

# TOYOBO GROUP SUSTAINABILITY REPORT 2020

Toyobo Group's sustainability aims to create solutions to the social issues through our business activities and contribute to the realization of the sustainable society.



## Activity Report



- Management Approach >
- Environmental Management >
- Climate Change >
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- Water Resources >
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- Respect for Human Rights >
- Safety, Disaster Prevention, Quality >
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- Corporate Governance >
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## ESG Related Data

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# TOYOBO GROUP SUSTAINABILITY REPORT 2020

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## Message from the President

***Jun-Ri-Soku-Yu* (adhering to reason leads to prosperity) is our DNA that has been passed down in an unbroken line since our founding. We will identify the issues facing the world from a long-term perspective and contribute to solving them with Toyobo's outstanding technology.**

On the evening of September 27th, 2020, a fire broke out at the Company's Inuyama plant. As a result of the fire, two of our employees lost their lives, and one was injured. We profoundly regret the loss of the two employees and extend our deepest sympathies to their families.

We also sincerely apologize for the enormous inconvenience and anxiety caused by this accident to local residents and everyone else involved. We are truly sorry.

In response to the fire at the Tsuruga Research and Production Center in 2018, Toyobo established a Disaster Prevention Week based on our resolve to never cause a fire again, and we were in the process of stepping up our training and activities to prevent future incidents. We were also working with outside experts and carrying out capital investment for preventative measures. The accident at the Inuyama plant, occurred in the midst of this process. It is our deepest regret to lose two of our most valued employees.

Creating a safe workplace environment for our employees is the most important responsibility for the Company, and for me as the President. Reinforcing safety, security and disaster prevention are top priority for management. Starting December 1st, 2020 we will establish a new Safety and Disaster Management Division with the aim of further strengthening these functions. Going forward, we will dedicate ourselves to implement exhaustive measures with a strong resolve to build a safe company that will never cause another accident like this.



Seiji Narahara  
Representative Director, President and CEO,  
Co-COO  
TOYOBO CO., LTD.

## Responding to COVID-19 with a priority on safety

We pray for the souls of those who have passed away due to COVID-19 and hope that those who are receiving treatment make a speedy recovery. We would also like to express our gratitude to healthcare professionals who are working with conviction on the treatment front line.

The Toyobo Group has put the safety of our employees and their families first in our measures to counter COVID-19. We believe that this will not only protect our employees and their families but will also result in the protection of our customers and business as well as the society. When Japan declared a state of emergency, we introduced working from home in principle to limit attendance rates at our head office and branches to 10 – 20%. However, we subsequently adopted flexible work systems, responding to changes in conditions. As a result, we have been able to continue our business activities without any major hindrances while ensuring the safety of our employees and their families, and we are deeply grateful to everyone who has been involved.

## Maintaining supply of essential products to the world

On the other hand, working from home is difficult at plants where operations cannot be shut down. We considered how to operate while keeping our employees safe, by establishing an environment which can ensure social distancing as well as continuing operation even in situations when an employee tests positive for the virus. Plant workers provide essential products, and they take pride in their work.

In the supply chain, Toyobo has been promoting multiple sourcing for some time. However, I feel strongly that we must also expand our options going forward. In addition to procurement from multiple countries and regions, we are considering the most efficient method of procurement for when supply chains are interrupted from a long-term perspective of around ten years. We are asking ourselves whether there are alternative suppliers or whether there are things we can manufacture in-house.

Although the Toyobo Group's business performance has been affected by the COVID-19 pandemic, the life science business handles reagents for PCR tests, reagent raw materials, and testing kits, and we are making every effort to boost production of these products to meet the global demand. In addition, we are also working with companies such as TOYODA GOSEI Co., Ltd. to produce protective clothing using Toyobo's automobile airbag fabric. The clothing is extremely airtight, and it is provided to healthcare institutions.

## Inheriting *Jun-Ri-Soku-Yu* (adhering to reason leads to prosperity) as our DNA

The Toyobo Group started out as a spinning company, but the environment surrounding our business has changed significantly during the 140 years since our founding. Toyobo has transformed its business portfolio along with changing needs. For example, the launch of film, resin and life science businesses, has helped us achieve a stable earnings structure.

Over the past few years, Toyobo has repositioned itself from a textile-oriented company, to a company focused on new growth and development opportunities in areas such as film, resin, and life science businesses. At this major turning point, we held repeated discussions during 2018 and 2019 to enhance our corporate philosophy system. This way, we reconfirmed our purpose, as well as our reason for Toyobo to grow and develop as a company.

The core of our philosophy is *Jun-Ri-Soku-Yu* (adhering to reason leads to prosperity), which are the words of our founder Eiichi Shibusawa. Although there are several ways to interpret these words, Eiichi Shibusawa stated that Reason is morality. The most important aspect of morality is resolving issues and further improving the well-being of the people. 140 years ago, Japanese people could only access low quality, inexpensive cotton yarn and textiles. This triggered the foundation of Toyobo. By helping those in need, and receiving justifiable profit through business, we can be more useful to the world. Eiichi Shibusawa's belief was that when this cycle starts to work, we can make a positive difference to the world and the company. I believe that the idea behind Shibusawa's *Jun-Ri-Soku-Yu* (adhering to reason leads to prosperity), is a precedent for the idea of Creating Shared Value (CSV) as we understand today.

If we view the history of Toyobo from this perspective, I believe that the *Jun-Ri-Soku-Yu* (adhering to reason leads to prosperity) philosophy has been our DNA passed down in an unbroken line. This is why businesses which contribute to solving the world's issues have become the businesses that underpin the Toyobo of today, accounting for the success of our portfolio reform.

Sustainability refers to continuous social and economic development. However, I think another important thing is not to sacrifice anything else. I consider sustainability to be the continuous progress of society and the economy. And we should achieve this without having to sacrifice human rights, the environment, our next generation and our future. This is the Toyobo Group's CSV.

## Continuous contributions to the world, for another ten to thirty years from now

Toyobo's vision for 2030, which is ten years from now, is to become a company that helps solve social issues and achieves growth through businesses with fair profit. However, even if we wish to do so, we cannot contribute unless society chooses us. Therefore, we must become a company that can create a succession of outstanding technologies and products that are useful to society. It is important to anticipate the issues the world will face in a decade, find solutions that can contribute, and refine the outstanding technologies we possess while setting milestones to make sure we achieve them. By persistently making such efforts, we want people to recognize Toyobo to as a company that provides "environmentally-friendly high function films", "safe, secure, and comfortable mobility spaces", or "outstanding technology in the life science field".

In addition, responding to climate change is an extremely major issue for Toyobo. We have set a target to achieve net-zero (substantially zero) greenhouse gas emissions by fiscal 2051. This target cannot be achieved simply by reducing CO<sub>2</sub> emissions from offices, plants, and products. Therefore, we are trying to achieve this using our membrane technologies which are used in areas such as seawater desalination and hemodialysis. Presently, we have initiated a CO<sub>2</sub> separation membrane project to separate CO<sub>2</sub> from exhaust, launching concerted efforts for a solution that can truly contribute to solving issues around the world.

## Identifying materiality in order to continue creating “the solutions needed by people and the earth”

Since our corporate philosophy system is an abstract concept, we have identified “Toyobo Group Issues of Materiality” for our stakeholders to understand clearly. Toyobo will commit to these issues in order to achieve our vision.

In order to continue to be a Group that creates solutions needed by people and the earth, we have selected the following as our material issues: ability to provide solutions, product life cycle management, reducing greenhouse gas emissions, reducing environmental impact, human resource management, data security, privacy, and compliance. We will also inform stakeholders about our initiatives on the materials issues and their progress (stakeholder communication).

We will incorporate the feedback obtained through this communication and continue evolving our material issues, thus we welcome feedback or comments from our stakeholders.

## Participating in international initiatives and launching the plastic recycling business

We also stepped up our efforts to meet new global standards and initiatives. In January 2020, we become a signatory of the UN Global Compact<sup>\*1</sup>. Moreover, we have announced our support for the Task Force on Climate-related Financial Disclosures (TCFD)<sup>\*2</sup>. We will proactively participate in worldwide initiatives, and also strengthen our disclosure in line with global standards going forward.

Furthermore, in June 2020, Toyobo and 11 other companies involved in the plastic value chain established R Plus Japan, Ltd. This joint venture will facilitate the recycling of used plastics and help solve the global plastics problem. The core technology at R Plus Japan is chemical recycling<sup>\*3</sup>, a groundbreaking technology developed by a U.S. firm that decomposes plastics directly back to the raw material state. The Toyobo Group will continue to promote effective recycling of plastics with low environmental impact.

\*1 United Nations Global Compact

\*2 Task Force on Climate-related Financial Disclosures

\*3 Chemical recycling: a method of recycling in which used resources are recycled after compositional conversion via chemical reactions, instead of recycling them as they are.

## Our valuable stakeholders are the people and earth, extended customers

I believe that our most important stakeholders are our customers and their extended customers, which are people and the earth. This means we define our customers in a very broad sense. Our stakeholders also include employees and suppliers who support the Toyobo Group, shareholders and local communities, and the global environment.

In order to give back to these stakeholders, we must first identify the issues surrounding the people and the earth. Secondly, select which of those issues the Toyobo Group can contribute to with our technologies. The more customers choose to work with us, the more chances we receive to tackle new challenges. Through this, we ensure that we expand and grow our profit which we return to all stakeholders, including shareholders.

The Toyobo Group is opening up a future aligned with the values of our *Jun-Ri-Soku-Yu* (adhering to reason leads to prosperity) philosophy interpreted to mean that by solving the world's problems, we will contribute to the well-being of society while realizing self-growth. We hope you are looking forward to our progress.

# TOYOBO Group's Sustainability

## TOYOBO Group Charter of Corporate Behavior

This Charter of Corporate Behavior applies to all directors, corporate auditors, executive officers, and employees of the Toyobo Group (TOYOBO CO., LTD. and all of its affiliated companies). The term "Toyobo Group" as used in this charter refers to all of these people.

We here at the Toyobo Group contribute to the realization of a sustainable society by aiming to become a Group that continues to create the solutions needed by people and the earth with materials and science. Also, in order to continue being a corporation that people trust, we will act with high ethical standards and social common sense based on the following ten principles.

### 1. Contribution to a sustainable society

We will contribute to sustainable economic growth and the resolution of social issues by developing and providing products and services that will create a safe and affluent future.

### 2. Fair business practices

We will maintain a sound relationship with society, including our customers and business partners, by engaging in fair competition and transactions, and responsible procurement.

2-1. We will appropriately use and manage trade secrets, personal data and other such forms of information.

2-2. We will engage in fair and unrestricted competition in adherence to laws and regulations relevant to fair competition such as antitrust law.

2-3. We will establish proper transaction policies and engage in responsible procurement and logistics in a manner that supports development of a sustainable society.

2-4. We will properly manage and declare cargo when importing and exporting, in adherence to relevant laws and regulations.

2-5. We will not engage in corrupt practices such as offering gifts, hospitality, monies, or other benefits to public officials, customers or business partners, whether locally or overseas, that would result in gaining unfair benefits, or accepting offers of such gifts, hospitality, monies or other benefits.

2-6. We will build highly transparent relationships with those in politics and government.

2-7. We will protect and make effective use of our intellectual property rights derived from results we have obtained through research and development, and will likewise respect the intellectual property rights of others. We will appropriately display our trademarks and otherwise take steps to heighten the brand value of the Toyobo Group.

2-8. We will not engage in accounting practices that would result in erroneous financial statements.

2-9. We will make decisions based on our *Jun-Ri-Soku-Yu* (adhering to reason leads to prosperity) corporate philosophy and adhere to our in-house rules.

### 3. Communication with stakeholders

We will carry out fair and appropriate information disclosure and enhance corporate value through communication with our stakeholders.

3-1. We will appropriately disclose information in a timely manner and otherwise strive to maintain constructive dialogue with society.

3-2. We will carefully handle information and will not engage in insider trading.

### 4. Respect for human rights

We support the International Bill of Human Rights and Guiding Principles on Business and Human Rights and will conduct business activities that respect the human rights of all persons.

4-1. We will conduct our business activities in a manner that shuns harassment and discrimination on grounds of race, religion, gender, age, family origin, nationality, disability, sexual orientation or otherwise. Moreover, we will reject child and forced labor. We will also respect collective bargaining rights and freedom of association based on the laws and regulations of the countries and regions in which we do business.

## **5. Earn customers' trust and satisfaction**

We will strive to ensure the quality and safety of our products and services and earn the trust and satisfaction of customers and consumers.

5-1. We will take steps to ensure the quality and safety of our products and services by building appropriate management frameworks.

5-2. We will provide accurate and precise information regarding our products and services in order to earn our customers' satisfaction and trust.

5-3. We will engage the proper procedures in carrying out quality inspections and other such testing, and will appropriately handle data and other information.

5-4. We will strive to develop products that contribute to society. Moreover, we will appropriately manage and use external funds particularly those covering research expenses, and will strongly refrain from acts that involve fabrication or falsification of data results.

5-5. We will sincerely address customer inquiries, complaints and other interactions and will strive to manufacture products and provide services in a manner that leverages such feedback.

## **6. Active employee participation**

We will respect employee diversity and support work practices that allow employees to demonstrate their individual skills. Also, we will provide workplaces that are conducive to productive work while taking health and safety into consideration.

6-1. We will work toward developing workplace environments that facilitate active participation among a diverse range of human talent.

6-2. We will prevent various types of harassment and other forms of mistreatment in our workplaces, and accordingly we will not engage in discriminatory practices neither in regard to hiring nor terms of employment.

6-3. We will strive to create workplaces that are safe, hygienic and rewarding, and will work to prevent excessive workloads and reduce overtime work.

## **7. Engagement in environmental issues**

We will strive to improve energy conservation and reduce/recycle the resources used by our business, and move forward with the development of products and technologies that contribute to reducing the burden on the environment.

7-1. We will strive to improve energy conservation and reduce/reuse the resources used by our business, and will implement measures that address our environmental risks.

## **8. Social contribution**

We will actively participate in society as a good corporate citizen and contribute to its development.

## **9. Thorough crisis management**

We will conduct thorough crisis management in the face of actions by antisocial forces, terrorism, cyber attacks, natural disasters and other crises that pose a threat to corporate activity.

9-1. We will strive to prevent disasters and will also develop a crisis management framework for addressing emergency situations.

9-2. We will take a firm stand against antisocial forces and otherwise fully reject any and all ties therewith.

9-3. We will strive to ensure cyber-security.

## **10. Responsibilities of the management**

Directors and the Board of Directors, operating under the spirit of this Charter, shall strive to resolve issues while working together with the entire Group and should also encourage behavior based on the principles of this Charter within the Group's supply chain. In the event that the Group violates the spirit of this Charter and loses the trust of society, directors and the Board of Directors shall proactively take responsibility to respond to the situation, including resolving the problem, investigating the causes, and preventing the problem from recurring.

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Seiji Narahara  
Representative Director, President and CEO, Co-COO  
TOYOBO CO., LTD.  
October 26, 2020

# Sustainability Management

## Our Officers' Commitment

### Value creation platform ESG Management



Masakatsu Shirai  
 Director, Executive Officer  
 Controlling Supervisor of HR and Sustainability  
 Planning Division

Since the adoption of the SDGs by the United Nations General Assembly in 2015, there has been an acceleration and expansion of activities around the world to realize a sustainable society. Corporations are expected to strengthen and augment initiatives in a variety of areas, including measures to tackle climate change, contribution to the realization of a circular economy, and respect for human rights.

The Toyobo Group has held firm to its corporate philosophy of *Jun-Ri-Soku-Yu* (adhering to reason leads to prosperity)—a personal maxim of our founder Eiichi Shibusawa—and has been a pioneer in implementing CSV. At the same time, we have made a commitment to further promote management aimed at enhancing both economic and social value. With this approach, we are proactively contributing towards a sustainable society, based on the ever growing demands of the times. Reorganizing and enhancing our corporate philosophy system is one example of this approach.

In 2019, we enhanced our corporate philosophy system as TOYOBO PVVs. Our Vision states that “we will continue to create the solutions needed by people and the earth with materials and science,” thus clarified our commitment to making significant contributions to solving social issues through our business activities.

Furthermore, in January 2020, we became a participant to the UN Global Compact (UNGC), and also expressed our support for the TCFD Recommendations. Then, in April, we established a Corporate Sustainability Department to strengthen our management foundation and support business growth from an ESG perspective, and also identified the Group's material issues in May.

Going forward, the Department will play a central role in further accelerating initiatives in response to global demands and expectations, and will actively communicate this process and the results to our stakeholders.

### Approach to Sustainability

#### Management focused on social sustainability

(Social sustainability is the foundation for our corporate sustainability)

#### SDGs for 2030

#### Foundation builders

- Establish a solid management base
- Hedge risks (protect corporate value)
- Foster employee loyalty



#### Corporate sustainability ≈ ESG

- Giving back: Raising corporate value by providing value for the environment and society
- Integrating: An business model integrating management and strategies with environmental and social needs
- Governance: Thorough risk management

#### Growth drivers

- Fortify competitiveness (competitive strategies, differentiation strategies)
- Provide business solutions for social issues
- Incorporate CSV into medium- and long-term management plans

# Policy and Approach

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## Policy:

1. Management focused on social sustainability  
Social sustainability is the foundation for our corporate sustainability
2. Sustainability to establish a solid management base: Management base axis (ESG)
3. Sustainability to fortify competitiveness and drive growth: Business axis (CSV)

## Approach:

Since being founded in 1882 as Japan's first large-scale spinning mill company in the private sector, the Toyobo Group has addressed a range of issues as a good member of society through the supply of clothing fibers. We have also expanded and grown with the times and contributed to solving social issues with a focus on the environment in our aim to realize better lives for people around the world.

In 2019, we redefined our corporate philosophy *Jun-Ri-Soku-Yu* (adhering to reason leads to prosperity). After many discussions based on it, we enhanced our corporate philosophy system TOYOBO PVVs. Through this discussion process, we were convinced that the essence of the Toyobo Group's activities to date lies in making a contribution to ensuring the sustainability of people and the earth.

Contributing to the realization of a sustainable society is the embodiment of the Toyobo Group's Vision "We will continue to create the solutions needed by people and the earth with materials and science." This expresses the Toyobo Group's approach to sustainability.

At the same time, it is important to continually enhancing corporate value. The Toyobo Group's contribution to realizing a sustainable society generates profits leading to enhancement of the Group's corporate value. This enhancement of corporate value leads in turn to the next level of realization of a sustainable society through growth in the Group's business. Maintaining this positive spiral is what the Toyobo Group regards as sustainability.

To meet the expectations of stakeholders, the Toyobo Group will further enhance its dissemination of information as well as taking active initiatives so that all employees feel personally involved in sustainability in order to promote companywide activities as a united force.

## Sustainability management system

In April 2020, the Toyobo Group reorganized its organizational structure from product-oriented to solution-oriented with the intention of contributing to solving social issues even more than in the past by providing solutions. At the same time, we positioned sustainability at the core of management and established the Corporate Sustainability Department to promote sustainability companywide. This department will provide recommendations on incorporating the sustainability perspective into growth strategy and support strategies for achieving it as well as strengthening the compilation of internal information on ESG and dissemination of this information internally and externally.

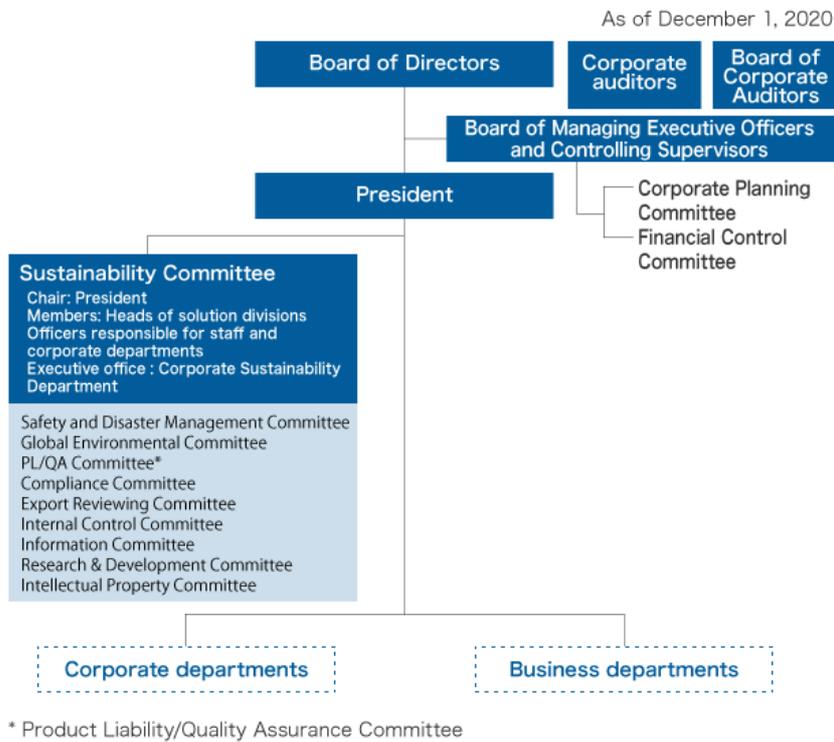
The officer with responsibility for sustainability is the Executive Officer who is Controlling Supervisor of the HR and Sustainability Planning Division.

Toyobo has also established the Sustainability Committee (executive office: Corporate Sustainability Department) chaired by the President to promote sustainability companywide. The committee checks on the progress of companywide sustainability activities each quarter and discusses issues that require new initiatives as well as company-wide risks. The content of these discussions is reported regularly to the Board of Directors. Going forward, this system will also lead progress management for the material issues.

Nine committees\* which handle more specialized, individual themes have been established below the Sustainability Committee and work in collaboration with it.

\* Nine committees: Safety and Disaster Management Committee, Global Environment Committee, Product Liability Prevention/Quality Assurance Committee, Compliance Committee, Export Reviewing Committee, Internal Control Committee, Information Committee, Research & Development Committee, and Intellectual Property Committee... as of December 1, 2020, the eight committees will be reorganized into nine committees

## Sustainability Promotion Structure



## Participation in Initiatives

### UN Global Compact (UNGC)

In January 2020, TOYOBO CO., LTD. became a signatory to the UN Global Compact (UNGC), and also joined Global Compact Network Japan, which comprises Japanese companies and organizations that are UNGC signatories. As a responsible corporate citizen, this reflects our endorsement of the goal to resolve global issues and realize sustainable growth. We also gather information through our participation in the subcommittees of Global Compact Network Japan, utilizing this in our day-to-day activities. From fiscal 2021, we are participating in the following subcommittees: ESG, Supply Chain, Environmental Management, Kansai-based regional subcommittee, Reporting Research. Toyobo will abide by the ten principles of UNGC and strengthen measures to realize a sustainable society.



### The Ten Principles of UNGC

Human Rights	Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and
	Principle 2: make sure that they are not complicit in human rights abuses.
Labour	Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
	Principle 4: the elimination of all forms of forced and compulsory labour;

	Principle 5: the effective abolition of child labour; and
	Principle 6: the elimination of discrimination in respect of employment and occupation.
<b>Environment</b>	Principle 7: Businesses should support a precautionary approach to environmental challenges;
	Principle 8: undertake initiatives to promote greater environmental responsibility; and
	Principle 9: encourage the development and diffusion of environmentally friendly technologies.
<b>Anti-Corruption</b>	Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

## Task Force on Climate-related Financial Disclosures (TCFD)

The Toyobo Group’s Vision is to be a group that continuously creates solutions demanded by people and the global environment through “Materials and Science.”



As part of its efforts, the group aims to help realize a sustainable society through the provision of products and services.

The Toyobo Group has expressed its support for recommendations made by the Task Force on Climate-related Financial Disclosures (TCFD) and joined the TCFD Consortium of companies and financial institutions in Japan that agree on the recommendations.

The Group will analyze the potential future business risks and opportunities arising from climate change and respond to the risks and opportunities along with its financial information disclosure.

## Communication with Stakeholders

Materiality	
Related ESG: <b>S</b> <b>G</b>	
<b>Communication with stakeholders</b>	

## Communication with stakeholders

Based on its corporate philosophy *Jun-Ri-Soku-Yu* (adhering to reason leads to prosperity), the TOYOBO Group Charter of Corporate Behavior states “Communication with stakeholders: We will carry out fair and appropriate information disclosure and enhance corporate value through communication with our stakeholders.” In accordance with this basic approach, the Toyobo Group actively disseminates information and engages in communication activities. The content of activities are also regularly reported to the management team. The Group strives to disseminate information in a timely, appropriate, and accurate manner to society as a whole, including our stakeholders such as customers, suppliers, shareholders and investors, employees, and local communities.

In our communication activities, we aim to promote an accurate understanding of the Toyobo Group and continuously enhance the Toyobo brand and corporate value while building relationships of trust by striving for two-way communication with stakeholders and the wider society as a whole.

## Basic approach to information disclosure

The Toyobo Group endeavors to provide timely and appropriate information disclosure with consideration given to fairness and impartiality in order to continue to be a trusted company. The Group also communicates actively with stakeholders, including shareholders and investors, to help enhance its corporate value. These activities are based on the following approaches.

- a. Information disclosure as a social responsibility (accountability)
- b. Communication to enhance corporate value
- c. Communication to prevent damage to corporate value

### <Goals>

As a member of society, the Toyobo Group will meet the expectations of stakeholders and contribute to the sustainable development of communities through collaboration with partners and cooperation in the regions where the Group operates with the aim of solving social issues.

### <KPIs and Results>

Initiatives	KPIs	Targets (FY2021)	Results (FY2020)
<ul style="list-style-type: none"><li>• Active dissemination of information, strengthening of disclosure</li><li>• Dialogue with shareholders and investors</li><li>• Dialogue with employees</li><li>• Collaboration and dialogue with industry, government, and academia</li><li>• Coexistence with local communities</li></ul>	1. No. of press releases	1. 75 per year	1. 74
	2. No. of interviews with investors	2. 150 per year	2. 130
	3. Frequency of meetings with employees and labor unions	3. At least 30 times per year	3. 30 times
	4. Frequency of engagement with stakeholders	4. Twice a year	4. —

## ■ Communication with shareholders and investors

### ● Presentations of Financial Results

The President provides an explanation of business performance at the presentations of full-year and second quarter financial results. In addition, Toyobo holds financial results presentations for financial institutions, including institutional investors and analysts at which the President explains the details of financial results and future management policy.

Toyobo holds teleconferences for the presentations of first and third quarter results at which the Executive Officer who is Controlling Supervisor of the Corporate Planning Division provides an explanation of business performance.

● **IR Information**

Toyobo is enhancing and expediting information disclosure in Japanese and English on the company's investor relations website.

