 30,836 | (2,930) | 27,906 |
| Assets | 217,790 | 87,422 | 124,806 | 99,774 | 48,699 | 578,491 | 14,060 | 592,552 | 35,116 | 627,667 |
| Others | | | | | | | | | | |
| Depreciation and amortization | 10,616 | 4,053 | 4,525 | 2,718 | 551 | 22,463 | 206 | 22,670 | 1,962 | 24,631 |
| Capital expenditure | 10,055 | 6,816 | 4,703 | 3,260 | 417 | 25,251 | 1,181 | 26,431 | 2,610 | 29,041 |

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

2. (1) Segment profit adjustment of ¥(2,930) million includes elimination of inter-segment transactions of ¥205 million and company-wide expenses that are not allocated across reportable segments of ¥(3,135) million. The principal components of company-wide expenses are those related to basic research and development.

(2) The adjustment of segment assets of ¥35,116 million includes corporate assets of ¥72,545 million that are not allocated to the reportable segments.

(3) The adjustment of increases in property, plant, and equipment and intangible assets of ¥2,610 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, 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 property, plant and equipment in Japan accounts for over 90% of the total property, plant and equipment.

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, 2026

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 |
|---|---|---|---|---|
| 256,703 | 45,948 | 62,636 | 56,277 | 421,563 |

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 property, plant and equipment 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, 2025

(Millions of yen)

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

For the fiscal year ended March 31, 2026

(Millions of yen)

| | Films | Life Science | Environmental and Functional Materials | Functional Textiles and Trading | Real Estate | Other | Total | Adjustment | Total |
|---|---|---|---|---|---|---|---|---|---|
| Impairment losses | 130 | - | - | 252 | - | - | 382 | - | 382 |

[Information on amortization of goodwill and unamortized balances]

For the fiscal year ended March 31, 2025

Not applicable

For the fiscal year ended March 31, 2026

Not applicable

[Information on gain on negative goodwill by reportable segment]

For the fiscal year ended March 31, 2025

Not applicable

For the fiscal year ended March 31, 2026

Not applicable

[Related-party information]

For the fiscal year ended March 31, 2025

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

For the fiscal year ended March 31, 2026

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 with special-purpose companies

   Not applicable

(Per-share information)

| | For the fiscal year ended March 31, 2025 | For the fiscal year ended March 31, 2026 |
|---|---|---|
| Net assets per share | ¥2,215.11 | ¥2,417.30 |
| Net profit per share | ¥22.73 | ¥126.65 |

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

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

| | | For the fiscal year ended March 31, 2025 | For the fiscal year ended March 31, 2026 |
|---|---|---|---|
| Net assets per share | | | |
| Total net assets | (Millions of yen) | 232,044 | 251,995 |
| Deduction from total net assets | (Millions of yen) | 36,732 | 38,681 |
| [Non-controlling interests] | (Millions of yen) | (36,732) | (38,681) |
| Net assets at end of period pertaining to common shares | (Millions of yen) | 195,312 | 213,315 |
| Number of common shares at end of period used for calculating net assets per share | (Thousand shares) | 88,172 | 88,244 |

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

| | | For the fiscal year ended March 31, 2025 | For the fiscal year ended March 31, 2026 |
|---|---|---|---|
| Net profit per share | | | |
| Profit attributable to owners of parent | (Millions of yen) | 2,003 | 11,174 |
| Amount not attributable to common shareholders | (Millions of yen) | - | - |
| Profit attributable to owners of parent related to common stock | (Millions of yen) | 2,003 | 11,174 |
| Average number of common shares during the period | (Thousand shares) | 88,149 | 88,221 |

(Significant subsequent events)

(Merger with Toyobo STC Co., Ltd.)

The Company decided at a meeting of the Board of Directors held on November 25, 2025 to merge with TOYOBO STC CO., LTD. (*STC*), one of its wholly owned subsidiaries, through an absorption-type merger (*the Merger*) effective April 1, 2026. The Company entered into a merger agreement on the same date and completed the absorption-type merger effective April 1, 2026. The Merger was carried out without seeking approval on the merger contract at the respective general meetings of shareholders in accordance with Article 796, paragraph (2) of the Companies Act for the Company and Article 784, paragraph (1) of the Companies Act for STC.

The outline of this merger is as follows:

1. Overview of the Transaction

(1) Names and Business Activities of the Combining Companies

| | |
|---|---|
| Names of the Combining Parties | TOYOBO STC CO., Ltd. |
| Business Description | Planning and sales for film business |

(2) Date of the Business Combination

April 1, 2026

(3) Legal Form of the Business Combination

This is an absorption-type merger with the Company as the surviving company and STC as the extinct company.

(4) Name of the Combined Entity

Toyobo Co., Ltd.