Toyobo also provides its Annual Financial Reports, Financial Results, and Integrated Reports as well as financial data available for download on its investor relations website together with archives. Timely disclosure materials (financial results, etc.) are posted on the investor relations website at the same time as public announcements are made.

In addition, Toyobo provides on-demand streaming of presentation videos for a certain period after the date of the financial results presentations. Toyobo also began publishing the Q&A scripts for the financial results presentations in fiscal 2020 and the teleconferences in fiscal 2021 to promote fair information disclosure.

Going forward, Toyobo will endeavor to enhance the materials and functions it provides to facilitate ease-of-use for all shareholders and investors.

● **Annual General Meetings of Shareholders**

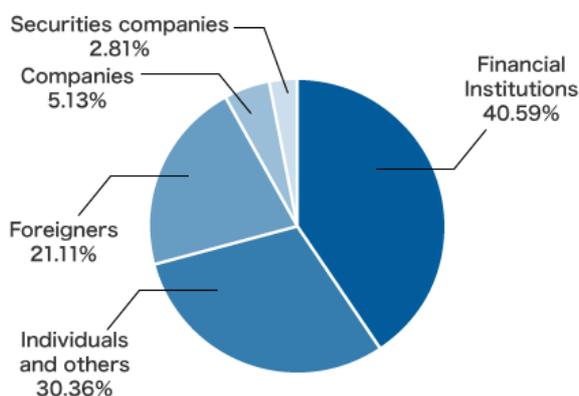
The Annual General Meeting of Shareholders is held each year in late June at Toyobo's Head Office in Osaka.

As the 162nd Annual General Meeting of Shareholders held on June 24, 2020 took place during the COVID-19 pandemic, Toyobo strongly advised shareholders to exercise their voting rights by post or online rather than attending the meeting in person.

**Number of Shares and Shareholders (As of March 31, 2020)**

<b>Number of shares authorized for issue</b>	200,000,000
<b>Shares issued to date</b>	89,048,792 (Including 237,610 treasury shares)
<b>Number of shareholders</b>	59,813

**Composition of Shareholders by Type (As of March 31, 2020)**



■ **Communication with employees**

The Central Management Consultation Meeting is held by the labor union (headquarters) and the company once a year, and Branch Management Consultation Meetings are held once by each of the eight branches nationwide. The headquarters officers participate for the union while the President participates in the Central Management Consultation Meeting and the respective Controlling Supervisors participate in the Branch Management Consultation Meetings representing the company. The meetings usually take place face-to-face, but were held in writing in fiscal 2021 in view of the COVID-19 pandemic.

## ■ Communication with overseas business sites

In response to the globalization of its business activities, the Toyobo Group engages in communication with overseas business sites.

Each year, local staff of overseas business sites visit Japan for training. The curriculum is available in English and Japanese and has the three following objectives.

- a. Deepening understanding of Toyobo;
- b. Deepening interaction with Japanese employees;
- c. Applying what is learned in the home countries of trainees.

Toyobo also has an overseas business training system for selected young employees to spend six months out of a one-year program at an overseas business site learning the basics of language, culture, and overseas business while interacting with local staff.

With the COVID-19 is severely restricting cross-border mobility, we are taking care to reduce the distance between Japan and the outside world more than ever before on a day-to-day basis by making effective utilization of digital technology such as online conferencing.

In the past, the President of Toyobo has visited several overseas business sites each year to encourage expatriate and local staff. However, the situation is being monitored in fiscal 2021 due to the previously mentioned impact of the COVID-19 pandemic.

## ■ Communication with stakeholders

Toyobo will expand its activities in fiscal 2021 onward and provide information on the details.

## ■ Communication with local communities

Please see the Local Communities page(P.98) for more details.

[Find more information about Local Communities here >](#)

# Our Value Creation Story

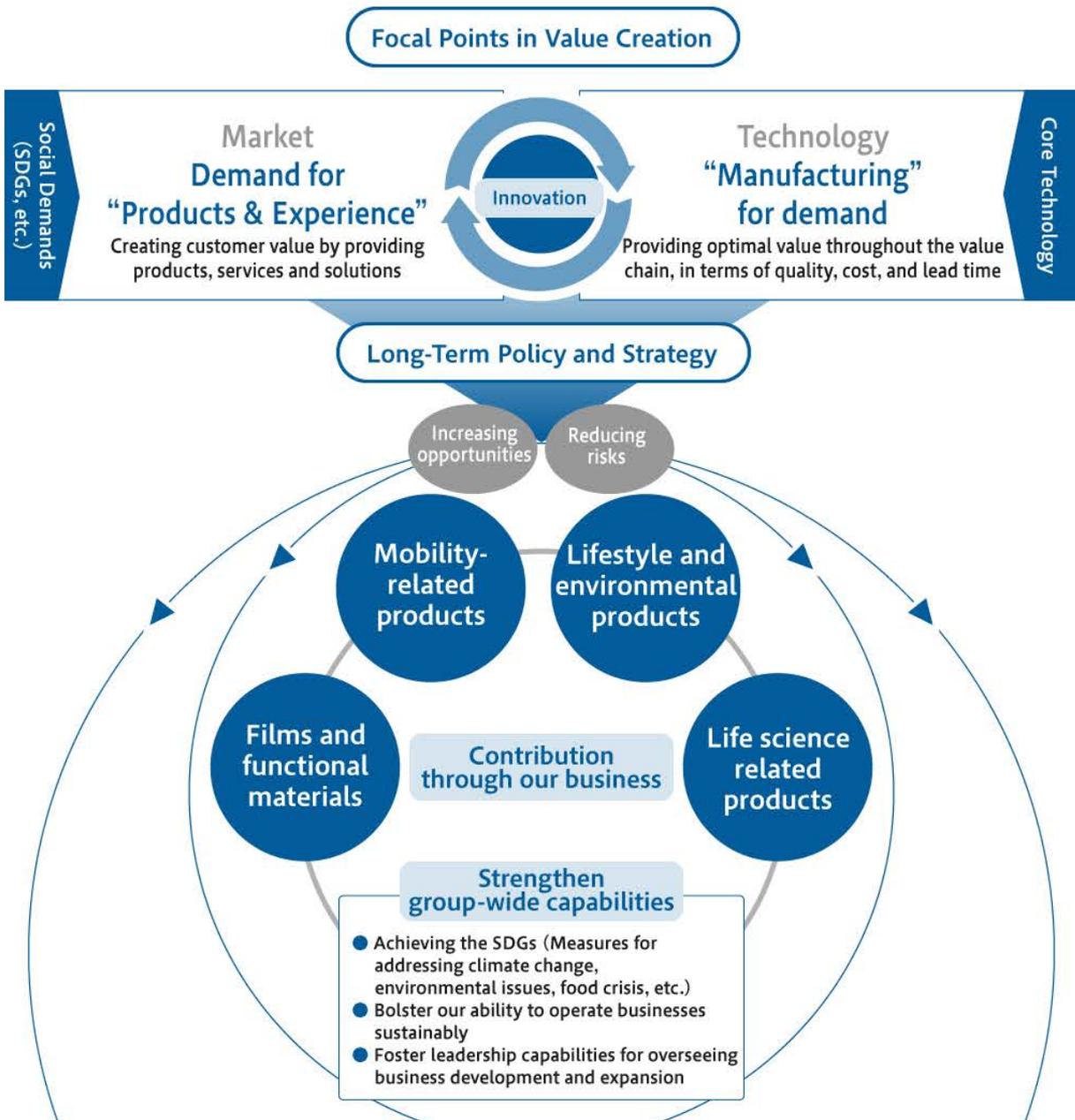
## Approach to Value Creation

Realizing long-term growth by continually providing value-added solutions.



Values & Philosophy

Our diverse value creation activities are permeated by the spirit of Jun-Ri-Soku-Yu (adhering to reason leads to prosperity). This can be described as the forerunner of the modern concept of Creating Shared Value (CSV).





## Matching stakeholder demands to our management resources

The demands of society and markets have become increasingly diverse and sophisticated in recent years, as can be seen with the Sustainable Development Goals (SDGs). The Toyobo Group has built up a wide range of management resources over many years, and we have especially worked on refining our technology. Selecting the technologies that can address external demands, and extending them through further innovation is our starting point for the Toyobo Group's value creation.

## Practicing CSV in four Solutions fields

From fiscal 2021, the Toyobo Group has reorganized its operations into four fields where we can create value to share with society: these are our Solutions divisions. Each division aims to increase the Company's growth opportunities by providing products and services that help resolve issues, and also to control and mitigate risk while taking ESG issues into consideration. We are also strengthening cross-divisional coordination to support the activities of these four divisions.

## Identifying material issues

In fiscal 2021, we identified our material issues, which are both important for our stakeholders and have a significant impact for the Company. We also determined "safety, disaster prevention, quality," "corporate governance," and "respect for human rights" as the management base (the prerequisites to the material issues.) We will continue to address materiality while communicating proactively with our stakeholders.

[Find more information about our Materiality here >](#)

## Drawing up a long-term growth scenario using backcasting

Toyobo Group's stated aim is to continually create "the solutions needed by people and the earth." We have also established net sales targets for fiscal 2026. We are currently considering our long-term growth scenario to 2030 using backcasting, a method of calculating what we need to do now in order to achieve our future vision and targets.

# Materiality

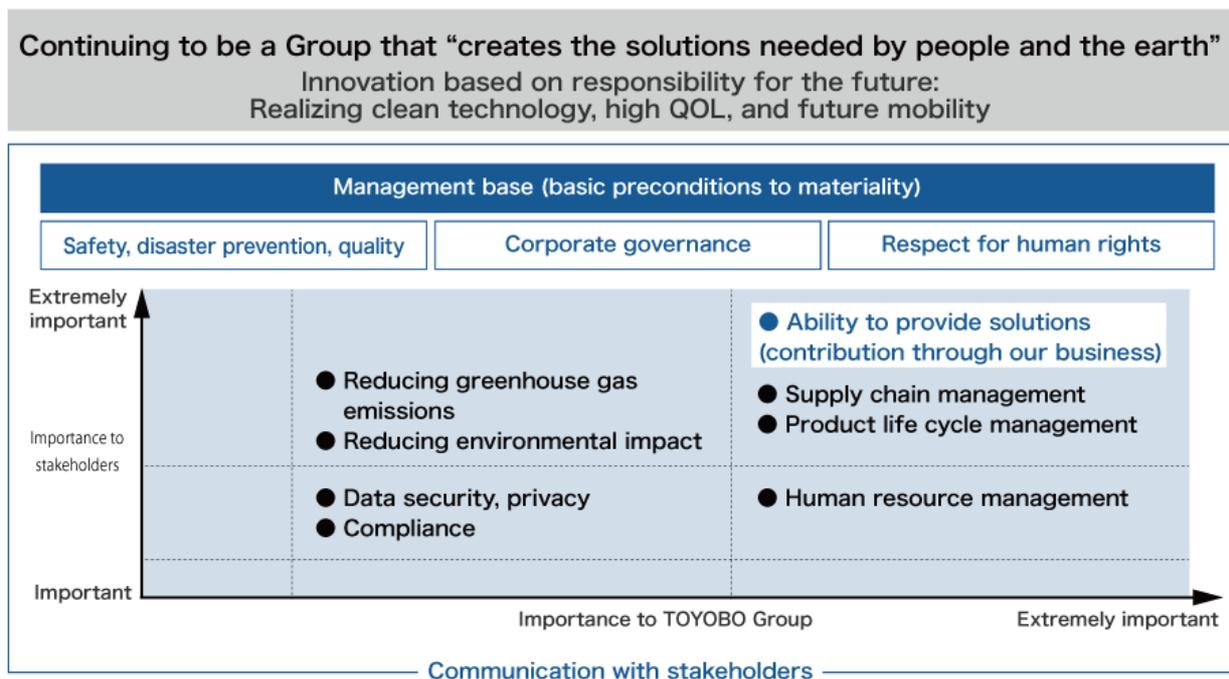
## Identifying Material Issues

### Achieving our vision

Companies must help resolve a wide range of issues facing society, from environmental issues such as climate change and plastic waste, to human rights and labor issues.

In fiscal 2021, responding to the demands and expectations of our stakeholders, the Toyobo Group identified CSV- and ESG-related material issues in eight items, to realize our vision of being a Group that continually “creates the solutions needed by people and the earth.” We set out three areas that are the basis of the Toyobo Group’s corporate activities and for which there is great social demand as the management base (basic preconditions to materiality). In addition, we will proactively disseminate information on initiatives on the basic preconditions to materiality and materiality as stakeholder communication as well as striving to deepen our communication with all stakeholders.

#### Identified Material Issues



### Targets and KPIs

In conjunction with the identification of material issues, we established new KPIs in November 2020 in order to promote initiatives. These are reported below, including those which are currently under consideration.

# Toyobo Group Materiality/KPIs and Targets

Approved by the Board of Directors  
November 26, 2020

Category	Main topic	Officer with responsibility	Sub-topics	What we can achieve	KPIs: timeframe for achievement set for each theme		
					Themes	Results that form the basis for KPIs* * FY2020 results when not specifically stated	Targets
Management base (basic preconditions to materiality)	Safety and disaster prevention	Masaru Watanabe Representative Director, Co-COO, Controlling Supervisor of Business Units	<ul style="list-style-type: none"> <li>Build a culture of safety</li> <li>Prevent workplace accidents (make human-operated equipment safer, promote security and disaster prevention)</li> </ul>	<ul style="list-style-type: none"> <li>We will strive to prevent disasters and accidents by clarifying and thoroughly complying with basic safety throughout the entire Toyobo Group.</li> </ul>	<ol style="list-style-type: none"> <li>Number of major incidents*</li> <li>Frequency rate of workplace accidents resulting in lost workdays</li> <li>Number of fires or explosions</li> <li>Number of environmental incidents</li> </ol>	<ol style="list-style-type: none"> <li>0 incidents</li> <li>0.31</li> <li>2 incidents</li> <li>0 incidents</li> </ol>	<ol style="list-style-type: none"> <li>0 incidents per year</li> <li>0.25 or less</li> <li>0 incidents per year</li> <li>0 incidents per year</li> </ol> <p>All targets to aim for every year</p>
					Continuing to consider target setting for "reviewing definition of serious accident" and "accident prevention initiatives"		
	Quality	Yoshio Araki Director, Executive Officer, Controlling Supervisor of Production Technology Innovation and Quality Assurance Division	<ul style="list-style-type: none"> <li>Realize stable supply, contribute to solutions for customer issues, fulfill customer needs</li> <li>Ensure product safety and quality</li> </ul>	<ul style="list-style-type: none"> <li>We will increase customer satisfaction by practicing quality management throughout our entire supply chain, including upstream areas, and ensuring quality that can be trusted.</li> </ul>	<ol style="list-style-type: none"> <li>Number of incidents related to products*</li> <li>Implementation status of product safety and quality assurance training</li> </ol>	<ol style="list-style-type: none"> <li>0 incidents</li> <li>100%</li> </ol>	<ol style="list-style-type: none"> <li>0 incidents per year</li> <li>100%</li> </ol> <p>All targets to aim for every year</p>
					Continuing to consider target setting for "Quality-related" themes		
Corporate governance	Masakatsu Shirai Director, Executive Officer, Controlling Supervisor of HR and Sustainability Planning Division	<ul style="list-style-type: none"> <li>Strengthen corporate governance</li> <li>Strengthen information disclosure</li> </ul>	<ul style="list-style-type: none"> <li>The Toyobo Group is building a fair and highly transparent governance structure through compliance with the Corporate Governance Code and proactive information disclosure.</li> </ul>	<ol style="list-style-type: none"> <li>No. of meeting of the Board of Directors/committees</li> <li>Attendance rate of officers at meetings in 1.</li> <li>Disclosure of details of evaluation of Board of Directors' effectiveness</li> </ol>	<ol style="list-style-type: none"> <li>Board of Directors' meetings: 19, Other meetings*: 4</li> <li>Share on the Company website Equivalent of the Corporate Report</li> <li>Governance Report</li> </ol>	<ol style="list-style-type: none"> <li>Disclose results</li> <li>Disclose results</li> <li>Disclose details of effectiveness evaluation</li> </ol>	
				* Nomination Committee and Advisory Board on Compensation			
Respect for human rights	Masakatsu Shirai Director, Executive Officer, Controlling Supervisor of HR and Sustainability Planning Division	<ul style="list-style-type: none"> <li>Avoid human rights violations</li> <li>Eliminate forced and child labor</li> <li>Respond to human rights laws and regulations (Modern Slavery Act, etc.)</li> <li>Ensure equality in recruitment and treatment of employees</li> <li>Realize diversity and inclusivity</li> </ul>	<ul style="list-style-type: none"> <li>The Toyobo Group will carry out initiatives to ensure respect for basic human rights and diversity throughout the entire Group, including providing training to foster such respect among employees.</li> <li>Through these initiatives, we will aim to be a fair company that is trusted by society.</li> </ul>	<ol style="list-style-type: none"> <li>Implementation status of human rights education and training</li> <li>Employment ratio of people with disabilities</li> </ol>	<ol style="list-style-type: none"> <li>—</li> <li>2.2%</li> </ol>	<ol style="list-style-type: none"> <li>Once a year for 20% of non-consolidated employees</li> <li>2.3%</li> </ol> <p>All targets for FY2026</p>	

Category	Main topic	Officer with responsibility	Sub-topics	What we can achieve	KPIs: timeframe for achievement set for each theme		
					Themes	Results that form the basis for KPIs* * FY2020 results when not specifically stated	Targets
Materiality	Ability to provide solutions	Plan to discuss and consider when formulating the next Medium-term Plan from April 2021					
	Supply chain management	Masaru Watanabe Representative Director, Co-COO, Controlling Supervisor of Business Units	<ul style="list-style-type: none"> <li>Realize sustainable, responsible procurement and logistics</li> <li>Carry out transactions that are fair and respect human rights</li> <li>Build a low-carbon society</li> </ul>	<ul style="list-style-type: none"> <li>Throughout its supply chain, the Toyobo Group aims to realize procurement and logistics that involve fair and sincere transactions, respect human rights, are environmentally friendly, and consider impact on both society and the environment.</li> <li>We will reduce CO<sub>2</sub> emissions by promoting green logistics, such as implementing a modal shift to rail and sea transportation and improving loading efficiency.</li> </ul>	<ol style="list-style-type: none"> <li>Ratio of CSR procurement surveys returned</li> <li>Ratio of reduction in CO<sub>2</sub> emissions related to logistics</li> </ol>	<ol style="list-style-type: none"> <li>—</li> <li>Year on year reduction of 0.6%</li> </ol>	<ol style="list-style-type: none"> <li>90% or above (In years when a survey is not implemented, we carry out dialogue with business partners that past surveys have shown have issues)</li> <li>Year on year reduction of 0.5%</li> </ol>
	Product life cycle management	Start considering from 2H FY2021					
	Reducing greenhouse gas emissions	Yoshio Araki Director, Executive Officer, Controlling Supervisor of Production Technology Innovation and Quality Assurance Division	<ul style="list-style-type: none"> <li>Combating global warming</li> </ul>	<ul style="list-style-type: none"> <li>In view of impact from global warming, we will significantly reduce greenhouse gas emissions across all our business activities.</li> <li>We will reduce greenhouse gas emissions through the provision of products and solutions.</li> </ul>	<ol style="list-style-type: none"> <li>Greenhouse gas emissions</li> <li>R&amp;D investment targeting climate change</li> <li>TCFD/scenario analysis disclosure</li> </ol>	<ol style="list-style-type: none"> <li>1,210 thousand tons (FY2014 result)</li> <li>—</li> <li>—</li> </ol>	<ol style="list-style-type: none"> <li>30% reduction* from FY2014</li> <li>(Discuss/respond from now on)</li> <li>(Discuss/respond from now on)</li> </ol> <p>*FY2031 target Set target in anticipation of increase in greenhouse gas emissions accompanying net sales growth (FY2031:¥500.0 billion)</p>
	Reducing environmental impact	Yoshio Araki Director, Executive Officer, Controlling Supervisor of Production Technology Innovation and Quality Assurance Division	<ul style="list-style-type: none"> <li>Preventing air and water pollution</li> <li>Giving consideration to biodiversity</li> </ul>	<ul style="list-style-type: none"> <li>We will manage chemical substances appropriately.</li> <li>We will minimize industrial waste at production sites and reduce final disposal volume.</li> <li>We will contribute to reducing environmental impact and conserving the environment through our products and solutions.</li> <li>We will give consideration to biodiversity and ensure sustainable environmental conservation throughout the value chain of our business activities.</li> </ul>	<ol style="list-style-type: none"> <li>Atmospheric emissions of VOC substances</li> <li>Discharge of hazardous substances into water</li> <li>Waste (per net sales unit) and final disposal rate</li> <li>Expand products and services that contribute to the environment (ECO-PARTNER)</li> </ol>	<ol style="list-style-type: none"> <li>159 tons (FY2015 results)</li> <li>49 tons (FY2015 result)</li> <li>0.57%</li> <li>30.4%</li> </ol>	<ol style="list-style-type: none"> <li>60% reduction* from FY2015</li> <li>80% reduction* from FY2015</li> <li>(Discuss/respond from now on)</li> <li>(Discuss/respond from now on)</li> </ol> <p>*FY2031 target</p>

Category	Main topic	Officer with responsibility	Sub-topics	What we can achieve	KPIs: timeframe for achievement set for each theme		
					Themes	Results that form the basis for KPIs* * FY2020 results when not specifically stated	Targets
Materiality	Human resource management	Masakatsu Shirai Director, Executive Officer, Controlling Supervisor of HR and Sustainability Planning Division	<ul style="list-style-type: none"> <li>• Nurture human resources (build careers, develop capabilities)</li> <li>• Promote work-life balance</li> <li>• Ensure equality in recruitment and treatment of employees</li> <li>• Realize diversity and inclusion</li> <li>• Maintain people-friendly work environments (promote health)</li> </ul>	<ul style="list-style-type: none"> <li>• The Toyobo Group will build an organizational structure for the entire Group that enables employees to work easily and feel satisfaction with their work, that ensures fairness and integrity, and that is considerate of diversity and human rights.</li> </ul>	<ol style="list-style-type: none"> <li>1. Formulation and disclosure of a Human Resources Development Plan</li> <li>2. Training core overseas personnel in Japan</li> <li>3. Training investment per employee</li> <li>4. Achievement of female ratio in management positions</li> <li>5. Ratio of annual paid leave taken</li> <li>6. Reduction in annual statutory working hours (number of people/eligible for more than 360 hours)</li> <li>7. Ratio of male employees taking childcare leave</li> </ol>	<ol style="list-style-type: none"> <li>1. —</li> <li>2. 15 employees</li> <li>3. ¥37,000</li> <li>4. 2.9%</li> <li>5. 72.5%</li> <li>6. (2.6%)</li> <li>7. 46.3%</li> </ol>	<ol style="list-style-type: none"> <li>1. Complete and share on the Company website</li> <li>2. 15 employees per year*</li> <li>3. ¥50,000 per year*</li> <li>4. 4.0%*</li> <li>5. 75%*</li> <li>6. Reduction of 20% (2.0%)*</li> <li>7. 70% of those eligible for absence leave*</li> </ol> <p>* Targets for FY2026</p>
	Compliance	Masakatsu Shirai Director, Executive Officer, Controlling Supervisor of HR and Sustainability Planning Division	<ul style="list-style-type: none"> <li>• Legal compliance and reports of violations</li> <li>• Develop and maintain internal reporting system</li> <li>• Prevent corruption</li> <li>• Reinforce business resilience</li> </ul>	<ul style="list-style-type: none"> <li>• Each and every employee complies with laws, regulations, and rules and acts transparently and appropriately, fostering an ethical corporate environment and culture.</li> </ul>	<ol style="list-style-type: none"> <li>1. No. of serious legal violations</li> <li>2. Improvement rate of following compliance questionnaire items <ul style="list-style-type: none"> <li>• Whether company emphasizes compliance</li> <li>• Awareness/ease of use of compliance consultation centers</li> <li>• Awareness of "Compliance Mini Study"</li> <li>• Awareness of management compliance message</li> </ul> </li> <li>3. No. of compliance study sessions and various other training held</li> </ol>	<ol style="list-style-type: none"> <li>1. 0</li> <li>2. —</li> <li>3. 57</li> </ol>	<ol style="list-style-type: none"> <li>1. 0 per year</li> <li>2. Year-on-year increase</li> <li>3. Publish results</li> </ol>

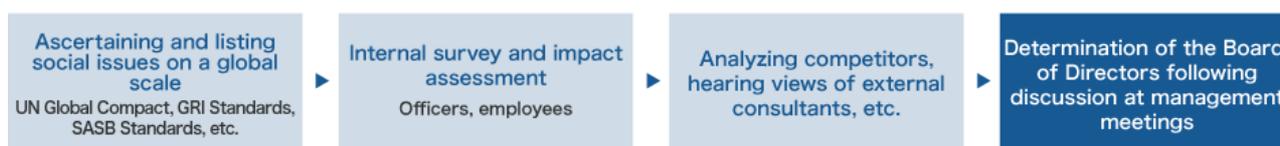
Category	Main topic	Officer with responsibility	Sub-topics	What we can achieve	KPIs: timeframe for achievement set for each theme		
					Themes	Results that form the basis for KPIs* * FY2020 results when not specifically stated	Targets
Materiality	Data security, privacy	Ikkuo Takeuchi Director, Managing Executive Officer, Controlling Supervisor of Corporate Planning Division	<ul style="list-style-type: none"> <li>• Ensure cyber security</li> <li>• Protect confidential corporate information, personal information, and customer information</li> </ul>	<ul style="list-style-type: none"> <li>• The Toyobo Group will establish a structure to ensure cyber security as well as deepening employee understanding of information security and thoroughly ensuring protection of information.</li> </ul>	<ol style="list-style-type: none"> <li>1. No. of times information security education provided*</li> <li>2. No. of incidents (information leaks, service outages, etc.)*</li> <li>3. Implementation of information security measures**</li> </ol> <p>* Scope is TOYOBO CO., LTD., TOYOBO STC CO., LTD., and Toyobo Information System Create Co., Ltd. ** Scope is consolidated subsidiaries (determined while monitoring situation) Specific measures aimed at consolidated subsidiaries • Application of Information Security Policy • Roll out of measures to strengthen OA/FA</p>	<ol style="list-style-type: none"> <li>1. 17 times</li> <li>2. 2</li> <li>3. —</li> </ol>	<ol style="list-style-type: none"> <li>1. 15 times per year</li> <li>2. 0 per year</li> <li>3. Disclosure of promotion contents</li> </ol> <p>All targets for FY2021</p>
All inclusive	Communication with stakeholders	Masakatsu Shirai Director, Executive Officer, Controlling Supervisor of HR and Sustainability Planning Division	<ul style="list-style-type: none"> <li>• Active dissemination of information, strengthening of disclosure</li> <li>• Dialogue with shareholders and investors</li> <li>• Dialogue with employees</li> <li>• Collaboration and dialogue with industry, government, and academia</li> <li>• Coexistence with local communities</li> </ul>	<ul style="list-style-type: none"> <li>• As a member of society, the Toyobo Group will meet the expectations of stakeholders and contribute to the sustainable development of communities through collaboration with partners and cooperation in the regions where the Group operates with the aim of solving social issues.</li> </ul>	<ol style="list-style-type: none"> <li>1. No. of press releases</li> <li>2. No. of interviews with investors</li> <li>3. Frequency of meetings with employees and labor unions</li> <li>4. Frequency of engagement with stakeholders</li> </ol>	<ol style="list-style-type: none"> <li>1. 74</li> <li>2. 130</li> <li>3. 30 times</li> <li>4. —</li> </ol>	<ol style="list-style-type: none"> <li>1. 75 per year</li> <li>2. 150 per year</li> <li>3. At least 30 times per year</li> <li>4. Twice a year</li> </ol> <p>All targets for FY2021</p>

## Identification process

To identify these material issues, firstly we drew up a list of proposed issues reflecting 12 international guidelines including external initiatives and the GRI Standards. From this list, we clarified the positive and negative impacts of each issue through internal surveys and interviews, to select the appropriate material issues.

We then made adjustments, reflecting the views of institutional investors and other external parties, and organized the eight proposed material issues along two lines: importance to stakeholders and importance to the Toyobo Group. Ultimately, the Board of Directors meeting held on May 22, 2020 determined these as the Group's material issues.

### Identification Process



## Reflecting materiality in management plans

As well as configuring targets (KPIs) for each of the identified material issues, we are drawing up specific measures to achieve these targets and will manage progress.

At the same time, we will reflect the material issues in our future medium- and long-term management plans.

We will also regularly review the material issues through communication and engagement with our stakeholders.

### Key Future Initiatives



## Relationship between Materiality and the SDGs

In June 2020, we mapped the relationships between the Toyobo Group's identified management base (basic preconditions to materiality) and the material issues, and the relevant SDGs and ESG.

Going forward, we will further deepen the connectedness of business activities with the SDGs during the review process for the material issues to be conducted through communication with stakeholders and obtaining the opinions of outside experts.

**E** Environment **S** Social **G** Governance

Related ESG	Management base (basic preconditions to materiality)	Related SDGs
E S G	Safety, disaster prevention, quality	
G	Corporate governance	
S	Respect for human rights	

Related ESG	Materiality	Related SDGs
E S	Ability to provide solutions (contribution through our business)	
E S	Supply chain management	
E S	Product life cycle management	
E	Reducing greenhouse gas emissions	
E	Reducing environmental impact	
S	Human resource management	
S G	Data security, privacy	
S G	Compliance	
S G	Communication with stakeholders	

# Contribution Through Our Business

## Solution Strategy Films and Functional Materials

### Growth Strategy

#### We focus on creating environmental value added solutions, while expanding existing product sales

The Films and Functional Materials Solutions Division was created by combining our films, adhesives and coating-related operations.

Food loss is a growing social issue. In the packaging field, we will continue to increase sales of transparent vapordeposited film ECOSYAR®—a food storage film with excellent performance and cost. In the industrial films field, we intend to strengthen our capacity to supply COSMOSHINE SRF® by introducing offshore OEMs, while aiming to increase our market share from the current 35% to 50%. In mold releasing films for MLCC, we aim to raise our market share from 25% to 30% to meet solid demand, by expanding facilities at the Tsuruga Research and Production Center.

As well as increasing sales of these existing products, we will accelerate new cross-departmental initiatives. The deepening collaboration between the films and functional materials departments is one example of this. We aim to boost sales and realize efficiencies through deeper information sharing between the two departments. We will also tackle the challenge of creating new value and solutions by optimally integrating our assets in various fields.

We will also focus on the development of biomass-derived polymers in cooperation with the new Renewable Resources Business Development Department, as we aim to become a global leader in environmentally sound products and solutions.



Chikao Morishige  
Senior Managing Executive Officer  
Head, Films and Functional Materials  
Solutions Division

#### Future Vision

- No.1 global manufacturer of eco-conscious films
- Comprehensive provider of resins

#### Quantitative Targets (FY2026)

- Net sales of **¥200** billion (¥127 billion as of FY2020)

Note: Our business segments were reorganized with effect from FY2021.

Sales figures for FY2020 are unaudited and approximate.

#### <Key Products>

Films, functional materials (VYLON®, HARDLEN® / plastics processed products)

Characteristics and SWOT for each field

	<b>S</b> trengths	<b>W</b> eaknesses	<b>O</b> pportunities	<b>T</b> hreats
<b>Films</b>	<b>Gradual decline of domestic demand due to decreasing population. Number of households and dual-income households is growing, competition in the Japanese market is also maturing. The market remains stable.</b>			
	<ul style="list-style-type: none"> <li>• A comprehensive films manufacturer</li> <li>• Lineup of environmentally sound products (recycled and biobased resins, laminating films for cans, and thin shrink film)</li> <li>• Lineup of polarizer protective (PET) films</li> <li>• Integrated production from film manufacturing to processing</li> </ul>	<ul style="list-style-type: none"> <li>• Production is focused in Japan; need to develop overseas production bases</li> </ul>	<ul style="list-style-type: none"> <li>• Rising awareness of environment, safety and security in relation to the SDGs</li> <li>• Growing awareness of the need to reduce food loss</li> <li>• Expanding film demand in the IoT field</li> <li>• Sales, technology and development synergies through integration of Teijin Film Solutions Limited</li> </ul>	<ul style="list-style-type: none"> <li>• Risk of not being able to transport products</li> <li>• Global problem of microplastics</li> </ul>
<b>Functional materials (1) VYLON® HARDLEN®</b>	<b>Demand is expected to grow, aligned with the movement to cut CO<sub>2</sub> emissions in automobile coatings, and the spread of 5G in the electrical/electronics field, etc.</b>			
	<ul style="list-style-type: none"> <li>• Provision of modification/polymerization technologies and comprehensive technical support</li> <li>• Global production bases and extensive product lineup</li> </ul>	<ul style="list-style-type: none"> <li>• Cost competitiveness</li> </ul>	<ul style="list-style-type: none"> <li>• Transition to 5G, shift to EVs and more lightweight vehicles</li> <li>• Rising environmental awareness (avoiding solvents)</li> </ul>	<ul style="list-style-type: none"> <li>• Tighter chemical substance regulations (restrictions on the use of raw materials)</li> </ul>
<b>Functional materials (2) Plastics processed products</b>	<b>Sales of photo-sensitive printing plates for labels, seals, packaging. Exporting to more than 60 countries worldwide.</b>			
	<ul style="list-style-type: none"> <li>• Water-washable printing plates (solvent-free)</li> <li>• Unique organic synthesis technology</li> </ul>	<ul style="list-style-type: none"> <li>• Production at one plant in Japan</li> </ul>	<ul style="list-style-type: none"> <li>• Expansion of market for water-based systems along with rising environmental awareness</li> <li>• Movement away from China due to environmental regulations</li> </ul>	<ul style="list-style-type: none"> <li>• Tighter chemical substance regulations (restrictions on raw materials used)</li> </ul>

# Value Creation Flow

Process	ESG aspects	
		
	Enhancement of positive effects (increasing opportunities)	Mitigation of negative effects (reducing risk)
<b>Procurement</b>	 <b>Resource circulation</b> <ul style="list-style-type: none"> <li>Procuring recycled raw materials from PET bottles <a href="#">(Films)</a></li> </ul>	
<b>Manufacturing</b>	 <b>Preventing climate change</b> <ul style="list-style-type: none"> <li>Installation of gas cogeneration facilities, conversion of fuel from coal to gas</li> </ul>  <b>Resource circulation</b> <ul style="list-style-type: none"> <li>Re-use of recycled raw materials: 800 tonnes per annum (Crisper®, KAMISHINE®, SPACECLEAN®, CYCLE CLEAN®, RESHINE®) <a href="#">(Films)</a></li> <li>Re-use of non-conforming products: 2,750 tonnes per annum (COSMOSHINE SRF®) <a href="#">(Films)</a></li> <li>Re-use of HAGIPRO resin* (under construction) <a href="#">(Films)</a></li> </ul> <p>* Impurity-free PET made by removing the surface treatment of films that would otherwise reduce recyclability</p>	
<b>Sales/Use</b>	 <b>Solutions for customer challenges and social issues</b> <ul style="list-style-type: none"> <li>Saving resources and reducing CO<sub>2</sub> emissions by using recycled raw materials and developing thinner products               <ul style="list-style-type: none"> <li>Heat-shrinkable polyester film SPACECLEAN®</li> <li>Film of recycled PET resin CYCLE CLEAN®</li> <li>Film of plant-derived raw materials BIOPRANA®</li> </ul> </li> <li>Enables long-term food storage, reducing food loss               <ul style="list-style-type: none"> <li>Transparent vapor-deposited film ECOSYAR®</li> </ul> </li> <li>Enhances the performance of communications equipment               <ul style="list-style-type: none"> <li>Polarizer protective films for LCDs COSMOSHINE SRF®</li> <li>Mold releasing films for MLCC COSMOPEEL®</li> </ul> </li> <li>Replaces metals, reducing weight               <ul style="list-style-type: none"> <li>Copolymerized polyester VYLON®</li> </ul> </li> <li>Does not use solvents, reducing environmental impact               <ul style="list-style-type: none"> <li>Environmentally conscious printing plates Printight®, Cosmolight®</li> </ul> </li> </ul> <div style="display: flex; justify-content: space-around; margin-top: 10px;">         </div>	
<b>Disposal/Re-use</b>	 <b>Resource circulation</b> <ul style="list-style-type: none"> <li>Collecting and recycling silicon-coated films <a href="#">(Films)</a></li> </ul>	

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# Major ESG Topics in Business Processes

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## Resource circulation

We promote resource circulation by collecting offcuts from the manufacturing process and used end products, recycling them and using them as materials. We also help to reduce the volume of resources used by developing high-strength and thin products.

## Preventing climate change

We continue to install gas cogeneration facilities, which can efficiently use the waste heat produced from power generation. We are also promoting conversion of fuel from coal to gas. Through these initiatives, we are reducing CO<sub>2</sub> emissions.

# Value Provided Through Products and Services

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## Films that help reduce food loss

The transparent vapor-deposited film ECOSYAR®, which demonstrates outstanding gas barrier characteristics, is ideal for long-term food storage and helps to reduce food loss.

As no metals are vapor deposited, the film is also suitable for heating in microwave ovens.



Food packaging using ECOSYAR®

## Films that enhance the functionality of LCD displays

COSMOSHINE SRF® polarizer protective film for LCDs is a product that eliminates the coloration caused by birefringence seen in conventional polyester films. With the increasing size of LCD TVs, as well as the shift to bezel-less screens and open-cell panels, the product has gained a large market share.

## Films that help save resources

Toyobo develops and provides films for PET bottle labels that help to save resources through the use of recycled raw materials and a thinner product profile. For example, CYCLE CLEAN®, a film of recycled PET resin, has increased the ratio of recycled resin to a world-leading 80% while retaining the properties of conventional products.

Meanwhile, the heat-shrinkable polyester film SPACECLEAN® is the world's thinnest polyester film, at 20 µm. This is at least 50% thinner than conventional products, and helps to significantly save on resources.



CYCLE CLEAN®

## Mold releasing films for ceramic capacitors, supporting the shift to IoT

Ceramic capacitors are multipurpose electronic components that adjust electric current and temporarily store electricity. They are used in various types of electronic circuit.

Our mold releasing films for MLCC, including COSMOPEEL®, are essential to the production of ceramic capacitors. Toyobo is the only manufacturer with an integrated process from production of the raw film to coating of the releasing layer, supporting the spread and development of IoT and AI.

## Growth Strategy

### We optimize Group synergies to meet social and market expectations, including improving environmental performance and safety

Against a backdrop of technological innovation in various fields and increasing consumption of lifestyle services, the automotive industry is entering a 1-in-100-year period of great change, with further market expansion anticipated.

In our engineering plastics business, where replacing metal with plastic components helps to realize more lightweight products and reduce CO<sub>2</sub> emissions, the Mobility Solutions Division has established systems for rapidly gathering information from our sales bases worldwide and developing/proposing products. This has resulted in a comprehensive lineup of materials, and we are expanding sales through a combination of advanced technology and attentive after-sales support.

In the airbag business, which supplies products that keep passengers safe, we aim to double net sales by recovering market share in Asia following the establishment of a new fabric plant in Thailand, and by stepping up sales promotion to multinational customers.

In addition, more than 10 business divisions and operating departments within the Toyobo Group provide a variety of automotive materials. Going forward, we aim to create synergies by promoting Group cross-organizational systems and initiatives, including a "Mobility Marketing Strategy Department" and "Mobility Strategy Council." We are aiming to achieve further growth through participation in CASE<sup>\*1</sup> and MaaS<sup>\*2</sup> projects, development of composite materials, and initiation of M&A.

\*1 Abbreviation of "Connected, Autonomous, Shared, Electric." Refers to the latest technological advances in automobiles

\*2 Abbreviation of "Mobility as a Service." Refers to the provision/use of various forms of transportation as a one-stop service, and the systems for that



Shigeo Takenaka  
Senior Managing Executive Officer  
Head, Mobility Solutions Division

#### Future Vision

- No. 1 global airbag fabric manufacturer
- Top-tier engineering plastics manufacturer
- Partnerships with global automakers

#### Quantitative Targets (FY2026)

- Net sales of **¥120** billion (¥44.5 billion as of FY2020)

Note: Our business segments were reorganized with effect from FY2021.

Sales figures for FY2020 are unaudited and approximate.

<Key Products>

Engineering plastics, airbag fabrics, etc.

Characteristics and SWOT for each field

	<b>S</b> trengths	<b>W</b> eaknesses	<b>O</b> pportunities	<b>T</b> hreats
<b>Engineering plastics</b>	<b>Ongoing technological innovation, adoption of electric vehicles (EVs) and fuel cell vehicles (FCVs), etc.</b>			
	<ul style="list-style-type: none"> <li>Proven track record with Japanese automotive manufacturers over many years</li> <li>Comprehensive product lineup and wide-ranging sales achievements</li> <li>Supply structure via four bases worldwide and global information sharing capability</li> <li>Outstanding quality and technology demanded by Japanese manufacturers</li> </ul>	<ul style="list-style-type: none"> <li>Sales channels to non-Japanese automotive manufacturers</li> <li>European production structure</li> </ul>	<ul style="list-style-type: none"> <li>Established infrastructure for global expansion</li> <li>Growing popularity of EVs and FCVs</li> <li>Increased automobile production volumes in Asia</li> </ul>	<ul style="list-style-type: none"> <li>Opportunity loss resulting from slow response to CASE/MaaS</li> <li>Long-term downturn in global automotive market due to COVID-19 pandemic</li> </ul>
<b>Airbags</b>	<b>With the expected future introduction of self-driving technology, safety demands are likely to increase further</b>			
	<ul style="list-style-type: none"> <li>Group production capacity — global No. 1 in airbag fabrics</li> <li>Integrated fabric/yarn supply structure via four bases worldwide</li> <li>Proven track record with Japanese automotive manufacturers over many years</li> </ul>	<ul style="list-style-type: none"> <li>Oligopoly of nylon-66 manufacturers</li> </ul>	<ul style="list-style-type: none"> <li>Expansion of sales channels/product lineup through M&amp;A</li> <li>Deepening collaboration with strategic global partners</li> <li>New markets opened up by self-driving vehicles (airbags for pedestrians)</li> </ul>	<ul style="list-style-type: none"> <li>Rising price pressure from both suppliers and customers due to oligopoly</li> </ul>

## Realizing our vision

The Mobility Solutions Division aims to create social value through the fusion of materials and technology in areas such as textiles, films, resins and healthcare, cultivated by the Toyobo Group over many years.

Through active collaboration with customers, academic institutions and partnering technology firms, we propose total solutions in areas targeted by the future mobility market, such as improving comfort in the interior space of vehicles, eliminating the painting process and significantly reducing CO<sub>2</sub> emissions by shifting to monomaterials, and extending cruising range through improved electric power efficiency.



Manipularer® concept car Based on the concept of “manipulating air,” it employs more than 50 Toyobo materials and technologies

# Value Creation Flow

Process	ESG aspects	
	 Enhancement of positive effects (increasing opportunities)	 Mitigation of negative effects (reducing risk)
<b>Procurement</b>	<p> <b>Management of chemical substances</b></p> <ul style="list-style-type: none"> <li>• Conducting reviews to ensure compliance with legal regulations and switching to alternative components</li> </ul> <p> <b>Resource circulation</b></p> <ul style="list-style-type: none"> <li>• Promoting use of recycled resin</li> </ul>	
<b>Manufacturing</b>	<p> <b>Preventing global warming</b></p> <ul style="list-style-type: none"> <li>• Establishing efficient production methods, promoting energy conservation</li> </ul> <p> <b>Developing human resources</b></p> <ul style="list-style-type: none"> <li>• Hiring local workers in overseas plants</li> <li>• Providing technology support to domestic and overseas Group companies</li> </ul> <p> <b>Worker health &amp; safety</b></p> <ul style="list-style-type: none"> <li>• Raising awareness of preventive maintenance to prevent accidents</li> </ul>	
<b>Sales/Use</b>	<p> <b>Solutions for customer challenges and social issues</b></p> <ul style="list-style-type: none"> <li>• Reducing CO<sub>2</sub> emissions, enhancing energy efficiency and improving safety in next-generation mobility</li> <li>• Helping to realize a pleasant vehicle interior space (safety and comfort)</li> </ul> <p>Engineering plastics:</p> <ul style="list-style-type: none"> <li>Polyester resin VYLOPET®</li> <li>Thermoplastic polyester elastomer PELPRENE®</li> <li>Polyamide resin GLAMIDE®</li> <li>High-melting-point polyamide VYLOAMIDE®</li> <li>Thermoplastic stampable sheet QuickForm®</li> <li>Non-coated and coated fabrics for airbags</li> </ul> <div style="display: flex; justify-content: space-around; align-items: center;">       </div>	
<b>Disposal/Re-use</b>	<p> <b>Resource circulation</b></p> <ul style="list-style-type: none"> <li>• Collection and recycling of airbag fabric offcuts</li> <li>• Collection and recycling of packaging film offcuts</li> </ul>	

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# Major ESG Topics in Business Processes

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## Resource circulation

We are working to recycle resources that were previously discarded, by collecting and utilizing offcuts from the manufacturing process. For example, we collect the fabric offcuts that are produced during airbag manufacturing and recycle them into highly heat-resistant resin. We also re-use certain packaging film offcuts as the raw material for engineering plastics.

## Preventing global warming

By combining the Toyobo Group's functional materials (resins, adhesives, films, etc.), we aim to reduce and substitute the processes for vehicle painting lines—said to consume the most energy during automobile production—and help to realize Japan's "Well-to-Wheel Zero Emission" challenge.\*

\* A policy set out by Japan's Ministry of Economy, Trade and Industry, which aims to reduce greenhouse gas emissions from energy production and vehicle travel to zero

## Developing human resources

As Toyobo's operations become increasingly global, we actively employ local workers to optimize operation of our overseas plants. We also provide technical support to our domestic and overseas Group companies to develop human resources.

# Value Provided Through Products and Services

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## Engineering plastics contribute to vehicle weight reduction

High-performance polyamide resin GLAMIDE® contains 70% reinforced fibers, far exceeding global standards. This gives it sufficient strength as an alternative to metals, contributing significantly to reducing component weight. High-melting-point polyamide VYLOAMIDE® is made from biomass, but also has outstanding heat resistance and cuts water absorption—a shortcoming of nylon—to one-third that of previous polyamide resins.

Thermoplastic stampable sheet QuickForm® demonstrates high strength and high elasticity, as well as outstanding impact resistance, and contributes to lighter component weight. We also anticipate its use in the structural components of automobiles.

Thermoplastic polyester elastomer PELPRENE® has excellent heat and oil resistance, and a lower specific gravity than vulcanized rubber, while its thermoplasticity makes it suitable for re-use. As a result, it has various applications.

## Airbag yarn and fabrics, keeping passengers safe

The airbag yarn and fabrics provided by the Toyobo Group are used in 40% of all airbags worldwide.

ECOKURELEAF® is a nylon resin for molding materials, manufactured from the offcuts of fabrics collected during the manufacturing process. It is re-used as a material in engine covers and airbag covers.



Provision of airbags fabrics

### Growth Strategy

#### We employ our unique technologies to help solve global issues such as climate change and water shortages

The Lifestyle and Environmental Solutions Division targets fields that relate to our daily life and the surrounding environment. Previously, each division had an independent strategy, but from now on this Division will gather information and draw up strategies that match growth markets to the technology assets of each division and affiliated company. We will provide in-demand solutions to our customers and society, expand our existing businesses, and accelerate the creation of new business opportunities.

In particular, we will proactively contribute to resolving various global issues with our unique membrane/filter technologies and functional materials—including climate change, air pollution and water shortages, where urgent action is needed.

More specifically, we will be focusing on water-related businesses, in addition to systems and filters that recover VOCs—one of the causes of photochemical smog. With regard to membranes used in desalination plants, our unique RO membranes have been helping to resolve water shortages. In the coming years, we will be actively developing and expanding sales of more energy-efficient forward osmosis (FO) and brine concentration (BC) membranes, which are similarly used in the desalination process (the latter are also effective in purifying industrial wastewater).

Based on the slogan “breaking down conventional barriers,” the newly formed Lifestyle and Environmental Solutions Division will work with speed as we combine the technological know-how in our product offerings of each division.



Shigeo Nishiyama  
Senior Managing Executive Officer  
Head, Lifestyle and Environment Solutions  
Division

#### Future Vision

- Leading global manufacturer of functional nonwoven fabrics
- Environmental solutions provider
- Industrial and consumer materials provider with functional textiles and trading expertise

#### Quantitative Targets (FY2026)

- Net sales of **¥140** billion (¥128 billion as of FY2020)

Note: Our business segments were reorganized with effect from FY2021.

Sales figures for FY2020 are unaudited and approximate.

#### <Key Products>

Desalination membranes, wastewater treatment systems, equipment for VOC emissions treatment, high-performance nonwoven fabrics (various applications including automotive components, materials, filters), chemical synthetic fiber, super fibers, textiles

Characteristics and SWOT for each field

	<b>S</b> trengths	<b>W</b> eaknesses	<b>O</b> pportunities	<b>T</b> hreats
<b>Environment</b>	<p><b>Water: Ongoing expansion of the RO membrane market due to climate change, population growth, etc.</b>  <b>Air: Continued regulation in different countries as environmental pollution becomes an issue</b></p>			
	<ul style="list-style-type: none"> <li>• Extensive track record for provision of desalination solutions in the Middle East</li> <li>• Integrated structure for manufacturing/development/maintenance</li> <li>• Leader in state-of-the-art membrane technology (FO and BC membranes)</li> <li>• Gas analysis and optimal design technology built up over many years</li> </ul>	<ul style="list-style-type: none"> <li>• Cost competitiveness</li> <li>• Global service capability</li> </ul>	<ul style="list-style-type: none"> <li>• Increased demand associated with response to global SDGs and tightening of environmental regulations</li> <li>• Replacement of existing technologies with energy-saving membrane technologies</li> <li>• Expansion of secondary battery market along with global shift to electric vehicles</li> </ul>	<ul style="list-style-type: none"> <li>• Improved level of overseas competitor products and intensified price competition</li> <li>• Reduction in environmental investment due to economic downturns</li> </ul>
<b>Nonwoven fabrics</b>	<p><b>Operations developed in a wide range of fields including automotive, civil engineering, construction, industrial filters, medical, soundproof absorption, and insulation (heat barrier)</b></p>			
	<ul style="list-style-type: none"> <li>• A comprehensive nonwoven fabrics manufacturer with six manufacturing methods</li> <li>• Proprietary manufacturing technology for high-performance nonwoven fabrics using diverse materials and processes</li> <li>• Customer proposal/service capability backed by delivery over many years</li> </ul>	<ul style="list-style-type: none"> <li>• Global service capability</li> <li>• Focus is on BtoB business</li> </ul>	<ul style="list-style-type: none"> <li>• Rising awareness of environmental and safety issues among customers</li> <li>• Engagement with large numbers of users across a wide range of applications</li> <li>• Increased demand for disaster recovery/prevention/mitigation along with rise in natural disasters</li> </ul>	<ul style="list-style-type: none"> <li>• Sharp fluctuations in raw materials prices</li> <li>• Improved quality of overseas competitor products and intensified price competition</li> <li>• High transportation costs</li> </ul>
<b>Functional textiles</b>	<p><b>With new competition entering the functional textiles market, we focus our business development on Japan, Europe, and the Americas, where the emphasis is on quality rather than cost</b></p>			
	<ul style="list-style-type: none"> <li>• Advanced textile manufacturing technology (biconstituent / hollow fiber / modified cross-section fiber technology)</li> <li>• Reliability/quality as a pioneer of reticular textile structure</li> <li>• Global leader in super fiber manufacturing technology</li> <li>• Product development capability, appeal of product comfort, intellectual property strengths</li> <li>• Global reach</li> </ul>	<ul style="list-style-type: none"> <li>• Cost competitiveness</li> <li>• Production capacity</li> </ul>	<ul style="list-style-type: none"> <li>• Expansion of functional textiles in emerging markets</li> <li>• Rising awareness of environmental and safety issues (e.g. recycling, lighter product weight)</li> <li>• Rising awareness of lifestyle issues (hygiene-consciousness, sleep-aid market, aging society, etc.)</li> </ul>	<ul style="list-style-type: none"> <li>• Improved quality of overseas competitor products and intensified price competition</li> <li>• Shrinking of domestic market (decrease in population, decline of manufacturing sector)</li> <li>• High transportation costs</li> </ul>

# Value Creation Flow

Process	ESG aspects	
	 Enhancement of positive effects (increasing opportunities)	 Mitigation of negative effects (reducing risk)
<b>Procurement</b>	<p> <b>Resource circulation</b></p> <ul style="list-style-type: none"> <li>Use of renewable plant-derived materials (<a href="#">Environment</a>, <a href="#">Functional Textiles</a>)</li> <li>Use of materials recycled from PET bottles(<a href="#">Nonwoven Fabrics</a>, <a href="#">Functional Textiles</a>)</li> </ul>	
<b>Manufacturing</b>	<p> <b>Preventing global warming</b></p> <ul style="list-style-type: none"> <li>Energy conservation through systems improvement and greater production efficiency (<a href="#">Nonwoven Fabrics</a>)</li> <li>Reduction of transport-related CO<sub>2</sub> emissions through local production(<a href="#">Nonwoven Fabrics</a>, <a href="#">Environment</a>, <a href="#">Functional Textiles</a>)</li> </ul> <p> <b>Quality and customer health &amp; safety</b></p> <ul style="list-style-type: none"> <li>Regular Quality Assurance meetings with customers to strengthen quality control(<a href="#">Nonwoven Fabrics</a>, <a href="#">Functional Textiles</a>)</li> </ul> <p> <b>Developing human resources</b></p> <ul style="list-style-type: none"> <li>Active employment of local workers by Saudi Arabian affiliated company(<a href="#">Environment</a>)</li> <li>Chinese affiliated company has assigned local workers to managerial and sales positions(<a href="#">Nonwoven Fabrics</a>, <a href="#">Functional Textiles</a>)</li> </ul>	
<b>Sales/Use</b>	<p> <b>Solutions for customer challenges and social issues</b></p> <ul style="list-style-type: none"> <li>Supplying the world with safe water Seawater desalination and wastewater treatment systems (RO, BC, FO membranes)</li> <li>Harmful substances are adsorbed, reducing the impact on the environment K-FILTER® equipment for VOC emissions treatment Functional nonwoven fabrics (electret air filter Elitolon®, heavy metal ion adsorbent spunbond COSMOFRESH NANO™) PPS fibers for bag filters PROCON®</li> <li>High functionality, recyclable, enhanced comfort Three-dimensional cushion material BREATHAIR®</li> <li>Reduces weight and saves resources Super fibers IZANAS®, Tsunooga®, ZYLON®</li> </ul> <div style="display: flex; justify-content: space-around; align-items: center;">       </div>	
<b>Disposal/Re-use</b>	<p> <b>Resource circulation</b></p> <ul style="list-style-type: none"> <li>Hollow fiber membrane materials are biodegradable after disposal (<a href="#">Environment</a>)</li> </ul> <p> <b>Health &amp; safety of local residents</b></p> <ul style="list-style-type: none"> <li>Prevention of soil contamination, control of poisonous gases during combustion (<a href="#">Environment</a>)</li> </ul>	

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# Major ESG Topics in Business Processes

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## Resource circulation

We are committed to selecting raw materials with a focus on resource circulation. For example, hollow fiber membranes use renewable plant-derived materials and in 2010, Toyobo achieved Biomass Mark\* Certification. In addition, polyester staple fibers use materials recycled from PET bottles.