(5) Other Matters Regarding the Overview of the Transaction

(i) Purpose of the Merger

STC, the entity to be absorbed by the Company, is a wholly owned subsidiary of the Company. It conducts a trading business as a trading company inside the Toyobo Group. As a result of business restructuring, the Company has decided to conduct an absorption-type merger to consolidate its management resources and streamline management because Company-manufactured materials have come to make up a higher ratio of its business materials.

(ii) Details of Allotment Related to the Merger

No new shares will be issued and no merger consideration will be paid in connection with this merger.

(iii) Financial Position and Operating Results of the Combining Companies for the Most Recent Fiscal Year (Fiscal Year Ending March 2026)

| | |
|---|---|
| Assets | ¥18,639 million |
| Liabilities | ¥11,760 million |
| Net assets | ¥6,879 million |
| Net sales | ¥3,680 million |
| Profit | ¥940 million |

2. Overview of Planned Accounting Treatment

In accordance with the *Accounting Standard for Business Combinations* (ASBJ Statement No. 21, January 16, 2019) and the *Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures* (ASBJ Guidance No. 10, January 16, 2019), this transaction is expected to be accounted for as a transaction under common control.

(Issuance of unsecured straight bonds payable in the Japanese market)

At the meeting of the Board of Directors held on April 23, 2026, a comprehensive resolution regarding the issuance of unsecured straight bonds payable on the Japanese market was passed. The details of this resolution are as follows:

| | |
|---|---|
| (1) Total issuance amount | ¥20,000 million or less<br>However, this does not preclude multiple issuances within this range. |
| (2) Issue price | ¥100 for each bonds payable with a par value of ¥100 |
| (3) Interest rate | No more than the yield on secondary market Japanese government bonds with the same maturity as corporate bonds payable plus 1.5% |
| (4) Paid-in date | From April 24, 2026, to March 31, 2027;<br>provided, however, that if an offering is made during this period, it shall be included even if the paid-in date falls after the end of this period. |
| (5) Maturity date | 3 years or more, but not exceeding 10 years |
| (6) Redemption method | Lump-sum redemption at maturity;<br>provided, however, that a buyback and cancellation clause may be attached. |
| (7) Use of funds | Funds for repayment of loans, redemption of bonds payable, acquisition of securities (including funds for share acquisitions through M&A), working capital, and capital expenditures |
| (8) Special provisions | These bonds payable will include a negative pledge clause. |
| (9) Others | Decisions regarding the matters listed in each item of Article 676 of the Companies Act and all other matters necessary for the issuance of bonds payable shall be entrusted to the President and Representative Director (CEO and Co-COO) within the scope described above. |

(v) Consolidated supplementary schedules

[Schedule of bonds payable]

| 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 | - (-) | 0.29 | None | August 29, 2025 |
| Toyobo Co., Ltd. (The Company) | 42nd unsecured straight bonds | December 12, 2019 | 10,000 | 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 payable with an interest deferrable clause and early redemption clause (subordinated) | September 12, 2024 | 17,000 | 17,000 | 2.885 | None | September 12, 2061 |
| Toyobo Co., Ltd. (The Company) | 46th unsecured straight bonds | June 11, 2025 | - | 10,000 | 1.632 | None | June 11, 2030 |
| Total | - | - | 77,000 | 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 and within 3 years | Over 3 years and within 4 years | Over 4 years and within 5 years |
|---|---|---|---|---|
| 10,000 | 20,000 | 20,000 | - | 10,000 |

[Schedule of borrowings]

| Category | Balance at the beginning of the current fiscal year (Millions of yen) | Balance at the end of the current fiscal year (Millions of yen) | Average interest rate (%) | Maturity |
|---|---|---|---|---|
| Short-term borrowings | 53,043 | 54,700 | 1.34 | - |
| Current portion of long-term borrowings | 11,684 | 12,426 | 0.60 | - |
| Current portion of lease obligations | 857 | 938 | - | - |
| Long-term borrowings (excluding current portion) | 114,343 | 108,345 | 0.97 | 2027-2059 |
| Lease obligations (excluding current portion) | 5,943 | 5,597 | - | 2027-2040 |
| Other interest-bearing debt<br>Commercial papers (scheduled to be repaid within one year) | 5,000 | 2,000 | 0.88 | - |
| Total | 190,869 | 184,005 | - | - |

Notes: 1. The interest rate shows the weighted-average interest rate to the balance of borrowings at the end of the current fiscal year.

2. The average interest rate for lease obligations has been omitted. This is because lease obligations are recorded on the consolidated balance sheets in the amount of total leasing fees including the interest amount.