\* Biomass Mark: A mark awarded to environmental products that use biomass and comply with quality and safety-related legal regulations, criteria and standards.

## Preventing global warming

As well as reducing the volume of CO<sub>2</sub> emitted in manufacturing processes, we are cutting CO<sub>2</sub> emissions during transportation. For example, we manufacture desalination membranes in the Middle East to provide for the desalination plants there.

## Developing human resources

We have established local affiliated companies in the Middle East and other regions, and local affiliated companies in China and emerging markets actively hire local workers, contributing to industrial diversification and employment creation.

# Value Provided Through Products and Services

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## Activated carbon fiber for recovery of VOCs

K-FILTER® is a uniquely activated carbon fiber developed by the Toyobo Group, which we are the first to commercialize in the world. Over 1,500 equipment for VOC emissions treatment using this filter have been supplied both in Japan and internationally, and are helping to prevent air pollution.



K-FILTER® equipment for VOC emissions treatment

## Membranes for desalination and wastewater treatment

Numerous large-scale desalination plants in the Middle East have adopted the Toyobo Group's RO membranes for desalination, to eliminate water shortages.

We have also developed the BC membranes for wastewater treatment, based on our RO membrane technology. It is more energy-efficient than the existing evaporation method.



RO membrane for seawater desalination

## Filters that protect the body from harmful substances

The electret air filter Elitolon® is used in masks, air purifiers and air conditioning systems, among other applications. It protects the body from dust, tobacco smoke, NOx, SOx, radioactive iodine, PM2.5, viruses, etc.

## Nonwoven fabric for preventing soil contamination, etc.

Functional PET spunbond nonwoven fabrics, which use recycled polyester materials, have a variety of applications including automotive, construction, civil engineering, packaging, and hygiene products.

They help protect the environment and mitigate companies' environmental impact in various ways, including preventing soil contamination.

## Cushion materials with high antibacterial properties

The three-dimensional cushion material BREATHAIR® excels in air permeability, cushioning characteristics, water permeability, and durability. It also includes antibacterial properties, and is widely used in hospitals and nursing care facilities.



BREATHAIR®

### Growth Strategy

#### Contributing to the development of healthcare and improvement in QOL with one-of-a-kind products

The mission of the Life Science Solutions Division is to consistently “create the solutions for people and the earth” in the healthcare and life science field. Based on our bio- and membrane technologies, we strive to find solutions for the issues faced by users and society, through the fusion and synergy of diverse technologies.

In the diagnostic reagent business, we bring our long-standing expertise in research reagents, to contribute in improving public health, with a focus on developing gene testing agents and their associated materials for a variety of infectious diseases. We are also expanding our lineup of highly functional antibodies for immunity testing agent materials.

In the pharmaceuticals business, we specialize in contract manufacturing of sterile injections to meet growing demand, where our strengths lie in compliance with regulations in Europe, the United States and Japan.

In the medical membranes field, we are improving our manufacturing technology and developing a new business model for active use in areas including hemodialysis, blood purification and antibody drug processes.

In the medical equipment field, we are working hard to expand sales of regenerative medical materials, aiming for standardized treatment. Moreover, we are accelerating research and development by utilizing products from our other businesses as well as employing external expertise.

Through these strategies, we develop and provide “one-of-a-kind” products that our competitors are unable to emulate, thereby contributing to the development of healthcare and improvement in quality of life (QOL).



Yutaka Ouchi  
Managing Executive Officer  
Head, Life Science Solutions Division

#### Future Vision

- Top domestic provider of solutions for genetic diagnoses of infectious diseases
- Global-leading medical membrane manufacturer

#### Quantitative Targets (FY2026)

- Net sales of **¥40** billion (¥25.5 billion as of FY2020)

Note: Our business segments were reorganized with effect from FY2021.

Sales figures for FY2020 are unaudited and approximate.

#### <Key Products>

Bioproducts (research reagents, diagnostic systems, raw materials for diagnostic applications), pharmaceutical products (contract manufacturing of injections, etc.), medical equipment (nerve regeneration inducing materials, bone regeneration inducing materials, biocompatible polymers), medical membranes (artificial kidney hollow fiber membrane, hollow fiber membrane for blood purification, virus-removing hollow fiber membrane for antibody drug processes)

Characteristics and SWOT for each field

	<b>S</b> trengths	<b>W</b> eaknesses	<b>O</b> pportunities	<b>T</b> hreats
<b>Bioproducts</b>	<b>Emerging markets are driving growth in the clinical testing market, while China is driving growth in the research reagent market</b>			
	<ul style="list-style-type: none"> <li>• Branding and large market share in emerging markets</li> <li>• Technological capability enabling integrated development from raw material to reagent</li> <li>• World's fastest trace detection technology</li> </ul>	<ul style="list-style-type: none"> <li>• Cost competitiveness</li> <li>• Strengthening production structure</li> </ul>	<ul style="list-style-type: none"> <li>• Growing scale of global market in clinical testing agents/research reagents</li> <li>• Spread of genetic testing in Japan and internationally</li> </ul>	<ul style="list-style-type: none"> <li>• Competitors entering the market, product and price competition</li> <li>• Paradigm shift in genetic detection technology</li> </ul>
<b>Pharmaceuticals</b>	<b>Drug manufacturers are outsourcing formulation to focus their resources on drug discovery Development of orphan drugs is also accelerating</b>			
	<ul style="list-style-type: none"> <li>• Ability to handle high-mix, low volume production</li> <li>• Ability to comply with regulations in Europe, the United States and Japan</li> <li>• A strong network of connections with pharmaceutical manufacturers</li> </ul>	<ul style="list-style-type: none"> <li>• Upgrading facilities to comply with latest GMP<sup>1</sup></li> <li>• Developing specialist human resources</li> <li>• Strengthening production structure</li> </ul>	<ul style="list-style-type: none"> <li>• Ability to handle high-mix, low volume production</li> </ul>	<ul style="list-style-type: none"> <li>• GMP requirements are increasing year on year</li> <li>• Competitors are expanding business through M&amp;A</li> <li>• Competitors are also entering the European/U.S./Japanese markets</li> </ul>
<b>Medical membranes</b>	<b>The number of dialysis patients using artificial kidney hollow fiber membranes are increasing markedly in emerging markets, and the worldwide annual growth rate is 6%<sup>2</sup></b>			
	<ul style="list-style-type: none"> <li>• Stable quality based on solid sales track record</li> <li>• Outstanding filtering performance based on advanced membrane production technology</li> <li>• Our hollow fiber membrane production technology enables entry into blood purification treatment for septicemia</li> </ul>	<ul style="list-style-type: none"> <li>• Strengthening production structure</li> </ul>	<ul style="list-style-type: none"> <li>• Increase in dialysis patients worldwide (+6% annually)</li> <li>• Rising health consciousness: focus on QOL</li> <li>• Increase in severe cases due to inflammatory response to infectious diseases</li> <li>• Spread of septicemia treatments</li> </ul>	<ul style="list-style-type: none"> <li>• Cost competition from entry of new competitors</li> </ul>

	<b>S</b> trengths	<b>W</b> eaknesses	<b>O</b> pportunities	<b>T</b> hreats
<b>Medical equipment</b>	<b>Limited growth anticipated in Japanese market due to decreasing population, global market expected to be the main battleground in future</b>			
	<ul style="list-style-type: none"> <li>Development technology for new materials/products (development of biocompatible and safe bioabsorbable materials, etc.) and its effective application to medical equipment</li> </ul>	<ul style="list-style-type: none"> <li>Lack of means to discover product needs</li> <li>Business infrastructure</li> </ul>	<ul style="list-style-type: none"> <li>Increased focus on regenerative medicine (Japan)</li> <li>National policy to shorten regulatory approval time for medical devices</li> <li>Preferential treatment of reimbursement pricing for products with high novelty</li> </ul>	<ul style="list-style-type: none"> <li>Intensifying cost competition</li> </ul>

\*1 Good Manufacturing Practice: The manufacturing and quality control standards required of manufacturers (including non-Japanese manufacturers) and marketing authorization holders

\*2 Toyobo estimate

## Value Creation Flow

Process	ESG aspects	
	 Enhancement of positive effects (increasing opportunities)	 Mitigation of negative effects (reducing risk)
<b>Procurement</b>	<p> <b>Quality and customer health &amp; safety</b></p> <ul style="list-style-type: none"> <li>Acceptance testing based on GMP (<a href="#">Pharmaceuticals</a>)</li> <li>Ensuring complete traceability of raw materials in products intended for implant</li> </ul>	
<b>Manufacturing</b>	<p> <b>Worker health &amp; safety</b></p> <ul style="list-style-type: none"> <li>Conducting prior reviews concerning the safety of chemical substances (<a href="#">Pharmaceuticals</a>)</li> </ul> <p> <b>Quality and customer health &amp; safety</b></p> <ul style="list-style-type: none"> <li>Strict controls based on GMP (<a href="#">Pharmaceuticals</a>)</li> </ul> <p> <b>Preventing global warming</b></p> <ul style="list-style-type: none"> <li>Promoting energy conservation by upgrading to highly efficient equipment (<a href="#">Medical Membranes</a>)</li> </ul> <p> <b>Resource circulation</b></p> <ul style="list-style-type: none"> <li>Collecting offcuts, etc. and providing these to manufacturers that regenerate raw materials (<a href="#">Medical Membranes</a>)</li> <li>Reducing packaging material volumes by simplifying packaging (<a href="#">Medical Equipment</a>)</li> </ul>	

Process	ESG aspects	
	 Enhancement of positive effects (increasing opportunities)	 Mitigation of negative effects (reducing risk)
<b>Sales/Use</b>	<p> <b>Solutions for customer and social issues</b></p> <ul style="list-style-type: none"> <li>Enhancing QOL through our contributions to medical settings Nerve regeneration conduit Nerbridge® Artificial kidney hollow fiber membranes Fully automated gene analysis system GENECUBE® Sterile injections, etc.</li> </ul> <div style="display: flex; justify-content: space-around;"> <div style="text-align: center;"></div> <div style="text-align: center;"></div> </div> <p> <b>Quality and customer health &amp; safety</b></p> <ul style="list-style-type: none"> <li>Formation of scientific support group to prevent incorrect use of products (<a href="#">Medical Equipment</a>)</li> </ul>	
<b>Disposal/Re-use</b>	<p> <b>Management of chemical substances</b></p> <ul style="list-style-type: none"> <li>Selection of specified collection contractors for organic solvents, etc. (<a href="#">Medical Equipment</a>)</li> </ul> <p> <b>Worker health &amp; safety</b></p> <ul style="list-style-type: none"> <li>Installation of waste ducts at sites where organic solvents are handled (<a href="#">Medical Equipment</a>)</li> </ul> <p> <b>Health &amp; safety of local residents</b></p> <ul style="list-style-type: none"> <li>Outsourcing of waste material processing to specialist operators (<a href="#">Medical Equipment</a>)</li> </ul>	

® indicates a registered trademark in Japan of TOYOBO CO., LTD.

## Major ESG Topics in Business Processes

### Resource circulation

In the medical membrane field, we collect offcuts during manufacturing and provide these to manufacturers that regenerate raw materials, realizing resource circulation. In the medical equipment field, wherever possible we simplify packaging at the point of sales to avoid wasting resources, while always ensuring quality.

### Health & safety

In the pharmaceuticals field, besides implementing GMP control measures, we carry out product-specific initiatives in each area. For example, in the medical equipment field, we ensure complete traceability of raw materials in products intended for implant. The scientific support group also trains users to prevent incorrect use.

# Value Provided Through Products and Services

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## Enzymes and analysis systems supporting diagnostics

To contribute to the health of people worldwide, we supply diagnostic-use enzymes to diagnostic reagent manufacturers for use in biochemical diagnosis.

We also provide the fully automated gene analysis system GENECUBE®, which uses our unique high-speed nucleic acid amplification technology to simplify and shorten the process from nucleic acid extraction to amplification and detection. This helps to reduce treatment times and cut drug costs.

## Reagents aiding research into SARS-CoV-2

Employing our unique enzymes, SARS-CoV-2 Detection Kit enables the genetic extraction process to be completed in as little as two minutes.

By optimizing the enzyme action through the preparation of a reagent compound, the time taken to amplify the extracted genes has been cut by more than half. The process from extraction to measurement can be completed in under 60 minutes.

## Medical equipment promoting regeneration of peripheral nerves

The nerve regeneration conduit Nerbridge® is a device that promotes the regeneration of peripheral nerves severed or damaged as a result of an injury or related causes. It is the first treatment device to obtain approval in Japan using this technology. There is no need to harvest undamaged nerves, unlike in conventional treatment, which shortens surgery time and helps to reduce the burden on the patient. After nerve regeneration, the product is dissolved and absorbed safely by the patient's body.



Nerbridge®

## Hollow fiber membranes helping to improve dialysis patients' treatment and QOL

Toyobo provides artificial kidney hollow fiber membranes with the aim of improving treatment results for dialysis patients and their quality of life (QOL). Our membranes boast outstanding filtering performance and stable waste removal performance, with little degradation over time, while also demonstrating superior biocompatibility.



Dialyzer for artificial kidney using a hollow fiber membrane

# TOYOBO's Way of Manufacturing

The Tsuruga Research and Production Center—the source of diverse products and solutions, and Toyobo's largest R&D/manufacturing base

## Grown to Become Toyobo's Core Plant, Almost 90 Years After Establishment

The Tsuruga Research and Production Center started life in 1934 with the production of rayon. Since then, it has widened its sphere of operation over many years to include films, biochemicals and high-performance products, meeting the needs of the times. We have developed systems that enable the Tsuruga plant to handle processes from R&D right through to production, and it plays a fundamental role in "TOYOBO's way of manufacturing."

In recent years, we have continued to implement process control standardization using ICT/IoT, while investing aggressively to bolster the plant's production capacity.



### History of the Tsuruga Research and Production Center

1934	Toyo Boseki: Start of operations at the Tsuruga Plant (The current Tsuruga Plant No.1) Start of rayon production
1964	Kureha Boseki: Start of Tsuruga Nylon Plant operations (The current Tsuruga Plant No.2) * 1966: Merger of Toyo Boseki and Kureha Boseki
1978	Establishment of Tsuruga Enzymes Plant (The current Tsuruga Biochemicals Plant)
1984	Start of Nippon Magphane Tsuruga Plant operations (The current Tsuruga Films Plant)
2010	Full-scale start of production reform activities
2014	Begin operating world's largest polyester Im production facilities <b>Invested ¥10 billion in new production facilities</b>
2018	Establishment of Xenomax - Japan Co., Ltd. for production of high heat-resistant polyimide film
2019	Launch of manufacturing plant for mold releasing films for MLCC <b>Invested ¥6 billion in new production facilities</b>

# Production Reform Activities in Support of Manufacturing

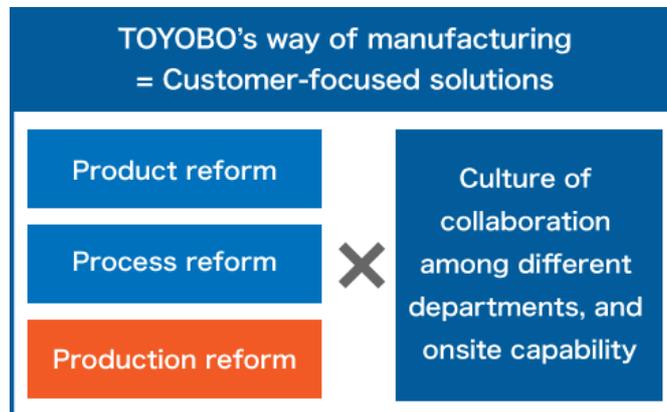
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In our production reform activities, we seek to resolve issues by boosting the onsite capability throughout the plant, based on an understanding of the “customer’s perspective” and “what is needed the most,” which are the most valued aspects of “TOYOBO’s way of manufacturing.” We have carried out production reform activities at the Tsuruga Research and Production Center continuously for 10 years, and have created a culture in which knowledge is shared across departmental boundaries.

Customer needs are always subject to change. It could be product quality, information and solutions, resilience towards natural disasters and other emergency situations in recent years, onsite capability to respond to customer feedback, and the actual reliability of our onsite operations.

Supplying outstanding products that give our customers joy, providing customers with accurate information, and building systems using ICT/IoT, are also key topics in our activities.

## Approach to TOYOBO’s Way of Manufacturing



# Process Control by Artisans, Utilizing ICT/IoT

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Production reform activities at the Tsuruga Research and Production Center commenced in fiscal 2011. Since then, we have been standardizing our process control to provide safe and stable onsite working conditions. This has been achieved by tackling issues such as complaint handling, cost competitiveness, and technology & skill transfer, all of which are common among many departments.

After 10 years of constant efforts, we have managed to reduce more than 90% of the problems throughout the plant. This has been achieved by identifying potential problems during daily adjustments to manufacturing processes and voluntary maintenance work, and then making the appropriate improvements. The vast implicit knowledge of the organization, particularly of our most experienced workers, has been useful. Identifying and standardizing their knowledge becomes a major strength. This means that in relation to the elements of process control—monitoring, judgment, and action—the knowledge and expertise gained from past experience can be put into practice by anyone, whether a new employee or an experienced professional. In this sense, our employees become master artisans conducting process control.

## Identifying changes **Monitoring**

### The knowledge and experience of artisans

Our artisans can draw on their experience to quickly and flawlessly identify changes in equipment or processes that may result in product abnormalities.

They can do this because the points and standards they need to check are clearly identified.

## Workflow for realizing artisans' process control

Visualizing the artisan's standards	Strengthening the monitoring structure	Support provided by ICT/IoT
<ul style="list-style-type: none"> <li>• <b>Clarifying points and standards</b> The following items are surveyed in detail: What do I see, hear and feel? How is it different from the normal state?</li> <li>• <b>Documenting and mechanizing points and standards</b> These are reflected in standardization manuals and alarms, onsite notices, etc.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Ensuring time for monitoring</b> We reduce the time spent on searching and wandering around by reviewing work processes and the placement of people as well as objects</li> <li>• <b>Strengthening patrol inspections</b> Security and disaster prevention as well as other items are reviewed and adjusted to the artisan level</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Deploying and developing monitoring tools</b> Various tools and systems are used for monitoring: position sensors and image analysis are used for visual monitoring, while vibration sensors are used for auditory and touch-based monitoring</li> <li>• <b>Developing analysis systems</b> Indications of changes are detected, and workers are notified</li> </ul>

## Quickly and securely restoring normal operation Judgment Action

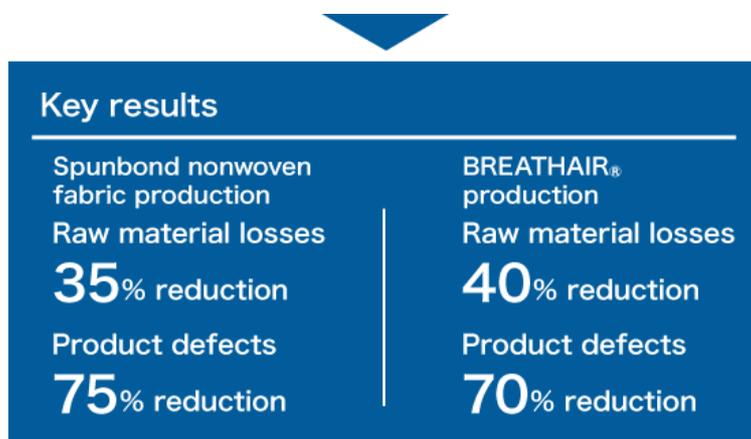
### The knowledge and experience of artisans

Our artisans can quickly and securely restore changes in equipment or processes back to normal operation.

They can do this because they have the logic (in thought and procedures) along with the skills to identify the cause and take action quickly and properly.

## Workflow for realizing artisans' process control

Visualizing the artisan's logic	Enhancing knowledge and skills	Support provided by ICT/IoT
<ul style="list-style-type: none"> <li>• <b>Clarifying logic</b> We organize the thought and procedures for identifying causes, and the types of action appropriate to each cause</li> <li>• <b>Documenting logic</b> Standards and Procedure manuals that describe solutions and techniques are created to enable prompt and accurate action</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Extending training and drills</b> We create systems that facilitate efficient learning of the knowledge, technology and skills required for an understanding of logic and an approach akin to that of an artisan</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Developing support systems</b> We promptly provide documents detailing the information, logic and methods required from cause identification to action</li> </ul>



\* Initiatives from FY2011 to FY2019

# Security and Disaster Prevention Initiatives

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In September 2018, a major fire occurred at the Tsuruga Research and Production Center. In order to learn from this event, we gathered the direct feedback of those who experienced the fire, collated the problems raised and shared these within the plant. Based on this, we carried out a review of the plant's systems where we conducted inspections and made improvements at each onsite location, installed new equipment for the entire plant, and improved the firefighting system as well as activities.

The system adopted in our production reform activities has been useful here. Meetings were held to make decisions for the Group, but before that, sectional meetings thoroughly discussed the following topics: 3S (Sort, Sweep, and Standardize), problem mitigation, training, quality and smart operations.

Our customers as well as the people from the surrounding area suffered significant damage, and we caused great inconvenience to them. To ensure that such a fire never occurs again, the memories and experiences we have collated will be passed down through our production reform activities.

Moreover, we have incorporated the lessons of the Tsuruga plant fire in our company-wide disaster prevention guidelines and our investments in disaster prevention equipment.

However, on September 27, 2020, a major accident occurred at the Inuyama plant, which cost the lives of our valued employees. We have conducted a thorough investigation into what was lacking and inadequate in our process safety and disaster prevention activities in the past with the Toyobo Group's top priority on safety and disaster prevention. We will continue to make Toyobo into a safe company where this kind of accident will never happen again.



## Dialogue with Stakeholders

### Dialogue with ESG Investors



**Seiji Narahara**  
Representative Director,  
President and CEO, Co-CEO  
TOYOBO CO., LTD.

**Ken Shibusawa**  
Chairman, ESG Chief Executive,  
Commons Asset Management, Inc.

Toyobo President Seiji Narahara sat down with Ken Shibusawa, founder of Commons Asset Management and the great-great-grandson of Toyobo founder, Eiichi Shibusawa, to talk about sustainability within the Toyobo Group.

\* The dialogue took place on May 15th, 2020 via web conferencing system

## Using Shibusawa's *The Analects and the Abacus* as a Guide for Creating a Sustainable Modern Society

\* Eiichi Shibusawa's *The Analects and the Abacus* is a book on business management philosophy. It combines the ethics of *The Analects* of Confucius with the practice of a profitable business, which is "*the abacus*." Shibusawa asserts that business practices should be ethical and that the profits must be used to achieve a better society.

### Thoughts on Toyobo's founder

#### Continuing the legacy of Eiichi Shibusawa

**Narahara** Eiichi Shibusawa is considered the father of capitalism in Japan. He founded Toyobo and set up 500 other companies with the belief that businesses are social institutions. He left us with the phrase *Jun-Ri-Soku-Yu* (adhering to reason leads to prosperity), which has always been our guiding philosophy, the core of our management, and the foundation for our business decisions. His words are what has kept our business running for over a 100 years.

**Shibusawa** I'd like to start by saying how wonderful it is to hear how everyone in the Toyobo Group feels a close tie with my great-great-grandfather. Eiichi Shibusawa dedicated his life to "empowering Japan as a nation." He was born at a time when a person's social standing determined their future.

No matter how hard a person may try, a merchant could never be treated like a Samurai class. He understood that to empower a nation, people must be given equal opportunities despite ones social standing. I think this burning passion was behind his drive to help found over 500 companies.

**Narahara** Toyobo is a company that began with private investment, which was Shibusawa's idea. During his overseas inspection, he saw how private companies were involved in creating industries and national infrastructures. I believe that made him think that Japan should also follow that trail.

**Shibusawa** Since he understood the importance of the private sector as a driver of national empowerment, I would guess that he saw the potential for the spinning industry to be a core industry for Japan.

## Principle for business management

### The power of “and” in *The Analects and the Abacus*

**Narahara** The Toyobo Group has revised its business portfolio by shifting its focus from textiles to specialty businesses, and we are now generating steady profits. However, in fiscal 2019, we redefined our corporate philosophy system to gear it toward further growth. The reason we refined the philosophy was because we are currently at a challenging stage of becoming a new Toyobo. Therefore we wanted to clarify the reasoning behind our motivation to work.

During that process we looked back at the maxim Shibusawa bestowed on our Company—*Jun-Ri-Soku-Yu* (adhering to reason leads to prosperity). In the past, we had interpreted *Jun-Ri* to mean “refrain from doing what is wrong,” but after rereading his book *The Analects and the Abacus*<sup>\*</sup>, we began to understand that *Ri* refers to Confucius’ *Analects*. According to Shibusawa, the most important teaching of *the Analects* was to help people in need and to enrich society. Today, we might say that we should “use our technology and human resources to resolve issues in society as well as the world and as a result achieve better lives for ourselves. I believe that is the message that Shibusawa put into *Jun-Ri-Soku-Yu*. Do you agree with this interpretation?

**Shibusawa** Yes, I believe so too. I think the theme of *The Analects and the Abacus* is what we now call “sustainability.” *The abacus*, which represents a focus on generating profits, is a necessity for a company to survive.

But a business that solely pursues profit will at some point run into difficulties. At the same time, a narrow approach focused solely on *the Analects*, or a strict moral path, would not be sustainable in a drastically changing world. In other words, it’s not *The Analects* “or” *the Abacus*. A car whose wheels were *the Analects* on one side and *the abacus* on the other could not drive straight if it were using wheels on just one side. I think Shibusawa understood the importance of the “and” that balances *the Analects and the Abacus*.

## The Company’s purpose

### Looking beyond the COVID-19 world

**Shibusawa** Referring to what you said earlier about knowing the reason, more and more companies are looking at the purpose<sup>\*1</sup> of their enterprise. The word “mission” that often appears in corporate philosophies tells a company and its employees “what we do” but a purpose tells them “why we do it.”

**Narahara** Toyobo’s purpose is contained in *Jun-Ri-Soku-Yu* (adhering to reason leads to prosperity) and, as you mention, is to help solve the world’s problems. That is the reason we have changed our organizational structure. We set up divisions based on solutions because we recognized that if we are going to address society’s issues, we needed an organization that was geared to producing solutions.

As we shared the new explanation of the philosophy, within the company we noticed that having a clear understanding of the “why” in our business raised employee motivation to a completely different level compared to being asked to work to increase profits. The refining of the corporate philosophy system created a positive atmosphere among our employees doing their best to find ways to contribute to resolving social problems.

**Shibusawa** The financial markets are increasingly looking favorably on companies that share that idea. I launched Commons Asset Management to support Japanese companies generating sustainable value creation, and found that the companies doing that were always addressing some kind of social issues.



**Narahara** As a company that is following Shibusawa’s teachings, it is very pleasing to hear that investors are looking for companies that are applying the concepts in *The Analects and the Abacus*. I believe we can achieve a sustainable society if the world make more effort to recognize and address social issues.

**Shibusawa** It has been thought that a good company was one that ran their businesses rationally and raised their share price. However, this approach only benefited certain people and led to disparities in society, raising the question of whether a successful drive for profits is enough create a society that is sustainable overall. The issue gained a further spotlight at this year’s World Economic Forum<sup>\*2</sup> in Davos, Switzerland, which focused on the topic of “stakeholder capitalism”<sup>\*3</sup>.

The outbreak of the COVID-19 pandemic has only brought further attention on the topic. I expect the real value of the SDGs and ESG lies in the world coexisting with the COVID-19 and after COVID-19.

**Narahara** I think the world will be a very different place after the pandemic. In Toyobo Group's directly related operations, we have been producing and shipping 20 times more virus test kits than usual for use in coronavirus testing centers in Japan and China. We've also released research reagents that shorten the detection and measurement period.

We are doing everything we can to help. For example, we are testing technology we created to examine how the norovirus spreads in kitchens. We are trying to see how we can use it for the coronavirus. We supply about 40% of the Japanese market for food packaging films, and we believe we can make a major contribution if we can develop films that the virus cannot stick to or survive on.

I think we will also need to change our business operations. New lifestyles will make it increasingly important to introduce workstyle reform and to digitalize our operations. Risk management will also have to be more stringent.

\*1 Many companies have been focusing on the purpose behind their management strategies and branding in recent years. They are essentially looking for the basic reason for the existence of their company or organization in society

\*2 The World Economic Forum is an annual international conference founded by the economist Klaus Schwab. Intellectuals, journalists, and political and business leaders convene to discuss important global issues

\*3 Stakeholder capitalism is the idea that companies should not be bound to prioritize the interest of shareholders. Its approach is to fully encompass the interests of the stakeholders, which includes employees, customers, local communities, and the global environment

## Towards sustainable growth Becoming a global frontrunner

**Shibusawa** I think the spinning industry is the industry that has continued to change and evolve among the Japanese industries. My hopes are that Toyobo will be a frontrunner. Discussions with you have made me realize that you deeply respect and understand the true nature of Eiichi Shibusawa's philosophy.

There is a need for dialogue not just with investors but with the various stakeholders in society. I also think it is important that the Company communicate both inside and outside the company. In regards to the commitment to SDGs, it is important for the president to reveal his passion as well as the direction very openly.

**Narahara** I agree. I think it's important to share my thoughts in my own words. I've visited offices and talked directly with many employees, but I was finding it a

real challenge to reach out to all of them. As for the company reorganization this April, I presented a video on the company intranet where I spoke about various matters including the direction we are taking the Company. The response from employees was very positive.

**Shibusawa** New technology is enabling so many new possibilities. Speaking of which, right now I'm talking live with the CEO of a major listed company over the internet.

**Narahara** If we can't meet to talk with someone in person, we will find other ways to communicate with our stakeholders.

**Shibusawa** I would like to change our topic to corporate governance, I think it's wonderful that four of your 10 directors are outside directors. I'd like to ask for your opinion regarding the absence of women or non-Japanese voices in the Company's internal directors and executive officers.

**Narahara** In the past five years, about 40% of the new university graduates we've hired were women. We've also been actively hiring midcareer professionals from outside the company. Although it's taking some time, we are assembling a more diversified workforce that will be the source for the Company's future executive officers and directors.

**Shibusawa** In the future, I think society will want companies to clearly demonstrate how they are benefiting society.

**Narahara** Indeed, I think companies will need to disclose quantitative data showing their "social impact." We took a first step in that direction in May 2020 by identifying the material issues (materiality) for the Company. For each materiality, we plan to set KPIs and monitor our progress, which we will report internally and publicly.

**Shibusawa** Since Toyobo is a leading maker of materials company with its roots in textiles, I would also like to see the company active internationally, such by participating in the creation of global standards and guidelines.



**Narahara** We have started to take steps in that direction. In August 2019, we joined the Circular Economy for Flexible Packaging (CEFLEX), a collaborative initiative of a European consortium of companies. I am looking forward to passing Eiichi Shibusawa's spirit of *Jun-Ri-Soku-Yu* (adhering to reason leads to prosperity) to future generations as I seek to guide the Company towards sustainable growth. Thank you very much for this interesting discussion today.

**Shibusawa** Thank you. It was my pleasure.



**Ken Shibusawa**

Chairman, ESG Chief Executive  
Commons Asset Management, Inc.

Mr. Shibusawa joined an international relations association, then obtained an MBA in the United States. He then entered business in the financial industry, working at a foreign-affiliated financial institution, where he traded Japanese government bonds and foreign exchange options, and sold equity derivatives. He was the Japan representative for a major US hedge fund. He left the company in 2001 and established Commons Asset Management, Inc. in 2007. He has been the Chairman of the company since 2008.

# Activity Report : Environment

## Management Approach

### TOYOBO Group Fundamental Policy on the Global Environment

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#### Environmental philosophy

We are striving to contribute to society through technologies friendly to both people and the environment, protect the global environment, and to leave a better planet and a more prosperous society to future generations.

#### Environmental activity policy

##### Development of technologies

By devoting all of our efforts, the Toyobo Group is developing technologies (products and manufacturing processes) that are friendly to both people and the environment, and we are promoting environmental measures.

##### Environmental protection

At every stage, from product development through to design, manufacture, sale, disposal, and collection, we are forecasting, evaluating, and reducing their impact on the environment, working towards its protection.

##### Contribute to society

With the aim of bringing about a better global environment, as well as using our business activities, as a good corporate citizen we will actively support and participate in environmental protection and biodiversity conservation activities throughout society and in local regions.

##### Code of conduct

- (1) Think : Technical development and evaluation  
In development and design, strive to develop environmental technology and evaluate environmental protections.
- (2) Value: Environmental protection and reuse  
Strive to develop, improve, and reuse environmental technologies in the production, sales, distribution, and disposal phases.
- (3) Participate: Disclose technologies and share information  
Strive to disclose developed environmental technologies and provide environmental information.
- (4) Protect: Environmental compliance and auditing  
Strive to set and maintain environmental regulations and self-management standards set by national and local governments, etc., and carry out audits.
- (5) Train: Internal and external systems  
Strive to enhance our internal environment-related systems, and carry out education and awareness-raising activities.

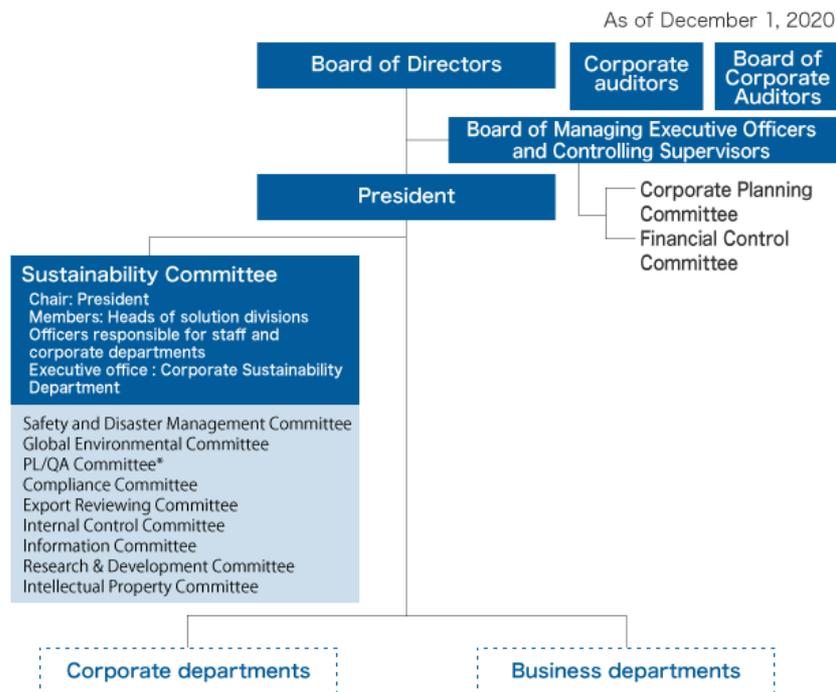
# Environmental Safety Management System

In order to position and further improve safety, security, and disaster prevention as a top management priority, we established a Safety and Disaster Management Division on December 1, 2020, as an organization with strong authority directly under the president, and that specializes in this function.

Furthermore, our Global Environment and Safety Committee has been reorganized into the Safety and Disaster Management Committee and the Global Environment Committee. The Toyobo Group has established a Global Environment Promotion Committee under the Global Environment Committee to promote global environmental protection activities.

The Global Environment Promotion Committee deliberates and decides on policy for environmental protection activities, discusses and determines specific matters, and manages their progress. Committee members visit each of our offices and plants as well as our group companies in order to conduct safety and environmental assessments, and to check the status of local activities.

## Organizational Chart



\* Product Liability/Quality Assurance Committee

# Environmental Management

## Environmental Supply Chain

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Toyobo is engaged in green procurement and green purchasing with the aim of maintaining and strengthening our environmental activities.

### Promoting green procurement and green purchasing

We prioritize procurement of raw materials with a low environmental impact, and work with business partners who take a proactive approach to protecting the environment. Together, we are promoting green procurement to help build a sustainable society. We ask our business partners to provide information about the chemical substances contained in products, as follows.

- (1) That the material does not contain any of the prohibited substances specified by Toyobo.
- (2) That the content of hazardous substances specified by Toyobo has been identified.

In fiscal 2019, we revised our "Chemical Content Information Sheet" based on the information sharing scheme "chemSHERPA," developed by Japan's Ministry of Economy, Trade and Industry, and requested that our business partners respond. In October 2020, we revised our "CSR Procurement Guidelines."

In fiscal 2022, we plan to again revise the "Chemical Content Information Sheet" based on revisions to laws and regulations, and request that our business partners respond. For general purchased goods, we are promoting green purchasing with the use of environmental labels.

[Find more information about our Energy-saving initiatives in logistics here >](#)

[Find more information about our CSR Procurement Guidelines here >](#)

## Environmental Compliance

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The Toyobo Group is committed to reducing emissions by not only complying with legal and regulatory standards, but by also making continuous improvements in the prevention of air and water pollution. We will continue to further reduce our environmental impact.

Furthermore, there were no environmental-related fines or penalties for fiscal 2018 to 2020.

[Find more information about our ESG Performance Data for the number of violations in fiscal 2018-2020 here >](#)

## Safety and Environment Assessment

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In order to improve the safety and environment levels of the Toyobo Group, the Safety and Disaster Management Promotion Committee and Global Environment Promotion Committee conduct safety and environment assessments in accordance with company regulations. As well as carrying out annual self-evaluations based on a checklist, we conduct on-site audits of each of our locations once every three years in order to maintain and improve management levels.

In fiscal 2020, we carried out on-site audits at three Toyobo business sites and ten Group companies. Results of this showed that all of these business sites performed well in terms of safety and environmental management.

## Locations at which audits have been performed in the last three years

FY	TOYOBO CO., LTD.	Group Companies	Audit results
2018	3 business sites	11 companies	All performed well
2019	3 business sites	9 companies	All performed well
2020	3 business sites	10 companies	All performed well

There were no environmental-related accidents in fiscal 2018 to 2020.

## ISO 14001 Certification Status

The Toyobo Group is building and operating an environmental management system compliant with international standard ISO 14001 in order to establish and enhance our environmental management system, and promote its continuous improvement. As of the end of March 2020, 17 business sites (50% of the Group's production sites: 17 out of 34) have acquired external certification of environmental management system standards.

### Business sites acquiring ISO 14001 certification

TOYOBO CO., LTD. Business Sites	Date of Certification
Research Center (Otsu, Shiga)	Dec. 1996
Tsuruga Research and Production Center (Tsuruga, Fukui)	Dec. 1996
Inuyama Plant (Inuyama, Aichi)	Mar. 1998
Takasago Plant (Takasago, Hyogo)	Mar. 1999
Toyama Production Center. Shogawa Mill (Imizu, Toyama)	Jul. 2001
Iwakuni Production Center (Iwakuni, Yamaguchi)	Nov. 2002

Group Companies	Date of Certification
Toyobo Film Solutions Ltd., Utsunomiya Office (Utsunomiya, Tochigi)	Feb. 1999
Toyo Cloth Co., Ltd., Tarui Plant (Sennan, Osaka)	Dec. 1999
Cast Film Japan Co., Ltd., Tsuruga Plant (Tsuruga, Fukui)	Dec. 2000
Japan Exlan Co., Ltd., Saidaiji Plant (Okayama, Okayama)	Jun. 2001
PT. INDONESIA TOYOBO FILM SOLUTIONS (Indonesia)	Jun. 2001
Miyukikeori Co., Ltd., Yokkaichi Plant (Yokkaichi, Mie)	Apr. 2002
Cosmo Electronics Co., Ltd., (Yokkaichi, Mie)	Jan. 2004
Kureha Limited (Ritto, Shiga)	Jun. 2005
Toyo Cloth Co., Ltd., Iwakuni Plant (Iwakuni, Yamaguchi)	Oct. 2005
Toyobo Photo Chemicals Co., Ltd., Saidaiji Factory (Okayama, Okayama)	Oct. 2017

Group Companies	Date of Certification
Toyobo Saha Safety Weave Co., Ltd. (Thailand)	May 2019
Toyobo Kankyo Techno Co., Ltd. (Osaka, Osaka)	Jun. 2019

## Environmental Education

The Toyobo Group promotes a variety of educational and awareness activities in order to improve the environmental awareness of our employees.

During Environment Month, we hold an annual environmental seminar with outside lecturers invited, in which many employees participate. In addition, at each business site, we hold environmental exhibitions featuring panels that introduce our group's environmental activities as well as exhibitions of environmentally friendly products, and these introduce the Toyobo Group's environmental activities to our employees and the local community.

In addition, we are promoting environmental education through a unique curriculum tailored for new employees.

### Environmental seminars

Every year in June and July, we hold environmental seminars for employees—in fiscal 2020 this was attended by 347 employees, and in fiscal 2021 by 291 employees.



FY2020 Environmental seminar



FY2021 Environmental seminar

### Environmental exhibition

Up until fiscal 2020, the environmental exhibition was held every year, but was canceled for fiscal 2021 in light of the spread of COVID-19.

### Environmental education on joining the company

Education upon joining the company is provided not only to fresh hires, but also to mid-career employees at all locations, including at Group companies, and the number of participants in fiscal 2020 reached 737. In addition to explaining plans and achievements regarding the global environmental conservation system and initiatives, the training helps participants understand why environmental protection is important by linking it with the Toyobo Group's Charter of Corporate Behavior, and explains what is expected of employees of the Toyobo Group.

# Eco-conscious Products

## Mechanism for certification of eco-conscious products

As clearly stated in the Toyobo Group's Charter of Corporate Behavior, the Toyobo Group strives to save energy as well as reduce and re-use resources. We also develop products and technologies that help mitigate our impact on the environment. These products and technologies are defined and evaluated under our Eco-Review system. This system evaluates the following aspects at every stage in the product life cycle: "climate change prevention," "reduction of chemical substances," "resource conservation," "reduction in waste," and "other environmental contributions". Products that meet these standards are certified as ECO-PARTNER SYSTEM® products. Since the Eco-Review is carried out at every product life cycle—from R&D to commercialization—issues that require improvement from an environmental protection perspective are identified and improved at an early R&D stage prior to the subsequent review. Consequently, we are contributing to the environment as we develop our products and technologies.

## Ratio of ECO-PARTNER SYSTEM® product sales increases to 30.4%

Our goal is to increase the ratio of ECO-PARTNER SYSTEM® product sales to 30% of total sales by fiscal 2031 (the ratio was 25% until fiscal 2016). In fiscal 2020, the ratio was 30.4% (sales of 60.6 billion yen), achieving the target. In the future, we will set new targets, and strive to create environmentally friendly products.

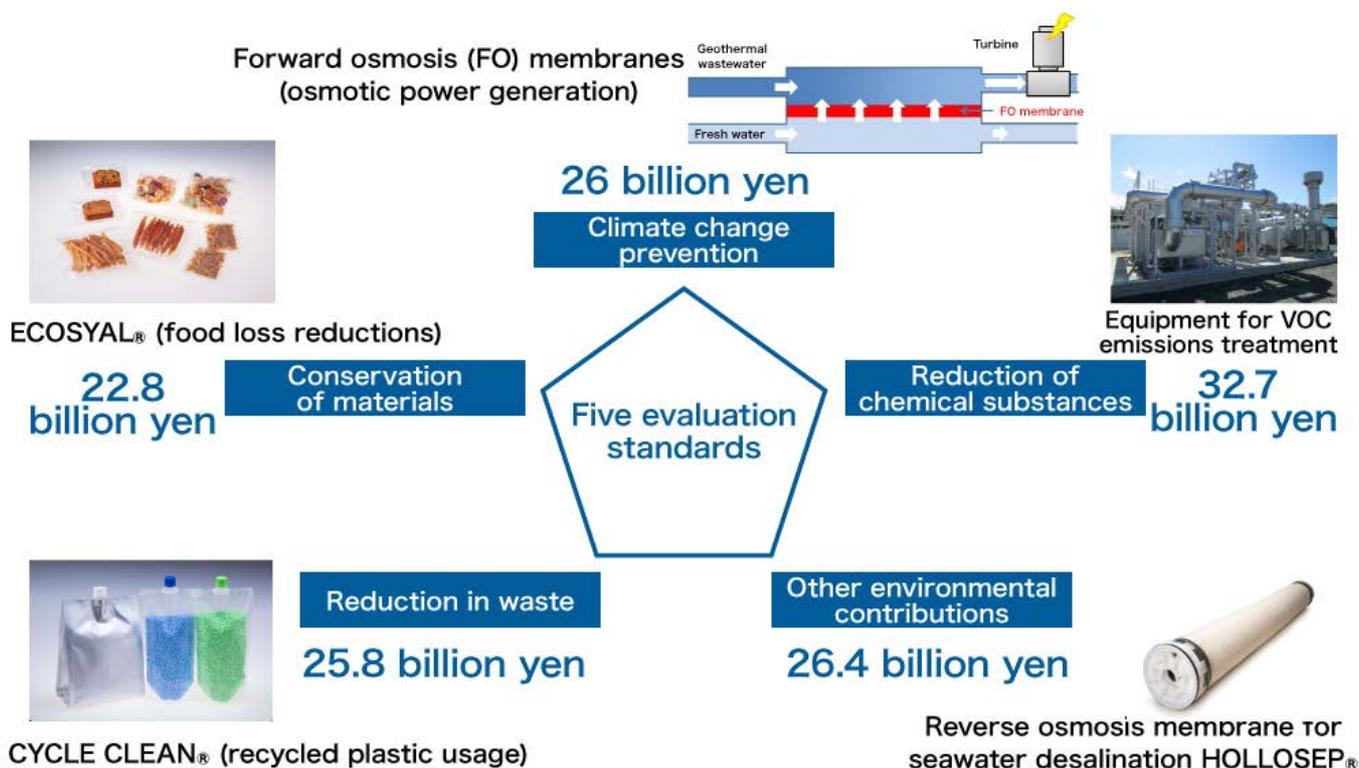
We also plan to expand this certification to cover Group companies.



## Sales by evaluation standard of ECO-PARTNER SYSTEM® products

Evaluation standards for the ECO-PARTNER SYSTEM® comprise five categories, including items such as "climate change prevention" and "conservation of materials."

The life cycle of products are divided into six stages from raw materials through to disposal, and the environmental impact at each stage evaluated and certified.



\* Sales figures in this diagram include duplicates, as a result of having multiple criteria set

Major ECO-PARTNER SYSTEM® products

Corresponding field/market	Usage	Materials used
<b>Climate change measures</b>	Film of recycled PET resin	RESHINE®
	Three-dimensional cushion material	BREATHAIR®
<b>Antipollution measures</b>	Liquid water-holding agent	ESPECK®
	Solvent recovery apparatus	K-FILTER®
	Bag filters for thermal power plants	PROCON®
	Photosensitive water-wash nylon resin relief printing plate	Printight®
	Transparent vapor-deposited film	ECOSYAL®
<b>Solving water resource problems</b>	Reverse osmosis membranes for seawater desalination	HOLLOSEP®
	Water purification UF membrane modules	DURASEP®
<b>Recycling systems (recycling and resource reduction)</b>	Modifier for recycled PET	VYLON® RF series
	Recycled nylon resin for airbag scraps	ECOKURELEAF®
	Recycled PET textile products	ECHORCLUB®
	PET-based synthetic paper	Crisper®
	Spun yarn using unused cotton	ECOT®
	Recycled nonwoven fabrics	e-VOLANS®
<b>Other (environmentally friendly products)</b>	Ultra-high-strength polyethylene fiber	IZANAS®

# Climate Change

## Long-term Global Warming Countermeasures

In 2019, the Toyobo Group established a long-term vision for global warming.

In recent years, the impact of climate change associated with global warming has become apparent with an increase of natural disasters such as typhoons and localized torrential rainfall, as well as changes in the ecosystem due to "subtropicalization" of the climate. Against this backdrop, in December 2015 the Paris Agreement was adopted as the international framework of the 21st Session of the Conference of the Parties to the United Nations Framework Convention on Climate Change (COP21). In addition, there has been a worldwide increase in ESG investing, in which investors focus on and select those companies that give consideration to Environment, Social and Governance factors.

The Toyobo Group also recognizes the serious risk posed by global warming and climate change to the continuation of business activities, and we are working hard to achieve our emissions reduction targets. In the coming years, we will extend our focus beyond production to our overall business activities, as we endeavor to contribute to environmental sustainability through our product- and technology-based solutions. In this way, we will strive to cut greenhouse gases from an even longer-term perspective.

We will seek to reduce emissions of greenhouse gases from our business activities through measures such as switching to natural gas in our factories and enhancing production efficiency, as well as introducing renewable energies such as solar power.

With regard to the initiatives we are engaged in through our products and solutions, we are developing and increasing sales of engineering plastics, which help to reduce CO<sub>2</sub> emissions from automobiles due to their lighter weight and greater fuel economy. We are also striving to reduce emissions of greenhouse gases in our entire supply chain by developing products and technology that contribute to carbon recycling, by viewing CO<sub>2</sub> as a carbon resource and collecting it for re-use as various carbon compounds.

Through these measures, we aim to realize 30% reduction compared with fiscal 2014, of our greenhouse gas emissions by FY2031, and achieve net zero emission by fiscal 2051, respectively.

### Reduction of Emissions from Business Activities



**Promotion of conversion to alternative fuels (post-coal)**



**Enhancement of production efficiency, energy saving activities**



**Introduction of renewable energy**

### Contribution through Products & Solutions



**Contribution to reduction of CO<sub>2</sub> emissions**



**Contribution to carbon recycling**

Materialit	
Related ESG: <b>E</b>	 
<b>Reducing greenhouse gas emissions</b>	

## Support for the TCFD and Participation in the TCFD Consortium

In January 2020, the Toyobo Group announced its support for the Task Force on Climate-related Financial Disclosures (TCFD) proposals, and joined the TCFD Consortium, which consists of companies and financial institutions that agree with the recommendations.

The TCFD was established by the Financial Stability Board (FSB), whose members include representatives of central banks, financial supervisory authorities, and others from 25 major countries and regions, and its recommendations urge companies, organizations, and others to disclose information about climate-related risks and opportunities. In Japan as well, preparations are underway to respond to TCFD proposals, including the publication of the "Guidance on Disclosure of Climate-related Financial Information (TCFD Guidance)" by the Ministry of Economy, Trade and Industry.

In the Toyobo Group, we have set being a "Group that continues to use materials and science to create solutions required by people and the planet" as our corporate vision. As a part of this, by providing products and services that help solve climate-related problems, we aim to both contribute to the realization of a sustainable society, and achieve long-term growth. In 2019, we decided upon "Long-term global warming countermeasures," and we have set a target to achieve net-zero (substantially zero) greenhouse gas emissions by fiscal 2051.