3. Scheduled repayment amounts of long-term borrowings and lease obligations (excluding current portion) within five years after the consolidated fiscal year-end are as follows:

(Millions of yen)

| | Over 1 year and within 2 years | Over 2 years and within 3 years | Over 3 years and within 4 years | Over 4 years and within 5 years |
|---|---|---|---|---|
| Long-term borrowings | 17,904 | 14,053 | 22,435 | 7,433 |
| Lease liabilities | 699 | 551 | 450 | 356 |

[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, 2025 | Current fiscal year |
|---|---|---|
| Net sales (Millions of yen) | 204,016 | 421,563 |
| Interim (current fiscal year) profit before income taxes (Millions of yen) | 7,034 | 19,376 |
| Interim (current fiscal year) profit attributable to owners of the parent (Millions of yen) | 5,732 | 11,174 |
| Interim (current fiscal year) profit per share (Yen) | 64.98 | 126.65 |

(ii) Status after the fiscal year-end

There are no matters to note.

2. Non-consolidated Financial Statements

(1) Non-consolidated Financial Statements

(i) Non-consolidated Balance Sheets

(Millions of yen)

| | Previous fiscal year (As of March 31, 2025) | Current fiscal year (As of March 31, 2026) |
|---|---|---|
| Assets | | |
| Current assets | | |
| Cash and deposits | *1 9,259 | *1 10,527 |
| Notes receivable - trade | 518 | 84 |
| Accounts receivable - trade | *3 56,365 | *3 56,355 |
| Electronically recorded monetary claims - operating | 3,545 | 4,970 |
| Finished goods | 32,549 | 32,818 |
| Work in process | 9,588 | 10,959 |
| Raw materials and supplies | 14,663 | 16,252 |
| Prepaid expenses | 1,449 | 1,245 |
| Short-term loans receivable | *3 9,550 | *3 10,925 |
| Other | *3 12,637 | *3 10,475 |
| Total current assets | 150,122 | 154,609 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings | 45,390 | 58,017 |
| Structures | 7,049 | 7,790 |
| Machinery and equipment | 45,376 | 62,713 |
| Vehicles | 102 | 161 |
| Tools, furniture and fixtures | 3,700 | 3,816 |
| Land | 79,351 | 81,445 |
| Leased assets | 4,888 | 4,670 |
| Construction in progress | 44,393 | 11,958 |
| Total property, plant and equipment | 230,250 | 230,569 |
| Intangible assets | | |
| Software | 2,102 | 1,947 |
| Other | 1,543 | 1,721 |
| Total intangible assets | 3,645 | 3,669 |
| Investments and other assets | | |
| Investment securities | 3,044 | 2,639 |
| Shares of subsidiaries and associates | 74,682 | 82,062 |
| Investments in capital of subsidiaries and associates | 10,920 | 10,374 |
| Long-term loans receivable | *3 14,471 | *3 12,364 |
| Deferred tax assets | 12,394 | 12,577 |
| Other | *3 8,977 | *3 8,029 |
| Allowance for doubtful accounts | (2,093) | (3,345) |
| Total investments and other assets | 122,396 | 124,699 |
| Total non-current assets | 356,290 | 358,937 |
| Total assets | 506,412 | 513,547 |

(Millions of yen)

| | Previous fiscal year (As of March 31, 2025) | Current fiscal year (As of March 31, 2026) |
|---|---|---|
| Liabilities | | |
| Current liabilities | | |
| Accounts payable - trade | *3 28,311 | *3 20,605 |
| Electronically recorded obligations - operating | *3 1,370 | *3 612 |
| Short-term borrowings | 46,000 | 48,984 |
| Commercial papers | 5,000 | 2,000 |
| Current portion of bonds payable | 10,000 | 10,000 |
| Current portion of long-term borrowings | 8,704 | 11,886 |
| Lease liabilities | 379 | 387 |
| Accounts payable - other | *3 12,018 | *3 13,913 |
| Accrued expenses | *3 2,105 | *3 1,778 |
| Income taxes payable | 395 | 606 |
| Advances received | 147 | 1,335 |
| Deposits received | *3 23,843 | *3 29,891 |
| Provision for bonuses | 2,676 | 3,125 |
| Other | 943 | 877 |
| Total current liabilities | 141,891 | 145,999 |
| Non-current liabilities | | |
| Bonds payable | 67,000 | 67,000 |
| Long-term borrowings | 114,143 | 106,131 |
| Lease liabilities | 4,544 | 4,341 |
| Deferred tax liabilities for land revaluation | 18,359 | 18,325 |
| Provision for retirement benefits | 12,061 | 10,620 |
| Provision for loss on guarantees | 1,277 | 1,337 |
| Other | *3 1,647 | *3 1,623 |
| Total non-current liabilities | 219,031 | 209,376 |
| Total liabilities | 360,922 | 355,376 |
| Net assets | | |
| Shareholders’ equity | | |
| Share capital | 51,730 | 51,730 |
| Capital surplus | | |
| Legal capital surplus | 19,224 | 19,224 |
| Other capital surplus | 13,297 | 13,286 |
| Total capital surplus | 32,522 | 32,510 |
| Retained earnings | | |
| Other retained earnings | | |
| Retained earnings brought forward | 23,605 | 35,792 |
| Total retained earnings | 23,605 | 35,792 |
| Treasury shares | (925) | (845) |
| Total shareholders’ equity | 106,931 | 119,187 |
| Valuation and translation adjustments | | |
| Valuation difference on available-for-sale securities | 449 | 292 |
| Revaluation reserve for land | 38,110 | 38,691 |
| Total valuation and translation adjustments | 38,559 | 38,984 |
| Total net assets | 145,490 | 158,171 |
| Total liabilities and net assets | 506,412 | 513,547 |

(ii) Non-consolidated Statements of Income

(Millions of yen)

| | Previous fiscal year (From April 1, 2024 to March 31, 2025) | Current fiscal year (From April 1, 2025 to March 31, 2026) |
|---|---|---|
| Net sales | *4 191,896 | *4 197,578 |
| Cost of sales | *4 151,509 | *4 149,061 |
| Gross profit | 40,388 | 48,517 |
| Selling, general and administrative expenses | *1 38,433 | *1 36,827 |
| Operating profit | 1,955 | 11,689 |
| Non-operating income | | |
| Interest and dividend income | *4 10,096 | *4 12,046 |
| Other | *4 1,340 | *4 1,360 |
| Total non-operating income | 11,436 | 13,405 |
| Non-operating expenses | | |
| Interest expenses | *4 1,674 | *4 2,652 |
| Other | *4 6,784 | *4 5,183 |
| Total non-operating expenses | 8,458 | 7,835 |
| Ordinary profit | 4,933 | 17,260 |
| Extraordinary income | | |
| Gain on sale of non-current assets | *2 688 | *2 1,232 |
| Gain on sale of investment securities | - | 487 |
| Gain on sale of investments in capital of subsidiaries and associates | - | 658 |
| Total extraordinary income | 688 | 2,378 |
| Extraordinary losses | | |
| Impairment losses | 950 | - |
| Loss on sale of non-current assets | - | 57 |
| Loss on disposal of non-current assets | *3 3,332 | *3 2,227 |
| Extra retirement payments | - | *5 1,025 |
| Other | 225 | - |
| Total extraordinary losses | 4,506 | 3,309 |
| Profit before income taxes | 1,115 | 16,328 |
| Income taxes - current | (727) | 176 |
| Income taxes - deferred | (1,307) | 62 |
| Total income taxes | (2,034) | 238 |
| Profit | 3,149 | 16,090 |

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

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 |

For the fiscal year ended March 31, 2026

(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 | 32,522 | 23,605 | (925) | 106,931 |
| Changes during period | | | | | | | |
| Dividends of surplus | | | | | (3,527) | | (3,527) |
| Profit | | | | | 16,090 | | 16,090 |
| Reversal of revaluation reserve for land | | | | | (375) | | (375) |
| Purchase of treasury shares | | | | | | (1) | (1) |
| Disposal of treasury shares | | | (11) | (11) | | 82 | 70 |
| Net changes in items other than shareholders' equity | | | | | | | |
| Total changes during period | - | - | (11) | (11) | 12,187 | 80 | 12,256 |
| Balance at end of period | 51,730 | 19,224 | 13,286 | 32,510 | 35,792 | (845) | 119,187 |

| | Valuation and translation adjustments | | | Total net assets |
|---|---|---|---|---|
| | Valuation difference on available-for-sale securities | Revaluation reserve for land | Total valuation and translation adjustments | |
| Balance at beginning of period | 449 | 38,110 | 38,559 | 145,490 |
| Changes during period | | | | |
| Dividends of surplus | | | | (3,527) |
| Profit | | | | 16,090 |
| Reversal of revaluation reserve for land | | | | (375) |
| Purchase of treasury shares | | | | (1) |
| Disposal of treasury shares | | | | 70 |
| Net changes in items other than shareholders' equity | (157) | 581 | 425 | 425 |
| Total changes during period | (157) | 581 | 425 | 12,681 |
| Balance at end of period | 292 | 38,691 | 38,984 | 158,171 |

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 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 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 estimated useful life in-house (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.