With the announcement of our endorsement of the TCFD proposals and our participation in the consortium, we will continue to meet requirements for accountability to our stakeholders by further analyzing and responding to the risks and opportunities to our business posed by climate change, and by expanding our disclosure of relevant information.

## Reducing Greenhouse Gas Emissions

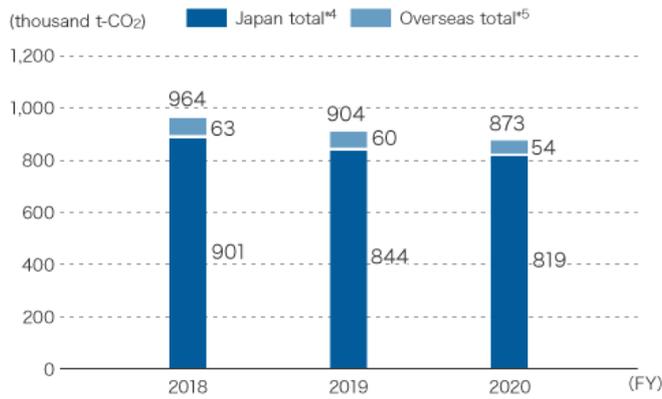
With the establishment of these long-term global warming countermeasures, the medium-term target for the period up to fiscal 2031 has been increased from a 17% reduction (compared to fiscal 2014) to a 30% reduction by the same point. Accordingly, the short-term annual reduction goal has been raised from 1% annual reduction (compared to fiscal 2014) to 1.8% for the same period.

Moreover, in fiscal 2020 we constructed the Group's fourth gas cogeneration facility at the Tsuruga Research and Production Center, our largest R&D and production base. This has been in operation since fiscal 2020, and is expected to further reduce emissions of greenhouse gases.

### Greenhouse gas emissions

CO<sub>2</sub> emissions in fiscal 2020 totaled approximately 873,000 tonnes for Scope 1<sup>1</sup> and Scope 2<sup>2</sup> combined, 3.4% lower than the previous fiscal year and 28.1% lower than the reference fiscal year (fiscal 2014). We believe this is due to the benefits of gas cogeneration facilities<sup>3</sup> and enhanced production efficiency.

## Scope 1, 2 greenhouse gas emissions (Japan, overseas)



\*1 Direct emissions from owned or controlled sources

\*2 Indirect emissions from the use of purchased electricity/heat/steam

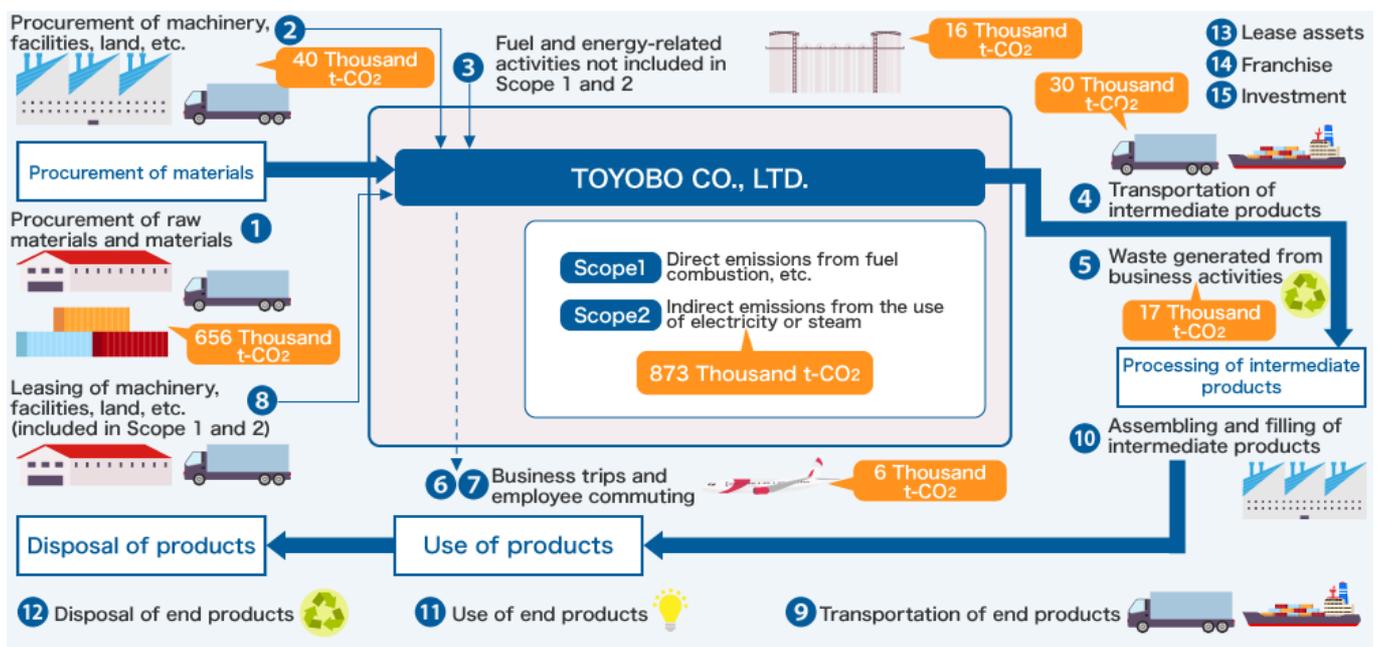
\*3 An energy recycling system, harnessing waste heat (from clean natural gas-fired electric generation) to produce steam & hot water used in manufacturing processes, supplying of hot water and air-conditioning etc.

\*4 Japan total: Total for TOYOBO CO., LTD. and domestic consolidated subsidiaries

\*5 Overseas total: Total for overseas consolidated subsidiaries

## Scope 3 emissions

### Greenhouse Gas Reduction in the Supply Chain (FY2020)



Numbers 1 through 15 in the figure are Scope 3 category.

9 10 12 are not calculated because our products are intermediate products. 8 13 14 15 are not applicable to the Company.

Since the calculation scope is only a small part of our products, we do not disclose figures for 11.

\* Scope 1 + Scope 2 (global), Scope 3 (TOYOBO CO., LTD.)

Given that the highest emissions in the supply chain are those related to the purchasing of raw materials, in the future we will continue to promote green procurement.

## Energy usage

Energy usage in FY2020 came to 11.468 million GJ, a 6% reduction over the previous year. The main factor behind this was the installation of gas cogeneration equipment in Group companies.

## Activities to cut greenhouse gas emissions during production

In fiscal 2020 we constructed the Group's fourth gas cogeneration facility at the Tsuruga Research and Production Center, our largest R&D and production base. This has been in operation since fiscal 2020, and is expected to further contribute to reduced emissions of greenhouse gases.



Gas cogeneration facilities at Tsuruga Research and Production Center

## Energy-saving initiatives in logistics

Our annual goal is a 0.5% year-on-year reduction in CO<sub>2</sub> emissions in logistics.

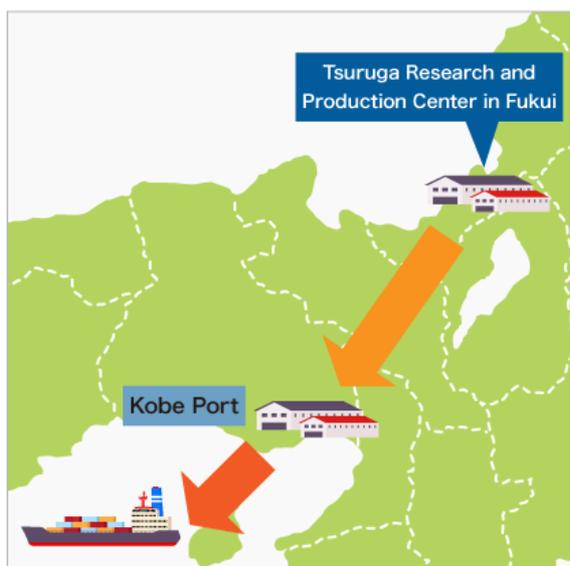
In the Logistics Department, we launched the Green Logistics Promotion Project in 2006, and as well as working to improve quality and cost rationality, we are also continuously working on environmental conservation such as energy saving, resource saving, and prevention of global warming. Up until now, we have implemented a variety of measures in order to reduce the environmental impact of logistics. These measures include shortening transportation distances by using the nearest port to our offices, and using efficient stacking and bulk transport of cargo in order to reduce the number of vehicles used. We are also actively promoting the usage of ship and rail transportation which have lower specific energy consumption than truck transportation, together with lower CO<sub>2</sub> emissions.



In recognition of these efforts, in 2014 we were awarded the "Green Logistics Partnership Conference Special Award" by the Green Logistics Partnership Council, a joint initiative between the Ministry of Land, Infrastructure, Transport and Tourism, the Ministry of Economy, Trade and Industry, the Japan Institute of Logistics Systems, and the Japan Federation of Freight Industries.

In fiscal 2016, some raw materials were transported by truck from Okayama to Fukui. However, when their origin was changed to Hiroshima, we switched to using sea transport from there to Fukui. This switch from road to sea transport provided an approximate 1000 t-CO<sub>2</sub> reduction (46%) in CO<sub>2</sub> emissions, and a 3% drop in energy intensity.

In addition, in fiscal 2020, overseas exports of some products had previously required road transport from the Tsuruga Research and Production Center in Fukui to Kobe Port, but by switching to using the nearest port (Tsuruga Port), we achieved a 59 ton (0.2% reduction) in CO<sub>2</sub>, with a 0.3% drop in energy intensity.



## Energy-saving initiatives in offices

The Toyobo Group is promoting the conversion to LED lighting, reductions in the usage of copy paper, and the conversion to eco-cars throughout the Toyobo Group offices, including at the head office.

## Introduction of renewable energy

Malaysia is currently promoting the introduction of clean energy, and TOYOBO TEXTILE (MALAYSIA) SDN. BHD. has decided to install solar power generation facilities in its new factory. Once all plans are complete, solar power is expected to provide approximately 7% of all energy used by the whole factory. This will result in a yearly CO<sub>2</sub> reduction of 915 tons, contributing to a Group-wide 0.1% reduction in energy consumption.

## Contribution through products & solutions

[Find more information about ECO-PARTNER SYSTEM® here >](#)

# Preventing Contamination and Waste Reduction

Materiality	
Related ESG: <b>E</b>	
<b>Reducing environmental impact</b>	

## Policy and Approach

In recent years, there have been growing expectations in society for the creation of a “circular economy”; an economic system that recycles and reuses previously discarded products as new resources.

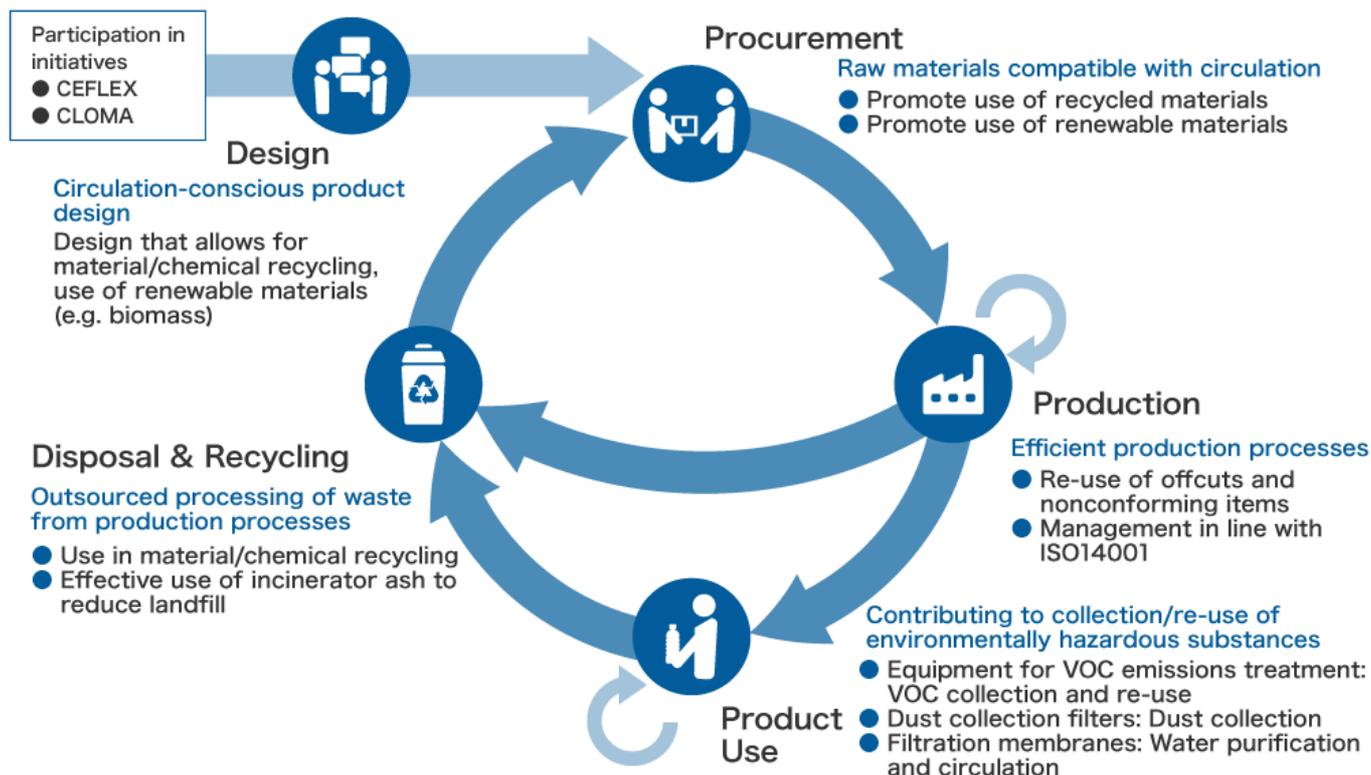
The Toyobo Group has long taken a proactive approach to resource circulation, such as using recycled resin made from PET bottles as the raw material for chemical synthetic fiber and film products. We are currently working on the use of plant-derived raw materials, and the development of biodegradable products. We will continue to promote initiatives that help achieve resource circulation throughout the product life cycle, from design, material procurement and production to post-usage, thereby contributing to the realization of a circular economy.

## Participation in Various Initiatives

In August 2019, the Toyobo Group joined the European consortium CEFLEX. Established in 2017, CEFLEX comprises more than 130 companies and organizations involved in the flexible packaging value chain, including leading raw materials manufacturers, converters, printing companies, consumer goods manufacturers, retailers, and recycling companies. CEFLEX’s goals include establishing a collection, sorting, and reprocessing infrastructure for used flexible packaging by 2025 in order to promote the realization of a circular economy in the European flexible packaging sector. Joining CEFLEX will allow the Toyobo Group to quickly acquire the latest information on recovery systems and regulations, and moreover, we will use this in developing and supplying eco-friendly technologies and products.

We have also joined the Japan Clean Ocean Material Alliance (CLOMA), an organization established in Japan to reduce marine plastic waste. Through collaboration with other CLOMA members, which includes manufacturers, processors and users of packaging and other materials, we will work to develop and promote the use of alternative materials.

Contributing to Resource Circulation through All Business Processes



## Reduction in Industrial Waste

The Toyobo Group is working to reduce, re-use, and recycle waste, aiming for an annual final disposal rate (landfill rate)\* of under 1%. We again achieved this target in fiscal 2020, with a final disposal rate of 0.57%. We will continue making efforts to further reduce the final disposal rate and waste quantities through reviews of our sorting and disposal methods. We will also set new recycling rate targets to promote resource circulation.

Toyobo takes a systematic approach to appropriate disposal of polychlorinated biphenyl (PCB) waste. The disposal rate up to fiscal 2020 was 77% (unit volume basis). With regard to electric facilities containing low-concentration PCBs, which we currently use, we are implementing updated plans so as to meet the statutory disposal deadlines.

\* The volume of landfill waste within total waste

## Management of Chemical Substances

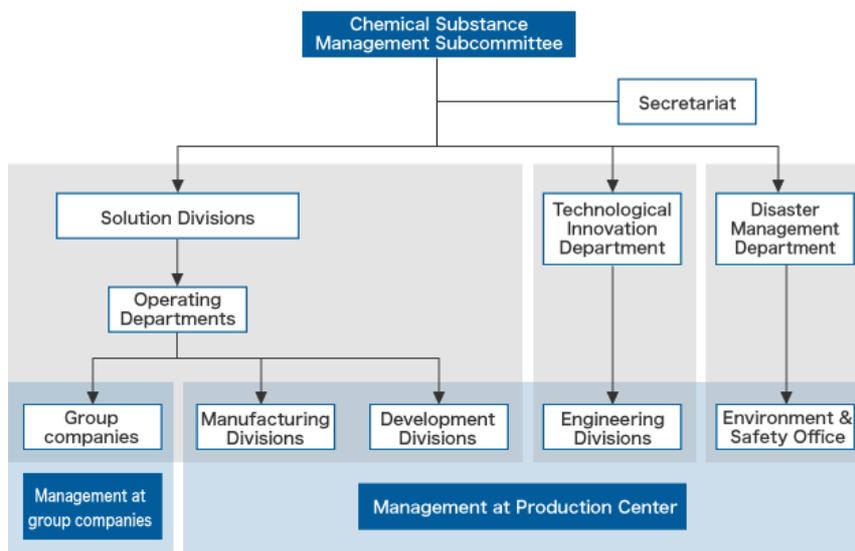
The Toyobo Group endeavors to manage chemical substances appropriately throughout the product lifecycle (research, development, design, manufacturing, sales, use, and disposal), in order to help conserve the global environment, prevent accidents, ensure workers' health and safety, and ensure product safety.

### Chemical substance management structure

For appropriate management of chemical substances, the Toyobo Group has established a management system at each office. Each solutions division supervises the activities of the offices and group companies under their jurisdiction.

In addition, we have created a "TOYOBO Chemical Substance Management Classification" in compliance with laws and regulations—both international and domestic—as well as client requests. This classifies the chemical substances we handle into five levels, and the management procedures are specified for each level or "rank". Use of substances in rank A and B is permitted only when the risks are thoroughly assessed, mitigation measures are taken, and the risk is deemed tolerable. We are continuously making efforts to reduce the overall usage volume of rank A and B substances by optimizing and replacing these substances.

## Chemical substance management structure



## Chemical substance management activities

Supply chain management, which started with the European Union's legislation on chemical substances, has also come to be required in Japan following the "Act on the Evaluation of Chemical Substances and Regulation of Their Manufacture, etc. (Chemical Substances Control Act)," as well as other regulations relating to the management of chemical substances. Additionally, the Globally Harmonized System of Classification and Labeling of Chemicals (GHS) has been adopted by the United Nations.

In view of this situation, Toyobo has introduced a chemical substance management system covering procurement to manufacturing and sales. This is to realize green procurement while providing accurate and prompt support to our customers. We employ this system to investigate the use of regulated substances and carry out surveys regarding content in products. The system also supports suppliers in creating safety data sheets (SDS) for chemical substances.

Given the global expansion of the Toyobo Group's operations, we are creating a database of chemical substance-related laws and regulations in Asia, Europe, North and South America. Furthermore, in order to identify and mitigate chemical substance handling risk, we have established rules concerning matters including the replacement/reduction of hazardous chemical substances, proper maintenance of the workplace and environments, and the management of chemical substances in products. In this way, we are striving to ensure proper management.

## Reduction of hazardous substance emissions

In order to reduce the amount of hazardous chemical substances emitted, the Toyobo Group assesses and reports the release and transfer volumes of chemical substances subject to the Pollutant Release and Transfer Register Act (PRTR Act) for each office, and then analyzes the overall results which are published every year in an effort to reduce our own emissions and quantities transferred.

We are working to reduce emissions by improving and updating manufacturing facilities and equipment, improving operating conditions, installing equipment to remove the substances in question, and substituting raw and auxiliary materials, and hope to meet our fiscal 2031 target by setting reduction targets of 60% for emissions to air and 80% for emissions to water compared to fiscal 2015.

## Release and Transfer Volumes of PRTR Substances

(tonnes)

FY	Transfer volume	Emissions to air	Emissions to public sewage system	Emissions to soil	Landfill volume
2018	1,174	154	20	0	0
2019	1,085	103	12	0	0
2020	1,169	95	19	0	0

Coverage: TOYOBO CO., LTD. and affiliated companies in Japan

## Atmospheric

### NOx and SOx emissions

(tonnes)

FY	NOx	SOx
2018	969	988
2019	883	1,018
2020	922	959

Coverage: TOYOBO CO., LTD. and affiliated companies in Japan

### CFC emissions

(t-CO<sub>2</sub>)

FY	CFC emissions
2018	239
2019	460
2020	733

Coverage: TOYOBO CO., LTD.

# Contributing to Realization of a Circular Economy

## Aims of Establishing Renewable Resources Business Development Department

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In recent years, there has been an urgent need to address environmental issues, such as reducing plastic waste and petroleum-based raw materials. Recognizing these issues from the outset, the Toyobo Group has long adopted a broad vision in our continued search for new technologies. One such example is a technology that creates polyester raw materials from wood. Anellotech Inc., a U.S. biochemical venture company is currently developing this technology. The Toyobo Group has joined forces with Anellotech Inc., Suntory Group and many other international companies to initiate a project to develop a 100% biobased PET bottle. We are also collaborating with Dutch chemical technology company Avantium N.V. (See “Key development topics” on the right).



Laboratory of Anellotech (New York, U.S.)

To further accelerate these initiatives and contribute to creating a sustainable society, in April 2020 we established the Renewable Resources Business Development Department. Based on the slogan “Catalyzing Circular Economy,” we will fulfill our responsibility as a plastics manufacturer and contribute to the realization of a circular economy.

## Mission

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Ensuring the supply  
of renewable  
resources

Developing  
recycling-related  
technologies

Expanding  
business

To ensure that the materials the Toyobo Group provides are sustainable, we are promoting the use of biobased and recycled materials. As well as in-house development, we will continue to search for related technologies around the world.

While we pursue company-wide cross-divisional cooperation, we will collaborate with external organizations and companies as we commercialize our products.

## Long-term Vision

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We have drawn up a roadmap to 2030—while also looking towards 2050—based on government policies in Japan and overseas, as well as environmental industry targets. In collaboration with our partners worldwide, we aim to shift to biobased products focused on polyester resin, and to establish technologies related to material and chemical recycling. Working closely with each Solutions division, we will also adapt flexibly to changes in the business environment.

2040-50

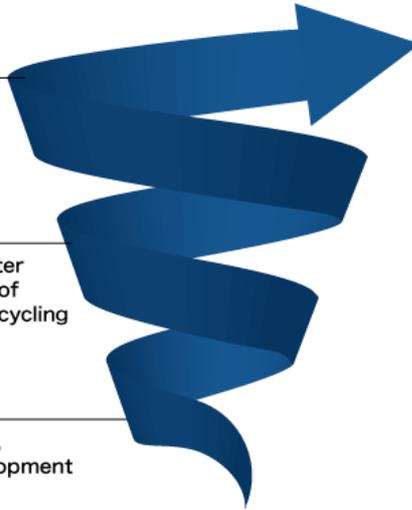
Realization of a circular economy

2030

Shift to biobased polyester resin and establishment of material and chemical recycling technologies

2020

Launch new department, establish concrete development themes



## Key Development Topics in FY2021

### Food packaging film made from 100% biobased resin

The high-performance polyester Polyethylene Furanoate (PEF) is created through polymerization of Avantium's biobased raw materials with Toyobo's unique technology. Compared to conventional PET films, PEF films made from 100% biobased resin have an oxygen barrier efficiency 10 times higher, while water vapor barrier efficiency is twice as high. Drawing on this superior barrier performance, we are expanding into the market, focused on food packaging film.

### Development of catalyst with enhanced PET recyclability

TOYOBO GS Catalyst®, a polymerization catalyst developed by Toyobo, is the world's first aluminum catalyst.

The catalyst is more environmentally sound: it does not contain any heavy metals and the obtained PET resin does not deteriorate when melted, making it well suited to recycling.

Toyobo has already licensed this technology to Thailand's Indorama Ventures Public Company Ltd., the world's largest PET resin manufacturer. With the excellent recyclability of the produced PET resin, we will develop this business globally in cooperation with Indorama.



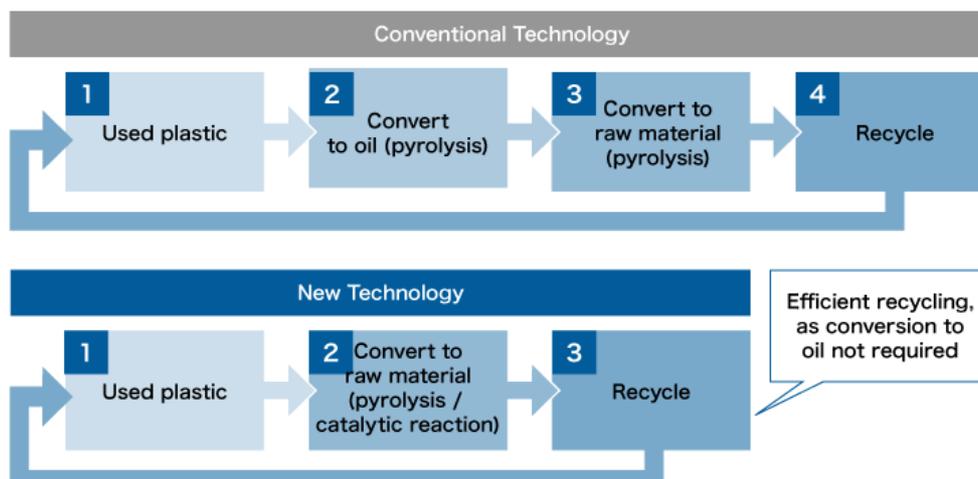
TOYOBO GS Catalyst® (front) enables synthesis of resins with higher transparency than other catalysts



PET bottles synthesized using TOYOBO GS Catalyst®

## Establishment of JV company to create used plastic recycling business

Anellotech's technological development has enabled a new technology to efficiently recycle a wide variety of used plastics. Following this, in June 2020 the joint venture company R Plus Japan, Ltd. was established by a group of 12 companies operating in Japan's plastics value chain, which includes Toyobo. We intend to push forward with development of the used plastic recycling business, utilizing this new technology.



## Participating in Initiatives

The Toyobo Group is working closely with a variety of companies and organizations, and is active in a number of initiatives aimed at contributing to the construction of a plastics value chain that is appropriate to the era of the circular economy.

### Japan BioPlastics Association

This group was established in 1989 with the aim of promoting the use of bioplastics\*, and establishing a testing and evaluation system. An executive from Toyobo serve as Vice Chairman, and are active in the association's activities including participation in executive meetings and various committees.