(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, provision for loss on guarantees is recorded in the necessary amount in consideration for the financial position and other relevant information 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, 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 and other financial information 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 instruments 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 | 230,250 | 230,569 |
| Deferred tax assets | 12,394 | 12,577 |

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, 2025 | As of March 31, 2026 |
|---|---|---|
| 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, 2025 | | As of March 31, 2026 | |
|---|---|---|---|
| Toyobo Indorama Advanced Fibers Co.,Ltd. | ¥3,662 million | TOYOBO SAHA SAFETY WEAVE Co.,LTD. | ¥3,856 million |
| TOYOBO SAHA SAFETY WEAVE Co.,LTD. | 1,886 | Toyobo Indorama Advanced Fibers Co.,Ltd. | 3,550 |
| PT. TRIAS TOYOBO ASTRIA | 1,142 | Cast Film Japan Co., Ltd. | 1,155 |
| Cast Film Japan Co., Ltd. | 1,025 | PT. TRIAS TOYOBO ASTRIA | 1,071 |
| Indorama Ventures Mobility Obernburg GmbH | 940 | PT. TOYOBO TRIAS ECOSYAR | 576 |
| PT. TOYOBO TRIAS ECOSYAR | 901 | Xenomax - Japan Co., Ltd. | 9 |
| Toyobo Automotive Textiles (CHANGSHU) CO., LTD. | 485 | | |
| PT. INDONESIA TOYOBO FILM SOLUTIONS | 374 | | |
| Toyobo MC Corporation | 306 | | |
| Xenomax - Japan Co., Ltd. | 35 | | |
| Total | ¥10,755 million | Total | ¥10,216 million |

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

| | As of March 31, 2025 | As of March 31, 2026 |
|---|---|---|
| Short-term monetary claims | ¥32,330 million | ¥37,258 million |
| Long-term monetary claims | 14,480 | 12,374 |
| Short-term monetary obligations | 34,339 | 39,188 |
| Long-term monetary obligations | 283 | 283 |

4. Other

The Company has concluded committed lines of credit with three partner banks to finance working capital efficiently.

Unexecuted loan balances concerning the committed lines of credit as of the end of the current fiscal year are as follows:

| | As of March 31, 2025 | As of March 31, 2026 |
|---|---|---|
| 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, 2025 | For the fiscal year ended March 31, 2026 |
|---|---|---|
| Transport and storage costs | ¥7,746 million | ¥7,697 million |
| Salaries and bonuses | 6,846 | 6,586 |
| Provision for bonuses | 771 | 796 |
| Retirement benefit expenses | 455 | 489 |
| Depreciation and amortization | 1,233 | 1,072 |
| Research and development expenses | 10,162 | 9,721 |

Selling expenses accounted for approximately 51% and 50% for the fiscal years ended March 31, 2025 and 2026, respectively, while general and administrative expenses accounted for approximately 49% and 50% for the fiscal years ended March 31, 2025 and 2026, respectively.

*2. The main details of gain on sale of non-current assets are as follows:

| For the fiscal year ended March 31, 2025 | | For the fiscal year ended March 31, 2026 | |
|---|---|---|---|
| Buildings | ¥- million | Buildings | ¥200 million |
| Land | 658 | Land | 1,024 |
| Machinery and equipment | 29 | Machinery and equipment | 7 |

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

| For the fiscal year ended March 31, 2025 | | For the fiscal year ended March 31, 2026 | |
|---|---|---|---|
| Buildings | ¥1,755 million | Buildings | ¥828 million |
| Structures | 215 | Structures | 109 |
| Machinery and equipment | 1,320 | Machinery and equipment | 1,218 |

*4. Transactions with subsidiaries and associates

| | For the fiscal year ended March 31, 2025 | For the fiscal year ended March 31, 2026 |
|---|---|---|
| Transaction amounts through sales transactions | | |
| Net sales | ¥53,418 million | ¥56,741 million |
| Purchases | 34,016 | 34,665 |
| Transaction amounts through transactions other than sales transactions | 10,066 | 7,507 |

*5. The details of the extra retirement payments are as follows.

These are extra retirement payments related to second-career support implemented as part of human resources policies.

(Securities)

Shares of subsidiaries and associates

As of March 31, 2025

Shares with no market price

| | Carrying amount (Millions of yen) |
|---|---|
| Shares of subsidiaries | 71,631 |
| Shares of associates | 3,051 |
| Total | 74,682 |

As of March 31, 2026

Shares with no market price

| | Carrying amount (Millions of yen) |
|---|---|
| Shares of subsidiaries | 79,011 |
| Shares of associates | 3,051 |
| Total | 82,062 |

(Tax-effect accounting)

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

| | As of March 31, 2025 | As of March 31, 2026 |
|---|---|---|
| Deferred tax assets | | |
| Provision for bonuses | ¥1,034 million | ¥1,216 million |
| Write-off of inventories | 929 | 569 |
| Provision for retirement benefits | 2,771 | 2,475 |
| Allowance for doubtful accounts | 1,061 | 1,473 |
| Impairment losses | 1,792 | 1,372 |
| Write-off of investment securities | 4,563 | 4,570 |
| Asset retirement obligations | 266 | 266 |
| Successor enterprise shares | 2,857 | 2,857 |
| Loss carried forward | 5,717 | 4,439 |
| Other | 1,471 | 1,687 |
| Subtotal deferred tax assets | 22,461 | 20,924 |
| Valuation allowance | (7,108) | (5,491) |
| Total deferred tax assets | 15,353 | 15,433 |
| Deferred tax liabilities | | |
| Qualified post-formation acquisition | (2,304) | (2,304) |
| Valuation difference on available-for-sale securities | (204) | (131) |
| Other | (451) | (421) |
| Total deferred tax liabilities | (2,958) | (2,855) |
| Net deferred tax assets | ¥12,394 million | ¥12,577 million |

In addition to the above, deferred tax liabilities for land revaluation were recorded in non-current liabilities in the amount of ¥18,359 million for the fiscal year ended March 31, 2025 and ¥18,325 million for the fiscal year ended March 31, 2026.

2. Breakdown of items which caused the difference, if any, between the statutory tax rate and the effective tax rate after adoption of tax-effect accounting

| | As of March 31, 2025 | As of March 31, 2026 |
|---|---|---|
| Effective tax rate | 31.0% | 31.0% |
| (Reconciliation) | | |
| Entertainment and other expenses excluded from deductible expenses | 1.6 | 0.1 |
| Dividend and other income excluded from taxable income | (290.9) | (20.9) |
| Effects of changes in tax rate | (11.8) | - |
| Tax credit for research and development expenses | - | (1.5) |
| Valuation allowance | 30.2 | (9.7) |
| Foreign taxes | 33.7 | 2.2 |
| Resident tax on a per-capita basis | 4.2 | 0.2 |
| Other | 19.5 | 0.1 |
| Actual effective tax rate | (182.4)% | 1.5% |

3. Accounting treatment for national and local corporate taxes and tax-effect accounting related thereto

The Company applies the group tax sharing system. 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.

(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)

(Merger with Toyobo STC Co., Ltd.)

At a Board of Directors meeting held on November 25, 2025, the Company resolved to merge with its consolidated subsidiary, Toyobo STC Co., Ltd., entering into a merger agreement on the same date. The absorption merger took effect on April 1, 2026. Details are as described in *1. Consolidated Financial Statements, etc., (1) Consolidated Financial Statements, (Significant subsequent events)*.

(Issuance of unsecured straight bonds payable in the Japanese market)

At the meeting of the Board of Directors held on April 23, 2026, a comprehensive resolution regarding the issuance of unsecured straight bonds payable on the Japanese market was passed. Details are as described in *1. Consolidated Financial Statements, etc., (1) Consolidated Financial Statements, (Significant subsequent events)*.

(iv) Supplementary schedules

[Schedule of property, plant and equipment and intangible assets]

(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 | 45,390 | 15,953 | 415 | 2,912 | 58,017 | 50,919 |
| | Structures | 7,049 | 1,429 | 8 | 681 | 7,790 | 12,319 |
| | Machinery and equipment | 45,376 | 27,934 | 385 | 10,212 | 62,713 | 182,994 |
| | Vehicles | 102 | 114 | 0 | 55 | 161 | 780 |
| | Tools, furniture and fixtures | 3,700 | 1,384 | 36 | 1,233 | 3,816 | 13,131 |
| | Land | 79,351<br>(56,469) | 2,915<br>(1,650) | 821<br>(1,102) | - | 81,445<br>(57,017) | - |
| | Leased assets | 4,888 | 249 | - | 467 | 4,670 | 3,578 |
| | Construction in progress | 44,393 | 17,653 | 50,088 | - | 11,958 | - |
| | Total | 230,250 | 67,632 | 51,753 | 15,560 | 230,569 | 263,721 |
| Intangible assets | Software | 2,102 | 635 | 4 | 786 | 1,947 | - |
| | Other | 1,543 | 921 | 635 | 107 | 1,721 | - |
| | Total | 3,645 | 1,556 | 639 | 894 | 3,669 | - |

Notes: 1. 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).

2. The main factors for the increase in buildings during the current fiscal year are the construction of a new building at the Utsunomiya Plant, the construction of a new building at the Tsuruga Biochemicals Plant, and the renewal of equipment at the Otsu Pharmaceuticals Plant.

3. The main factors for the increase in machinery and equipment during the current fiscal year are the construction of a new building at the Utsunomiya Plant, the renewal of equipment at the Otsu Pharmaceuticals Plant, and the installation of new equipment at the Utsunomiya Plant.