\* Collective term for biodegradable and biomass plastics

### CLOMA (Clean Ocean Material Alliance)

CLOMA is an organization established in Japan with the aim of increasing the effective use of marine plastic waste through reductions and recycling. Its members include more than 350 companies throughout the supply chain involved in the manufacturing, processing, and use of packaging and other materials. Toyobo has been a member of the alliance since it was established in 2019.



## CEFLEX (Circular Economy for Flexible Packaging)

Established in 2017, CEFLEX is a consortium that promotes the realization of a circular economy through the use of flexible packaging. This includes more than 130 companies and organizations involved in the flexible packaging value chain, including leading materials manufacturers and recycling companies. Its goals include establishing by 2025 a Europe-wide collection, sorting, and reprocessing infrastructure for used flexible packaging. The Toyobo Group joined CEFLEX in August 2019. While understanding the latest information and trends regarding recovery systems and regulations, we will focus on developing and supplying eco-friendly technologies and products to contribute to the realization of a circular economy.



## Petcore Europe

Petcore Europe is a consortium of more than 80 companies and organizations spanning the entire value chain of European PET-related companies. The Toyobo Group joined Petcore Europe in January 2020. We will take this opportunity of participating in Petcore Europe to further focus on the development and provision of sustainable PET products and technologies, and work towards contributing to the realization of a circular economy that is friendly to people and the earth.



# Water Resources

## Policy and Approach

The world's supply of fresh water is limited. The Toyobo Group is striving to conserve water sources both within Japan and overseas through products and businesses such as our desalination business, and we are promoting the recycling and efficient usage of water in our business activities.

## Structure

Policies for the protection of water resources are discussed by the Global Environment Committee under the Sustainability Committee, and this plans to decide on future policies.

## Targets and Results

Based on the above policy, we are currently considering setting target values for water resources, and studying water risks in the areas where we operate. Water draw and discharge results are as below.

In the three years from FY2018 to FY2020, there were no regulatory violations or incidents related to water quality or quantity.

### Water draw

(km<sup>3</sup>)

FY	Japan	Overseas
2018	90,769	1,326
2019	86,406	1,162
2020	89,139	1,408

### Discharge

(km<sup>3</sup>)

FY	Japan	Overseas
2018	87,763	1,258
2019	82,775	1,051
2020	84,828	892

# Products and Technologies Contributing to Resolving Problems with the Water Environment

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## Seawater desalination membranes help to eliminate water shortages

Almost all of the water covering the globe is seawater, with limited quantities of the fresh water that we use. As a result, regions where fresh water is difficult to use are facing water shortages. The Middle East and the Gulf region in particular are seeing ongoing, remarkable economic development, with improved living standards and increased populations. As a result, securing water for both industrial and domestic use has become problematic, and the introduction of desalination plants\* is underway. The Toyobo Group supplies the membranes used in seawater desalination facilities, thereby helping to eliminate water shortages in these regions.

\* Seawater desalination facilities: These remove the various salts present in seawater in order to produce fresh water, providing water for drinking and industrial use.

## HOLLOSEP® hollow fiber forward osmosis membranes

The Toyobo Group's hollow fiber type reverse-osmosis (RO) membrane element HOLLOSEP® boasts high water recovery rate, offers superior chlorine tolerance, and can inhibit the proliferation of microorganisms through chlorine sterilization. We produce high quality drinking water in the Middle East and Gulf countries that have high-temperature, highly saline seawater, harsh conditions for reverse osmosis membranes. With over 30 years' usage, these are highly acclaimed and hold a high market share. These are also used domestically, in Japan's largest seawater desalination plant.



RO membrane for seawater desalination

## Approaches

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Our lives are supported by innumerable chemicals. Textiles, packaging/containers, and pharmaceutical products are just some of the things that are essential to daily life. However, various ecosystems are endangered when the raw chemical substances generated as a byproduct of manufacturing are released into the air, water or the soil. The Toyobo Group's "Fundamental Policy on the Global Environment" calls for the Group to actively protect the environment in the society and community, and to support/participate in activities to preserve biodiversity, as a good citizen. In doing this, we strive to minimize the impact of our business activities on ecosystems.

[Find more information about Fundamental Policy on the Global Environment here >](#)

## Initiatives

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### Contributing through business processes and products

The Toyobo Group utilizes a variety of environmental protection technologies to remove harmful chemical substances from water and gases emitted at our offices and factories. We also strive to improve our manufacturing processes so as to minimize their impact. In addition, we have installed monitoring systems within our business processes to ensure that no harmful chemical substances are released accidentally.

With our eyes fixed firmly on the future, we are working hard to help protect the natural environment throughout the supply chain. This includes developing technologies that allow renewable resources to be used as raw materials when manufacturing various types of products, and biodegradable plastics that return to nature after use.

We will continue to provide products and solutions that remove harmful substances from the water and air, thereby contributing to the conservation of the global environment and ecosystems.

### Participation in cleanup activities to preserve the biodiversity of Lake Biwa

Our Research Center, situated on the shores of Lake Biwa in Otsu City, Shiga Prefecture supports the "Otsu Citizen Cleanup of Lake Biwa," and every July, over 600 staff, more than half of the Center's staff participate in environmental conservation activities such as mowing grass along the lake shore and other areas, and picking up trash. This activity is sponsored by a citizens group called the "Lake Biwa Beautification Headquarters" and has been carried out for nearly 40 years aimed at conserving Lake Biwa, home to rich and diverse wildlife and a water resource for people. The Research Center has participated in these activities for around 20 years.



"Otsu Citizen Cleanup of Lake Biwa" activities

# Activity Report : Social

## Respect for Human Rights

Materiality	
Related ESG: <b>S</b>	
<b>Respect for human rights</b>	

### Management Approach

#### Policy and Approach

Respecting human rights is essential for the Toyobo Group to fulfill its responsibilities as a member of society and continue as a trusted company. Within this, respecting the rights of employees and trading partners, who are important stakeholders for the Group, is crucial to enabling them to work with vigor and energy. This is the essence of the One-Third Thoughts\* approach to strengthening business foundation, a concept which is important to the Group. In this way, recognizing the importance of this issue, we have included “respect for human rights” and “active employee participation” within the 10 principles that make up our Charter of Corporate Behavior. We have also positioned them as relevant materialities and fundamental prerequisites to materialities and are advancing initiatives accordingly. As a statement of this intent, in January 2020, the Group became a signatory to the UN Global Compact. The UN Global Compact is a voluntary initiative in which companies participate in creating a global framework for solving global issues as responsible corporate citizens and realizing sustainable growth. Signatory companies are required to constantly strive to realize these goals based on a leadership commitment to complying with 10 principles in the four areas of human rights, labor, environment, and anti-corruption. In October 2020, we revised the TOYOBO Group Charter of Corporate Behavior and also formulated the TOYOBO Group Human Rights Policy based on the 10 principles of the UN Global Compact and other international requirements. Additionally, the Group complies with laws and regulations in the countries and regions in which we do business and provide employees with appropriate compensation that exceeds stipulated minimum wages.

\* To give equal priority to three aspects of the Company: its current performance, future growth and our business foundation

#### <TOYOBO Group Human Rights Policy>

Over a history of almost 140 years, the Toyobo Group has developed business that addresses the needs and challenges of the times through technology, based on the spirit of *Jun-Ri-Soku-Yu* (adhering to reason leads to prosperity), which is the cornerstone of the PVV's corporate philosophy system.

At present, under our vision of "we will continue to create the solutions needed by people and the earth with materials and science," we are working to evolve into a company that can "help society flourish and our Company grow" by actively contributing to solving social issues and continuously creating value for society.

We believe that respecting human rights is crucial to achieving the Group's vision, and in the TOYOBO Group Charter of Corporate Behavior ("Charter") and the TOYOBO Group Employee Conduct Standards ("Code") we have stated that we respect human rights and maximize the value that can be generated from diversity under the slogan "respect for human rights and diversity."

The TOYOBO Group Human Rights Policy ("this policy") outlines our policy for handling human rights based on the Charter and Code and it applies to all of the Group's directors, corporate auditors, executive officers, and employees.

Also, as a good corporate citizen, the Group recognizes the importance of respecting human rights and will strive to respect the basic human rights of all stakeholders, including officers and employees.

**1. Compliance with laws, regulations, and norms concerning respect for human rights**

The Toyobo Group supports and respects international norms concerning human rights including the International Bill of Human Rights, which stipulates the basic human rights that should be enjoyed by everyone in the world, and the ILO Declaration on Fundamental Principles and Rights at Work by the International Labour Organization (ILO) which stipulates the fundamental rights regarding labor (freedom of association and collective bargaining rights, the elimination of forced or compulsory labor, the abolition of child labor, and the elimination of discrimination in respect of employment and occupation).

Also, this policy was formulated in accordance with the UN's Guiding Principles on Business and Human Rights.

The Group complies with the laws and regulations in every country and region in which it does business. Furthermore, in cases where internationally recognized human rights and the laws and regulations of a country or region are in conflict, we will pursue a course of action that has maximum respect for international human rights principles.

**2. Duty to respect human rights in all business activities**

The Toyobo Group will not infringe on the human rights of another individual, will minimize the adverse effects on human rights that might occur through its business activities, and will actively expand the practice of respect for human rights in its business activities.

**3. Practicing human rights due diligence**

The Toyobo Group recognizes the importance of practicing human rights due diligence to minimize any adverse effects of our business activities on human rights. Based on this recognition, we will build a human rights due diligence framework.

Additionally, while this framework has yet to be designed, it will include identifying, preventing, and reducing actual and potential adverse effects on human rights in our business activities and value chains, integrating internal processes for measures related to the above, and publicizing our efforts.

**4. Correction and relief**

In cases where it is revealed that the Toyobo Group has had an adverse effect on human rights or furthered such an adverse effect, it will take appropriate steps to correct this and provide relief. Also, even in cases where the Group has not directly furthered an adverse effect on human rights, if a business partner of the Group or other related party has a direct connection to an adverse effect on human rights through their business, we will strive to cooperate with stakeholders to make improvements, and ensure that human rights are respected and not infringed upon.

**5. Cooperation and dialogue with stakeholders**

The Toyobo Group promotes respect for human rights through actions stipulated in its Charter, Code, and other policies and guidelines. Furthermore, we will respond to any actualized or potential adverse effects on human rights through dialogue and cooperation with the relevant stakeholders.

**6. Education for officers and employees**

The Toyobo Group will reflect this policy in the procedures required to ensure it is applied in all business activities and will provide appropriate education and training for officers and employees to ensure implementation based on a correct understanding of this policy.

**7. Information disclosure**

The Toyobo Group will report on various initiatives concerning respect for human rights based on this policy in a timely manner through its website and various reports.

**8. Selection of priority human rights issues**

As changes in society and other situations can change the specific human rights issues that should be addressed, the Toyobo Group will revise its priority issues through dialogue and cooperation with stakeholders and external experts.

Seiji Narahara  
Representative Director, President and CEO, Co-COO  
TOYOBO CO., LTD.  
October 26, 2020

**Related Policies**

[TOYOBO Group Charter of Corporate Behavior: 4. Respect for human rights, 6. Active employee participation](#) >

## Targets and KPI

### <Targets>

- The Toyobo Group will carry out initiatives to ensure respect for basic human rights and diversity throughout the entire Group, including providing training to foster such respect among employees.
- Through these initiatives, we will aim to be a fair company that is trusted by society.

### <KPI and Results>

Initiatives	KPI	Target (FY2026)	Results (FY2020)
<ul style="list-style-type: none"><li>• <b>Avoid human rights violations</b></li><li>• <b>Eliminate forced and child labor</b></li><li>• <b>Respond to human rights laws and regulations (Modern Slavery Act, etc.)</b></li></ul>	1. Implementation status of human rights education and training	1. Once a year for 20% of non-consolidated employees	1. —
<ul style="list-style-type: none"><li>• <b>Ensure equality in recruitment and treatment of employees</b></li><li>• <b>Realize diversity and inclusivity</b></li></ul>	2. Employment ratio of people with disabilities	2. 2.3%	2. 2.2%

## Initiatives

### Establishment of complaint handling and internal reporting systems

The Complaint Handling Committee and the compliance consultation centers within the internal reporting system provide consultations and handle reports regarding human rights. In order to ensure that employees can use these systems without concern, the name and other details of employees making reports or receiving consultations are kept private and we guarantee that these individuals will not be negatively affected by their action. We also strive to detect and solve human rights issues at an early stage through compliance surveys.

[Find more information about our compliance consultation centers here >](#)

[Find more information about our initiatives to prevent harassment here >](#)

### Respecting workers' rights

#### • Respecting Freedom of Association and Collective Bargaining Rights

The Toyobo Group respects freedom of association and collective bargaining rights based on its participation in the UN Global Compact.

We have set shared targets for labor and management to realize TOYOBO PVVs and we strive to build constructive and stable relationships between management and workers. We form labor unions through our Union Shop System\* and employees who are eligible to join unions under the labor agreement agreed between management and labor join the union for all employees. Our unions represent all their members and the results of negotiations between management and labor are applied to all members without conditions. Additionally, based on an agreement between management and labor, employees at management level or above are not eligible to join, and 86.2% of all employees are union members (as of FY2020).

\* A system under which all employees at a workplace are required to join its union

## ● Dialogue Between Management and Labor

In order to realize TOYOBO PVVs, we carry out frank discussions between labor and management to build a foundation that will ensure motivation and job satisfaction for each individual employee. A Central Management Council is held between the labor union headquarters and the company once a year and Branch Management Council meetings are held once a year at each of eight branches across Japan. The union is represented by union leadership while the company is represented by the president at the Central Management Meeting and by controlling supervisors at Branch Management Meetings. These meetings are usually held face to face but due to the COVID-19 pandemic, in FY2021 they are being conducted through documents. At the meetings, discussions are held on themes such as the state of business, amendments to wage rises, and the state of working environments.

## Respecting human rights in the supply chain

With regard to respect for human rights in the supply chain, our “CSR Procurement Guidelines” clearly stipulate the need to consider human rights when selecting trading partners.

[Find more information about our Supply Chain Management here >](#)

[Find more information about our CSR Procurement Guidelines here >](#)

## Reducing excessive working hours

We are engaged in workstyle reform, so that our employees can work with renewed efficiency and achieve a good balance between work and personal life.

[Find more information about our Work-life Balance Efforts here >](#)

## Enhancing diversity and equal opportunities

The Toyobo Group believes that personal and organizational growth is achieved through a process of mutual respect among our employees, with their differing work styles, careers, gender, nationality, race, and beliefs, and through cooperation to achieve our shared objectives. We respect different opinions and a wide range of values, and cooperate to achieve ambitious goals together.

[Find more information about our Diversity here >](#)

## Handling of non-compliance with labor standards

	Unit	Scope	FY2017	FY2018	FY2019	FY2020
<b>Major violations of laws, regulations, or rules</b>	Incidents	Global	0	0	0	0
<b>Compliance-related incidents that resulted in a criminal complaint</b>	Incidents	Total in Japan	0	0	0	0

## Internal education initiatives

The Toyobo Group has created English and Chinese versions of the TOYOBO Group Charter of Corporate Behavior in order to implement internal education that enables employees around the world to share the same vision.

We also inform employees of rules and examples regarding respect for human rights, the prohibition of discrimination, the prohibition of child and forced labor, and the protection of personal information through the TOYOBO Group Compliance Manual.

Furthermore, we also hold seminars on respect for human rights alongside other initiatives to improve awareness of human rights among employees. In FY2020, we provided training for Group company employees concerning the human rights of overseas workers, and also instructed our various trading partners to do so as well.

Materiality	
Related ESG: <b>E S G</b>	
<b>Safety, disaster prevention, quality</b>	

## Overview of the fire at the Inuyama plant

Last updated: November 27, 2020

Here we provide an overview of the fire that occurred at Toyobo's Inuyama Plant on September 27, 2020.

### Situation regarding the outbreak of the fire

#### Place of outbreak

Packaging film production line  
TOYOBO CO., LTD. Inuyama Plant  
344, Aza Maehata, Oaza Kizu , Inuyama City, Aichi Prefecture

#### Time of outbreak

At around 21:00, Sunday September 27, 2020

#### Developments following the outbreak

Sunday September 27, 2020  
Approx. 21:00 Fire breaks out on a film production line at the Inuyama Plant

Monday September 28, 2020

01:10 Public fire department announces that it has the fire under control

07:45 Public fire department announces that it has extinguished the fire

Cause of outbreak: Currently under investigation by relevant authorities

### Damage

#### Casualties

Two deaths and one injury (all Toyobo employees)

#### Property damage

Damage to the packaging film production building and some production equipment

### Measures for preventing reoccurrences

Safety and accident prevention are of the utmost importance to the Group and we will thoroughly ascertain any deficiencies or other issues regarding our security and disaster prevention activities to date and ensure we become a safe company where this kind of incident cannot occur again.

#### (1) Establishment of an accident investigation committee

Following the incident, we immediately established an accident investigation committee which is making every effort to ascertain the cause of the accident. Once this cause is ascertained, we will take appropriate countermeasures based on directives from the relevant authorities.

## (2) Establishment of a new Safety and Disaster Management Division

On December 1, we launched the new Safety and Disaster Management Division\* under the direct supervision of the president, and established the Disaster Management Department and Occupational Safety Department within this division.

\* A division dedicated to safety, security, and disaster prevention

## (3) Investment related to safety, security, and disaster prevention

We are actively investing in areas such as facility maintenance and the enhancement of human resources.

## (4) Employee education

We are keeping SOP and manuals updated and educating employees. The content of this education is shared throughout the company so that we can engage in companywide accident prevention measures.

Ends

# Management Approach

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## Policy and approach

The Toyobo Group recognizes that ensuring the quality and safety of products and services is fundamental to its business activities and it works to win the trust and satisfaction of customers and consumers by providing correct and accurate information about these products and services. Also, based on the concept that ensuring safety and sanitation is a major premise for business activities, we actively work to ensure the safety of employees and enhance the cleanliness of working environments under the spirit of respect between people with the aim of creating cheerful, happy workplaces and a prosperous society. To ensure the quality and safety of our products and services we are building appropriate management systems, carrying out appropriate processes such as quality inspections, and handling data and other information in an appropriate manner. We also strive to develop products that contribute to society. We manage and use research funds, including external financing, in an appropriate manner and we never falsify or manipulate data or research results. We handle enquiries and complaints from customers sincerely and strive to provide products and services that take this feedback into account.

## Structure

We consider safety, security, and disaster prevention to be one of our most important management issues and in order to strengthen our efforts in this area, on December 1, 2020, we launched the Safety and Disaster Management Division to specialize in this function as an organization that is directly supervised by the president and holds a lot of authority. Regarding committees, the Global Environment and Safety Committee has been reorganized into the Safety and Disaster Management Committee and the Global Environment Committee .

To ensure quality, we have established the PL (Product Liability)/QA (Quality Assurance) Committee. The chair of the Safety and Disaster Management Committee is the Representative Director and Co-Chief Operating Officer, and the chair of the PL/QA Committee is the director responsible for the Production Technology Innovation and Quality Assurance Division. Committee meetings are set by the chair and they hold ordinary meetings at least once a year in principle (twice a year for the PL/QA Committee), as well as extraordinary meetings when necessary. Corporate auditors and other individuals designated by the chair attend committee meetings as observers and can give their opinions. Committees are comprised of the relevant division heads, supervising executive officers, executive officers, and department heads. In FY2020, the Global Environment and Safety Committee met once, and the PL/QA Committee met twice.

## Targets and KPI

### <Targets>

- We will strive to prevent disasters and accidents by clarifying and thoroughly complying with basic safety throughout the entire Toyobo Group.
- We will increase customer satisfaction by practicing quality management throughout our entire supply chain, including upstream areas, and ensuring quality that can be trusted.

<KPI and Results>

Initiatives	KPI	Target (FY2026)	Results (FY2020)
<ul style="list-style-type: none"> <li>• Build a culture of safety</li> <li>• Prevent workplace accidents (make human-operated equipment safer, promote security and disaster prevention)</li> <li>• Realize stable supply, contribute to solutions for customer issues, fulfill customer needs</li> <li>• Ensure product safety and quality</li> </ul>	1. Number of major incidents <sup>*1</sup>	1. 0 incidents per year	1. 0 incidents
	2. Frequency rate of workplace accidents resulting in lost workdays	2. 0.25 or less	2. 0.31
	3. Number of fires or explosions	3. 0 incidents per year	3. 2 incidents
	4. Number of environmental incidents	4. 0 incidents per year	4. 0 incidents
	5. Number of incidents related to products <sup>*2</sup>	5. 0 incidents per year	5. 0 incidents
	6. Implementation status of product safety and quality assurance training	6. 100%	6. 100%

\*1 Major incidents: Defined according to internal standards based on the definition stipulated by the Ministry of Health, Labour and Welfare

\*2 Incidents related to products: Defined according to internal standards based on the definition stipulated by the Ministry of Economy, Trade and Industry

## Safety

### Approach to safety

The Toyobo Group aims to create a prosperous society and further contribute to society by supplying products that are safer throughout their entire life cycles under the principles and activities set out in the TOYOBO Group Basic Policy on Product Safety and TOYOBO Group Basic Policy on Health & Safety. We are also working to achieve zero accidents involving employees based on the concept that ensuring safety and sanitation is a major premise for business activities.

### Policies

The Group strives to supply safe products and create safe work environments. Accordingly, we have formulated the following policies.

#### <TOYOBO Group Basic Policy on Product Safety>

1. Safe Product Principle

We will make an even greater contribution to society by supplying even safer products using technologies that are considerate of people and the environment with the aim of creating a prosperous society for the 21st century.

2. Policy for Product Safety Activities

(1) The Toyobo Group provides highly safe and reliable products and services that meet the changing needs and expectations of society, customers, and consumers.

(2) In order to ensure product safety, the Toyobo Group naturally complies with all relevant laws, regulations, and standards. We also voluntarily set safety standards that are higher than required and conform to these.

- (3) The Toyobo Group plans safety that naturally takes into account the future application of a product and a degree of mistaken use that can be rationally predicted.
- (4) The Toyobo Group plans the safety of a product throughout its entire lifecycle, from development, design, manufacturing, sale, and usage through to disposal.
- (5) The Toyobo Group works to enhance the awareness of product safety of all its employees and participates in information provision, education, and awareness raising activities for stakeholders.

#### < TOYOBO Group Basic Policy on Health & Safety >

##### 1. Health & Safety Principle

Based on the concept that ensuring safety and sanitation is a major premise for business activities, we will actively work to ensure the safety of employees, enhance the cleanliness of working environments, and improve health under the spirit of respect between people with the aim of creating cheerful, happy workplaces and a prosperous society.

##### 2. Policy for Health & Safety Activities

###### (1) Ensuring workplace safety

The Toyobo Group works to enhance the safety and security of environments at its workplaces with the aim of achieving zero accidents.

###### (2) Enhancing environmental sanitation and improving health

The Toyobo Group is enhancing the sanitation of environments at its workplaces and working to improve the health of its employees with the aim of realizing happy workplaces.

###### (3) Compliance with social norms

The Toyobo Group complies with social rules and works to realize a prosperous society and communities with which the Company can coexist.

## Structure (Health and Safety management)

#### < Health and Safety management structure >

The Group has established a Safety and Disaster Management Promotion Committee under the Safety and Disaster Management Committee to promote safety and disaster prevention activities.

The Safety and Disaster Management Committee considers and decides policy regarding safety and disaster prevention activities and the Safety and Disaster Management Promotion Committee considers, decides, and manages the implementation of specific initiatives. Committee members conduct safety and environmental assessments of our offices and plants as well as Group companies, in order to check the status of onsite activities.

We have also put in place a system in which each month, a Health and Safety Committee at each business site and plant, comprising employee representatives, management, and experts, investigates and considers matters relating to health and safety, following which the representatives provide employees with feedback.

Union representatives also participate in meetings of the Safety and Disaster Management Promotion Committee and Health and Safety Committees. Additionally, regular meetings are held between the union and management through which both parties cooperate and share information on topics such as progress made and issues regarding health, safety, and disaster prevention matters.

\* The committees were restructured on December 1, 2020

## Safety initiatives

Under the TOYOBO Group Basic Policy on Health & Safety, we are implementing the following occupational safety initiatives.

### ● Building a culture of safety

We promote a safety-first mindset, and management and workers work together to implement “attentiveness activities” that raise awareness on matters such as speaking up at workplaces and complying with rules. We also carry out practical training onsite in order to facilitate the identification of risk in workplace environments and procedures, the ability to practice safe behavior, and a heightened sensitivity to danger and abnormality.

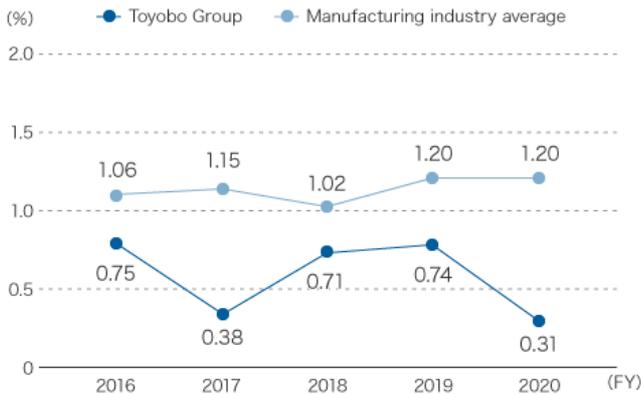
### ● PDCA cycle activities

We clarify the characteristics of workplaces and analyze past incidents to recognize issues at each workplace and identify risk that should be dealt with. We stay aware of the current level of safety at each workplace and promote activities that aim to find ways to improve this level. We monitor the progress of activities and use the results of this monitoring to further improve activities. We will stay alert to changes in the environment both within and outside workplaces and take steps to counter any anticipated risk in advance.

### ● Making people, equipment, and processes safer

We identify major sources of potential danger and take steps to prevent major incidents from occurring. We carry out risk assessments and research procedures to understand onsite risk and then make improvements to equipment and procedures. We then include this information in procedure manuals and carry out education in order to prevent incidents from occurring in advance. In cases when an incident does occur, we investigate it to prevent similar incidents from occurring in the future. Additionally, when incidents occur at other companies and workplaces, we check whether there is a similar risk at our own workplaces and take steps if necessary.

### Frequency Rate of Workplace Accidents Resulting in Lost Workdays (Japan)



The Toyobo Group is striving to achieve zero accidents in accordance with the TOYOBO Group Basic Policy on Health & Safety. We place importance on the frequency rate of workplace accidents resulting in lost workdays<sup>\*1</sup>. This was 0.31 in FY2020, including affiliated businesses at the same business site.

We have set a goal of zero major incidents<sup>\*2</sup> as a KPI and in FY2020, we achieved zero major incidents.