4. The main factor for the increase in land during the current fiscal year is the acquisition of land in Utsunomiya City.

[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 | 2,093 | 1,358 | 106 | 3,345 |
| Provision for bonuses | 2,676 | 3,125 | 2,676 | 3,125 |
| Provision for loss on guarantees | 1,277 | 59 | - | 1,337 |

(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<br>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)<br>4-5-33, Kitahama, Chuo-ku, Osaka<br>Stock Transfer Agency Business Planning Department, Sumitomo Mitsui Trust Bank, Limited |
| Shareholder registry administrator | (Special account)<br>1-4-1, Marunouchi, Chiyoda-ku, Tokyo<br>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.<br>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.<br>Public notice URL:<br>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.

## 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 167th fiscal year (from April 1, 2024, to March 31, 2025) and documents attached thereto, and Confirmation Letter thereof, were submitted to the Director-General of the Kanto Local Finance Bureau on June 24, 2025.

(2) Internal Control Report and documents attached thereto

The Internal Control Report for the 167th fiscal year (from April 1, 2024, to March 31, 2025) and documents attached thereto were submitted to the Director-General of the Kanto Local Finance Bureau on June 24, 2025.

(3) Interim Securities Report and Confirmation Letter thereof

The Interim Securities Report for the 168th fiscal year (from April 1, 2025 to September 30, 2025) and Confirmation Letter thereof were submitted to the Director-General of the Kanto Local Finance Bureau on November 13, 2025.

(4) Extraordinary Report

Submitted to the Director-General of the Kanto Local Finance Bureau on June 27, 2025.

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 ix-2 (matters for resolution) of the Cabinet Office Order on Disclosure of Corporate Affairs.

Submitted to the Director-General of the Kanto Local Finance Bureau on November 25, 2025.

This is an extraordinary report filed pursuant to the provisions of Article 24-5, paragraph (4) of the Financial Instruments and Exchange Act and Article 19, paragraph (2), item (xii) of the Cabinet Office Ordinance on Disclosure of Corporate Affairs (occurrence of event that may have serious effects on the financial position, operating results and cash flow status).

(5) Corrections to the Shelf Registration Statement

Submitted to the Director-General of the Kanto Local Finance Bureau on June 27, 2025.

Submitted to the Director-General of the Kanto Local Finance Bureau on November 25, 2025.

(6) Supplementary Documents to the Shelf Registration Statement and documents attached thereto

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 23, 2026

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 | Takuya Obata |
| 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 of March 31, 2026 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, 2026 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 (including those applicable to the audit of financial statements of entities with significant social impact), 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 for the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<table>
<tr><th colspan="2">Appropriateness of the judgment as to whether an impairment loss should be recognized on non-current assets held by the packaging film business</th></tr>
<tr><th>The key audit matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td>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 ¥12,162 million were recognized as non-current assets held by the packaging film business of the Company.<br><br>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.<br><br>Although operating profit was recorded in the current fiscal year, an impairment test was performed for the non-current assets of the packaging film business because impairment indicators continued to exist as a result of recurring operating losses through the previous fiscal year and delays in achieving the revenue plan for the new production equipment. 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 related to the revenue plan for new production equipment.<br><br>Those projections involved a high degree of uncertainty, and management's judgment thereon had a significant effect on the estimated future cash flows.<br><br>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.</td><td>We assessed 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.<br><br>(1) Internal control testing<br>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.<br><br>(2) Assessment of the reasonableness of the estimated future cash flows<br>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:<br>- evaluated the reasonableness of management's estimate of start-up costs associated with the new production equipment by making inquiries of managers responsible for the business regarding the progress of the revenue plan 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<br>- 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.</td></tr>
</table>

| 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 of the end of the current fiscal year, as described in the Notes on *Significant accounting estimates* to the consolidated financial statements, deferred tax assets of ¥18,346 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 ¥24,786 million, of which ¥15,433 million reported by the Company accounted for the majority, and was of quantitative significance.<br>Deferred tax assets are recognized to the extent that tax loss carry-forwards and deductible temporary differences are expected to reduce future tax burden.<br>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.<br>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 the revenue plan for new production equipment in the packaging film business, which were highly uncertain.<br>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.<br>**(1) Internal control testing**<br>We tested the design and operating effectiveness of certain of the Company's internal controls relevant to the process of recognizing deferred tax assets.<br>**(2) Assessment of the appropriateness of corporate classification and the reasonableness of the estimated future taxable income**<br>We assessed the appropriateness of corporate classification and the reasonableness of the estimated future taxable income estimate by mainly performing the following procedures:<br>- assessed the accuracy of the estimated future taxable income by comparing the estimates underlying the prior-year financial statements with actual results;<br>- 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;<br>- 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<br>- 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. The Audit and Supervisory Committee is 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 the Audit and Supervisory Committee for the Consolidated Financial Statements**

Management is responsible for preparing and fairly presenting the consolidated financial statements in accordance with accounting standards generally accepted in Japan. This includes establishing and operating internal controls that management deems necessary to prepare and fairly present consolidated financial statements that are free from material misstatements 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.

The Audit and Supervisory Committee is 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 risk of material misstatement due to fraud or error. We also plan and perform audit procedures in response to the risks of material misstatement. The selection and application of audit procedures are at our discretion. Furthermore, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- 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 the Audit and Supervisory Committee 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, and other matters required under auditing standards.

We also provide the Audit and Supervisory Committee 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 the Audit and Supervisory Committee, we determine those that were most significant in the audit of the consolidated financial statements for 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, 2026 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, 2026, 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 consolidated financial statements in Japan (including those applicable to the audit of financial statements of entities with significant social impact), 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 the Audit and Supervisory Committee 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.

The Audit and Supervisory Committee is 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 Audit and Supervisory Committee 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 the Audit and Supervisory Committee 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**

The amounts of compensation paid to our audit firm and entities belonging to the same network as our audit firm for audit and attestation services for the Company and its subsidiaries, as well as for non-audit services, are disclosed in *Corporate Governance, (3) Audits* under *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.

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The original copy of the above Independent Auditor's Report is kept separately by the Company (the reporting company).
XBRL data is outside the scope of audit.

# Independent Auditor's Report on the Financial Statements

June 23, 2026

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 | Takuya Obata |
| 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, 2026, and the non-consolidated statements of income and the non-consolidated statements of changes in net assets for the 168th year ended March 31, 2026, 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, 2026 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 (including those applicable to the audit of financial statements of entities with significant social impact), 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. The Audit and Supervisory Committee is 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 the Audit and Supervisory Committee for the Non-consolidated Financial Statements**

Management is responsible for preparing and fairly presenting the non-consolidated financial statements in accordance with accounting standards generally accepted in Japan. This includes establishing and operating internal controls that management deems necessary to prepare and fairly present non-consolidated financial statements that are free from material misstatements 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.

The Audit and Supervisory Committee is 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. 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 risk of material misstatement due to fraud or error. We also plan and perform audit procedures in response to the risks of material misstatement. The selection and application of audit procedures are at our discretion. Furthermore, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- 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 the Audit and Supervisory Committee 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, and other matters required under auditing standards.

We also provide the Audit and Supervisory Committee 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 the Audit and Supervisory Committee, we determine those matters that were most significant in the audit of the non-consolidated financial statements for 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.

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The original copy of the above Independent Auditor's Report is kept separately by the Company (the reporting company).
XBRL data is outside the scope of audit.

# [Cover Page]

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|---|---|
| [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 23, 2026 |
| [Company name] | Toyobo Co., Ltd. |
| [Company name in English] | TOYOBO CO., LTD. |
| [Title and name of representative] | Ikuo Takeuchi, President and Representative Director (CEO and Co-COO) |
| [Title and name of the chief financial officer] | Hidekazu Takahashi, Executive Officer |
| [Address of registered headquarters] | 1-13-1 Umeda, Kita-ku, Osaka, Japan |
| [Place for public inspection] | Tokyo Branch, Toyobo Co., Ltd.<br>(17-10, Kyobashi 1-chome, Chuo-ku, Tokyo, Japan)<br>Nagoya Branch, Toyobo Co., Ltd.<br>(390 Ichibagi-cho, Nishi-ku, Nagoya, Japan)<br>Tokyo Stock Exchange, Inc.<br>(2-1 Nihombashi Kabutocho, Chuo-ku, Tokyo, Japan) |

1 [Appropriateness of the information contained in the Annual Securities Report]

Ikuo Takeuchi, President and Representative Director (CEO and Co-COO) of the Company, and Hidekazu Takahashi, Chief Financial Officer of the Company, confirmed that the information contained in the Company's Annual Securities Report for the 168th term (from April 1, 2025 to March 31, 2026) is described appropriately in accordance with the Financial Instruments and Exchange Act.

2 [Other information for special attention]

Not applicable

## 1 [Basic framework of internal control related to financial reporting]

Ikuo Takeuchi, President and Representative Director (CEO and Co-COO) of the Company, and Hidekazu Takahashi, 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, 2026, 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 necessary scope of the evaluation of the Company's internal controls on financial reporting was determined for the Company, its consolidated subsidiaries, and its associates accounted for using the equity method 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 25 consolidated subsidiaries were assessed. Other than the above entities, 22 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, processes related to the impairment of non-current assets and tax effect accounting 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