<sup>\*1</sup> Frequency rate of workplace accidents resulting in lost workdays refers to the rate of accidents resulting in lost workday injuries per one million hours worked

<sup>\*2</sup> Major incidents: Defined according to internal standards based on the definition stipulated by the Ministry of Health, Labour and Welfare

[Find more information about our Health and Productivity Management Efforts here >](#)

# Disaster Prevention

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## Approach to disaster prevention

In order to ensure that memories and the lessons learnt from the major fire at the Tsuruga Research and Production Center that occurred on September 6, 2018, are not forgotten, we have designated September 6th as the TOYOBO Group Disaster Preparedness Day and the week of September 1st to 7th as the TOYOBO Group Disaster Preparedness Week. The whole Group is making concerted efforts to review our security and disaster prevention activities and is continuously promoting “the creation of workplaces and personnel that are strongly equipped to deal with fires” at all Group locations with the aim of making our production bases more resilient and regaining the trust of society.

We consider safety, security, and disaster prevention to be one of our most important management issues and in order to strengthen our efforts in this area, on December 1, 2020, we launched the Safety and Disaster Management Division to specialize in this function as an organization that is directly supervised by the president and holds a lot of authority. Regarding committees, the Global Environment and Safety Committee has been reorganized into the Safety and Disaster Management Committee and the Global Environment Committee.

## Initiatives

Our production plants contain a large number and variety of risks connected to materials and equipment that if not managed and handled correctly, can result in a major accident, such as hazardous and poisonous materials, large volumes of combustible materials, and electrical equipment. It is crucial to ensure all employees understand the risks involved and take steps to reduce these risks and avoid accidents in advance.

Using the “Inspection Guidelines for Fire Risk” drawn up based on the advice of a third-party expert following the major fire at the Tsuruga Research and Production Center, we carry out overall inspections the Group’s main production plants, and this systematically promotes functional improvements to fire-fighting equipment at our sites of production. We also continue to revise the content of our training drills so that they are more practical and enable us to protect our workplaces in the event of a fire.

Our management is advancing a firm response to strengthening disaster prevention at each plant, with the aim of realizing workplaces where fires will not occur and, in the unlikely event that a fire does occur, ensuring there are no human casualties and that other damage is minimized. From FY2020 onward, we are holding fire prevention events at all plants on the TOYOBO Group Disaster Preparedness Day, which are also attended by the president. We also invite experts to give disaster prevention seminars to raise awareness of disaster prevention.

With regard to training, we have revised the company-wide training system for safety and disaster prevention in order to continually enhance employees’ awareness of disaster prevention, and have also enhanced the curriculum relating to disaster prevention.

# Quality

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## Approach to quality

The Toyobo Group’s quality management is based on our TOYOBO PVVs corporate philosophy system, which incorporates our corporate philosophy of *Jun-Ri-Soku-Yu* (adhering to reason leads to prosperity).

We implement quality management activities under the motto “TOYOBO’s way of manufacturing,” based on the idea of always taking our customer’s standpoint, accurately identifying the customer’s needs, and providing solutions that satisfy the customer.

## Policy

In order to gain the trust and ensure the satisfaction of customers through high quality products and services that are safe, environmentally friendly, and in compliance with laws and regulations, the Group has formulated and advances activities under the TOYOBO Group Basic Policy on Quality Assurance (QA).

## <TOYOBO Group Basic Policy on Quality Assurance>

### 1. Quality Assurance Principle

We will gain the trust and ensure the satisfaction of consumers and customers by always taking our customer's standpoint and ensuring each individual employee prioritizes quality as we develop and supply products and services that are safe, environmentally friendly, take into account the protection of information, and benefit society.

### 2. Policy for Quality Assurance Activities

- (1) Toyobo Group anticipates the changing needs of customers and society to realize manufacturing that offers quality and safety that enables us to share our joy with customers
- (2) Toyobo Group complies with relevant laws, regulations, and standards concerning products and we voluntarily set our own standards and conform to these.
- (3) Toyobo Quality practices quality assurance throughout a product's lifecycle and throughout our supply chain

## Structure

The Group has established a "PL/QA Committee" as a standing committee with overall responsibility for PL and QA. This committee, which comprises persons in charge from each business and persons in charge (executives) from the corporate staff, puts in place systems to ensure product safety in relation to products and technology, and to facilitate appropriate responses to PL or other quality-related incidents. As well as optimizing corporate activity and maintaining/enhancing the Group's standing in society, the committee strives to increase customers' trust and confidence in the Group, while making sure that our activities are in keeping with the times.

We are also building a structure that can assure quality through initiatives such as clarifying executive responsibilities, establishing quality assurance departments that are independent from manufacturing departments, checking that QA activities are being carried out regularly, and formulating improvement plans for identified issues.

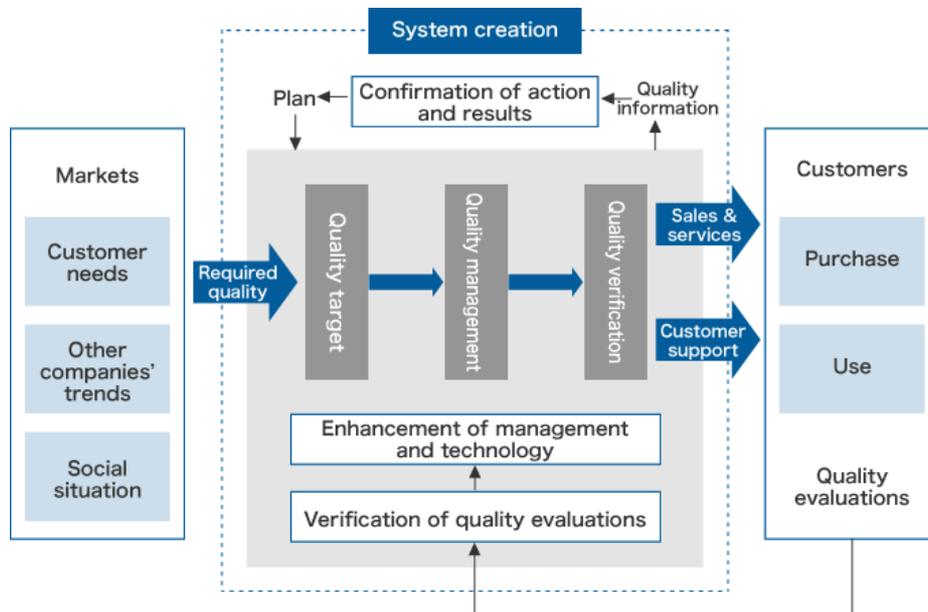
## Initiatives

### QA activities

The basis of "TOYOBO's way of manufacturing" is to consistently put ourselves in the customer's position and provide what is needed the most. This includes incidental services and solutions, in addition to our product offerings. In this way, we aim to help customers resolve their challenges and issues, and realize their wishes.

To achieve this, all employees have shared access to our Quality Assurance Manual, which describes the basic approach and code of conduct for all employees when implementing the Group's development, production and sales activities. In addition, our Quality Assurance Guidelines provide the basis for activities aimed at developing a system that guarantees quality. A QA system is established for each product and service, so that quality and product safety can always be guaranteed at each stage. Additionally, checks are repeatedly carried out by business supervisors, related internal and external parties, and experts, to ensure that no incidents occur in the market.

## Overview of QA Activities

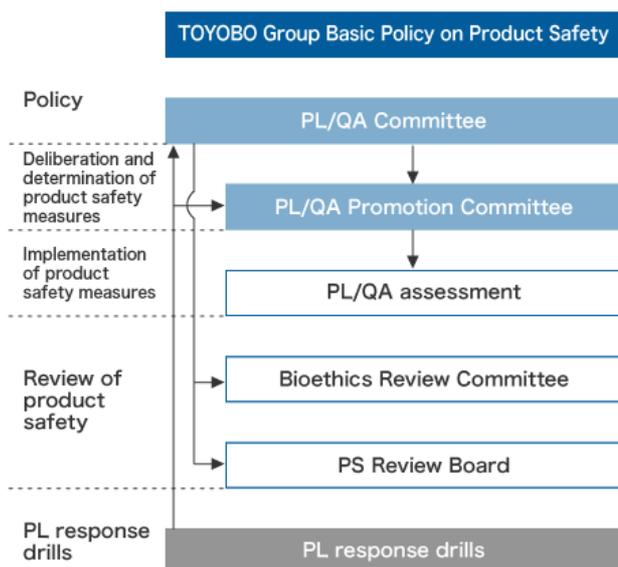


## Product safety promotion activities

For each department and group company, we conduct PL/QA assessments carried out by third parties or quality assurance personnel from different departments to verify and improve Product Safety (PS) activities. Moreover, we have established criteria for assessing PS and PL risk, and based on these criteria, we carry out inspections at each stage, from product development to sales. By addressing risk in advance, we work to mitigate risks pertaining to customers and employees.

All possible measures are taken to ensure product safety, and training drills are also conducted every year at all business divisions based on PL incident scenarios. Product safety remains a crucial theme throughout the whole of the Group, and we will continue to mitigate risk as much as possible to fulfill our social responsibility.

## PL Response System



## ISO 9001 Certification Status

[Find more information about our ISO9001 Certification Status here >](#)

# Supply Chain Management

Materiality	
Related ESG: <b>E</b> <b>S</b>	
Supply chain management	

## Management Approach

### Policy and approach

The Toyobo Group is contributing to achieve the SDGs, which support the development of a sustainable society, throughout our entire supply chain by establishing an appropriate trading policy and conducting procurement and logistics responsibly.

To realize this, we have formulated CSR Procurement Guidelines that deal with matters such as legal compliance, fair trade, consideration for the environment, and respect for human rights (including the prohibition of child labor or forced labor and discrimination based on gender identity including LGBT), and Green Procurement Guidelines that are considerate of the environment. In October 2020, we revised our CSR Procurement Guidelines based on various recent global issues.

Additionally, based on the principle of “2. Fair business practices” in the TOYOBO Group Charter of Corporate Behavior, we practice fair competition and dealings and responsible procurements and maintain sound relationships with society and stakeholders, including customers and business partners.

#### ■ Toyobo’s Basic Policy

Advance strategic procurement optimized and improved for the entire company through “procurement innovation.”

1. Strengthening relationships with good business partners based on an “open door policy”  
We will strengthen procurement structure by cultivating new business partners and applying a procurement value system to actualize shared issues with existing business partners so that we can align vectors.
2. Promoting cost planning activities (development purchasing) with the aim of realizing prices in line with the needs of the market  
We are promoting organizational VA and VE activities based on standardization and revising prices for over-specified products in order to achieve cost price targets.
3. Ensuring thorough compliance and fair business practice  
In relationships with business partners, we practice fair and highly transparent business in full compliance with procurement-related laws, such as the Act against Delay in Payment of Subcontract Proceeds, Etc. to Subcontractors.
4. Advancing CSR procurement

[Find more information about our CSR Procurement Guidelines here >](#)

### Procurement structure

We have positioned our Procurement & Logistics Division as a companywide procurement function supporting our other business divisions (manufacturing, sales, development). It operates as an organization for developing a collaborative structure unifying four parties, including good suppliers, based on a spirit of realizing win-win relationships, with the aim of providing mutual prosperity and as a result, supporting the growth of the Group’s business.

## CSR procurement

We have formulated our CSR Procurement Guidelines and Green Procurement Guidelines with the aim of fulfilling our social responsibilities, such as ensuring product quality and safety and respecting human rights, and enhancing value throughout our entire supply chain through initiatives such as contributing to regional communities and environmental conservation. In addition to sharing these guidelines through our website, we carry out CSR surveys for business partners requesting their understanding and cooperation in actively advancing initiatives.

[Find more information about our CSR Procurement Guidelines and Green Procurement Guidelines here >](#)

## Targets and KPI

### <Targets >

Throughout its supply chain, the Toyobo Group aims to realize procurement and logistics that involve fair and sincere transactions, respect human rights, are environmentally friendly, and consider impact on both society and the environment.

We will reduce CO<sub>2</sub> emissions by promoting green logistics, such as implementing a modal shift to rail and sea transportation and improving loading efficiency.

### <KPI and Results >

Initiatives	KPI	Targets	Results (FY2020)
<ul style="list-style-type: none"><li>• Realize sustainable, responsible procurement and logistics</li><li>• Carry out transactions that are fair and respect human rights</li><li>• Build a low-carbon society</li></ul>	1. Ratio of CSR procurement surveys returned	1. 90% or above (In years when a survey is not implemented, we carry out dialogue with business partners that past surveys have shown have issues)	1. —
	2. Ratio of reduction in CO <sub>2</sub> emissions related to logistics	2. Year on year reduction of 0.5%	2. Year on year reduction of 0.6%

## Initiatives

### CSR survey

We conduct surveys among our key business partners, based on the CSR Procurement Guidelines. This allows us to verify the status of their CSR activities, as well as enabling them to deepen their understanding of CSR activities. We ask both new and existing business partners to cooperate with regular surveys. If the results of these surveys identify any issues, we then request that they make improvements.

### Fairness and transparency in trade

We take a rigorous approach to ensuring fairness and transparency, based on sound trading. We do not give or accept gifts or entertainment in order to secure unjust profit or preferential treatment from our business partners, and we have established a prior consent system to strengthen our checking system to ensure that actions that go beyond what is deemed socially acceptable do not occur.

## Green procurement

In order to contribute to the creation of a sustainable society, we carry out procurement from suppliers who actively work to conserve the environment and procure materials that have low environmental impact on a priority basis. Additionally, we have formulated Green Procurement Guidelines with the aim of promoting environmentally friendly procurement. We ask our business partners to understand our green procurement approach and provide the following information regarding chemical content.

- (1) That the material does not contain any of the prohibited substances specified by Toyobo.
- (2) That the content of hazardous substances specified by Toyobo has been identified.

In fiscal 2019, we revised our “Chemical Content Information Sheet” based on the information sharing scheme “chemSHERPA”, developed by Japan’s Ministry of Economy, Trade and Industry, and requested our business partners to respond. For general purchased goods, we are promoting green purchasing with the use of environmental labels.

[Find more information about our Green Procurement Guidelines here >](#)

## Resolving social issues in logistics

To resolve social issues in logistics, we are pushing forward with initiatives to reduce the environmental impact and reform the work style in logistics. To reduce our impact on the environment, we are shortening the transportation distance by using the ports closest to our business sites, implementing a modal shift, and improving loading efficiency. We are also sharing logistics and storage with other companies (including joint shipment, making use of returning trucks, securing joint storage space), and are encouraging the introduction of systems that enable visualization of the logistics situation.

Additionally, we formulated a voluntary action declaration in support of the “White Logistics Movement”<sup>\*</sup> advocated by Japan’s Ministry of Land, Infrastructure, Transport and Tourism, Ministry of Economy, Trade and Industry and Ministry of Agriculture, Forestry and Fisheries, which we submitted to the White Logistics Campaign. We disclose our various initiatives, including “Logistics improvement proposals and cooperation,” “Utilization of pallets, etc.,” “Modal shift to sea and rail transport,” “Consideration of compliance with applicable legislation when selecting logistics operators,” and “Safety measures for freight handling.”

<sup>\*</sup> A movement in which all the parties involved in logistics cooperate to propose and implement mutually beneficial improvements

### Toyobo’s Voluntary Action Declaration in Support of the “White Logistics Movement”

Action	Details
<b>Cooperation and proposed improvements regarding logistics</b>	We will deal sincerely with requests from business and logistics partners concerning cooperation and proposed improvements regarding logistics.
<b>Use of pallets, etc.</b>	We will use pallets to transport some of our products, reducing the amount of work hours required for transportation.
<b>Modal shift to sea and rail transport</b>	For long-distance transportation, we will shift from truck transport to ferry or rail. Additionally, we will encourage the use of the ports closest to our plants.
<b>Consideration of compliance when choosing contractors</b>	When selecting logistics contractors, we will consider their record of compliance with relevant laws and regulations.
<b>Safety measures during cargo handling</b>	We will implement measures to prevent accidents during cargo handling work, such as clearly demonstrating safe work procedures.

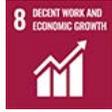
## **Response to natural disasters, etc.**

In recent years, various areas of Japan have experienced significant damage from earthquakes, typhoons and sudden localized rainstorms. We have gained knowledge in the process of responding to these events, and aim to realize even more stable procurement and logistics.

As part of our Business Continuity Plan (BCP), we strive to identify and manage risk throughout the supply chain. For procurement, we are looking to procure raw materials from multiple regions, and for logistics, we are establishing alternative transportation means and routes in collaboration with logistics operators.

The spread of COVID-19 has led to supply uncertainty and logistics delays in some areas. We are endeavoring to gather information from suppliers, logistics partners, and others and share this information throughout the company in a centralized manner, and are taking measures including the use of alternative parts and routes in order to minimize damage.

# Human Resource Management

Materiality	
Related ESG: <b>S</b>	 
Human resource management	

## Management Approach

### Policy and approach

The Toyobo Group aims to realize the TOYOBO PVVs corporate philosophy system by transforming into a “Group that has workplaces where each individual can continue to work with peace of mind and vigor, and that continuously evolves as a Group that can design its own growth trajectory.” To achieve this, we will respect employee diversity and support work practices that allow employees to demonstrate their individual skills, and build environments where a diverse work force can thrive. As an example of this, we have formulated and shared a Human Resources Development Plan and we are increasing the amount we invest in employee education. Also, we prohibit inappropriate behavior, such as various forms of harassment, in our workplaces and ensure there is no discrimination in the way we recruit and treat employees.

### Structure

The individual responsible for the Group’s human resources management is Masakatsu Shirai, Director, Executive Officer, Controlling Supervisor of HR and Sustainability Planning Division. Our operating departments responsible for human resources and labor affairs create regular opportunities for discussion and information sharing with the departments responsible for human resources at each business site and affiliated company, which leads to the formulation and execution of human resources management plans. Regarding key issues in the annual management plan, reports are made to the relevant executive officer each quarter and the issues are also deliberated on by the Sustainability Committee. Important measures are also discussed by the Board of Corporate Executive Officers and Controlling Supervisors and Board of Directors.

### Targets and KPI

#### <Targets>

The Toyobo Group will build an organizational structure for the entire Group that enables employees to work easily and feel satisfaction with their work, that ensures fairness and integrity, and that is considerate of diversity and human rights.

#### <KPI and Results>

Initiatives	KPI	Targets	Results (FY2020)
<ul style="list-style-type: none"> <li>• Nurture human resources (build careers, develop capabilities)</li> <li>• Promote work-life balance</li> </ul>	1. Formulation and disclosure of a Human Resources Development Plan	1. Complete and share on the Company website	1. —

Initiatives	KPI	Targets	Results (FY2020)
<ul style="list-style-type: none"> <li>• Ensure equality in recruitment and treatment of employees</li> <li>• Realize diversity and inclusion</li> <li>• Maintain people-friendly work environments (promote health)</li> </ul>	2. Training core overseas personnel in Japan	2. 15 employees per year*	2. 15
	3. Training investment per employee	3. ¥50,000 per year*	3. ¥37,000
	4. Achievement of female ratio in management positions	4. 4.0%*	4. 2.9%
	5. Ratio of annual paid leave taken	5. 75%*	5. 72.5%
	6. Reduction in annual statutory working hours (number of people/eligible for more than 360 hours)	6. reduction of 20% (2.0%)*	6. (2.6%)
	7. Ratio of male employees taking childcare leave	7. 70% of those eligible for absence leave*	7. 46.3%

\* Targets for FY2026

## Initiatives for preventing harassment

The Toyobo Group strives to maintain harassment-free workplace environments and we are focusing on anti-harassment measures based on an approach that providing work incentives and raising job satisfaction leads to the securement and cultivation of excellent human resources. As a preventative measure, we are implementing management training to deepen understanding within the organization, and as a response measure, we carry out thorough internal reporting through compliance consultation centers and a Complaint Handling Committee, which includes labor union representatives, so that we can detect and solve issues at an early stage.

[Find more information about our efforts for establishment of complaint handling and internal reporting systems here >](#)

[Find more information about our compliance consultation centers here >](#)

## Human Resources Development

### Approach to human resources development

The Toyobo Group considers human resources to be our most important asset.

We support the growth of each and every one of our employees, while respecting their diversity. We believe that the continuation and development of the Group as a whole can be achieved by building an environment in which our employees can flourish within the company and realize their own potential. Toyobo carries out human resource development based on a training program categorized by job level, type and objective, from the newly employed to top management.

Over our long history, we have fostered an approach of valuing “people”—our most important asset—and this is shared throughout the Group.

Now, we are putting our maximum effort into nurturing the next generation of management, who will contribute to our growth strategy. We provide opportunities for selected employees to attend business schools and internal training programs. At the same time, we are actively engaged in diversity and inclusion initiatives to train mid-career hires and promote the participation of women in the workforce. Educational and training activities are also provided for domestic Group companies, while selected employees from overseas are provided with training in Japan as well. Through these initiatives, we nurture our employees to help put into practice Toyobo's corporate philosophy of *Jun-Ri-Soku-Yu* (adhering to reason leads to prosperity); in other words, those who can create shared value.

### Education & Training System

Job Level	Standard Training									Job Category-Specific Training			Business Department Training	Self-education	
	Career Design	Training by Level	OJT	Selectable Seminars	Training for Executive Management Candidates	Role-based Training	Global Response Training	Participation of Women in the Workforce	Other	Sales	Technical/Research	Permanent Employees			
Manager (M Position)															
Levels 1-3	Mid-career Design Seminar	M Position Advancement Training Quality Assurance Training		Management Skills Seminars (MSS)	"Practical Business Management" Reciprocal Improvement Program	External seminars for selected employees			Management Seminars for Supervisors		Production Technology Innovation Course for Section Chiefs 1				
Level 4	Intermediate Business Training	New Career Employee Training	OJT for Work Issues	Business Skills Seminars (BSS)				Overseas Study	Management Seminars for Supervisors	Voluntary Participation Seminars	Intermediate Sales Training	Onsite Leadership Training	Supervising Department Training	Various training	
Level 5	Basic Business Training Career Design Seminar, New employee training (first semester/second semester)							Short-term Overseas Operational Training	Basic Women's Leadership Training Seminars	Basic Women's Leadership Training Seminars	Basic Sales Training	Basic Engineering Seminar (EKS)			
Level 6	Level 5 Advancement Training			First Skills Seminars (FSS)											
Level 7															
	Required training		Advancement-related			Selection required			Voluntary or by appointment						

### Education & Training-Related Results

	FY2020 Results
Training hours per employee	14.9hrs
Training investment per employee	¥37,000
Total training attendees	1,564
Total training hours	36,248hrs

## Initiatives

### Nurturing the next generation of management

Toyobo strives to ensure that our employees acquire a broad knowledge and enhance their skill set through job rotation, including overseas assignments, from an early stage. In addition, we hold annual interviews to identify each individual's career aspirations and use this information to help them develop and ensure that they are assigned to the appropriate position.

In this way, personal growth at the individual level leads to the development of the Company. These initiatives also allow us to single out candidates for the next generation of management at an early stage. By placing them in business operation and management positions, we help our candidates to hone their management skills as we form our succession plan. Around 20 employees are selected for education and training each year, and they acquire the necessary management knowledge at business schools and the like. Additionally, around four employees spend approximately six months practicing skills such as formulating measures to grow the business, debating, and making proposals at simulated management meetings.

### Developing global human resources

The Toyobo Group implements "Short-term Overseas Business Training" in which around 10 employees in two separate groups from Japan are sent overseas for training each year (first and second half of the year). This motivates younger and mid-career employees to participate in Toyobo's global business, and also represents a major opportunity for them to further their careers.

In addition, local candidates for management from overseas offices are selected to undergo training in Japan twice each year. This aims to enhance their understanding of Toyobo and deepen interaction with employees who work in Japan.

## Diversity

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### Approach to diversity

The Toyobo Group believes that personal and organizational growth is achieved through a process of mutual respect among our employees, with their differing work styles, careers, gender, nationality, race, and beliefs, and through cooperation to achieve our shared objectives.

We respect different opinions and a wide range of values, and cooperate to achieve ambitious goals together.

The TOYOBO Group Charter of Corporate Behavior also contains the following declaration.

#### 6. Active employee participation

We will respect employee diversity and support work practices that allow employees to demonstrate their individual skills. Also, we will provide workplaces that are conducive to productive work while taking health and safety into consideration.

6-1. We will work toward developing workplace environments that facilitate active participation among a diverse range of human talent.

6-2. We will prevent various types of harassment and other forms of mistreatment in our workplaces, and accordingly we will not engage in discriminatory practices neither in regard to hiring nor terms of employment.

6-3. We will strive to create workplaces that are safe, hygienic and rewarding, and will work to prevent excessive workloads and reduce overtime work.

## Participation of women in the workforce

Toyobo established the Female Empowerment Promotion Group within the Human Resources Department, and the Group has been engaged in activities to promote the empowerment of women. We have held presentations, seminars for managers, career design seminars, female leader development seminars, etc., on a continuous basis, in order to realize a change of mentality among our employees. With regard to women on the so-called "career track" route, we have continued to actively hire female university graduates, with a target ratio of 40%, and are also focusing on widening the positions in which women work and nurturing female leaders. We have also launched a project to encourage female employees who previously worked in non-career track positions to flourish, and this is increasing motivation and developing human resources. Within these activities, we are also facilitating information exchanges between women by planning and implementing networking events with female employees from other companies. In April 2019, we launched a trial Mentor Program for female employees, which supports them in developing their career plan.



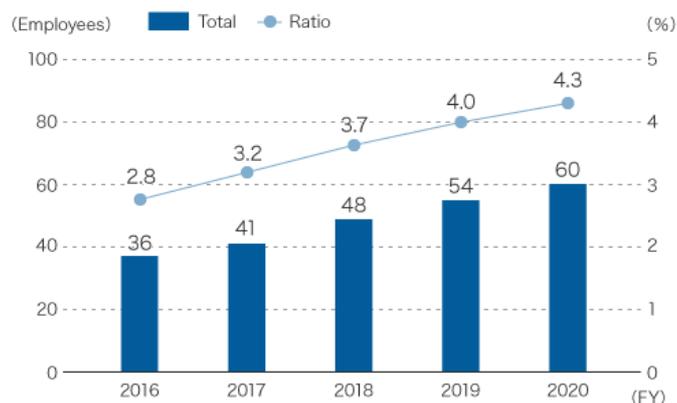
The Company-operated nursery inside the Research Center

Toyobo has introduced a babysitter support system to assist with childcare, which provides the full cost of childcare when an employee is on a business trip. The number of users has steadily increased. Since April 2018, we have provided a nursery inside the Research Center (Otsu City, Shiga Pref.) for employees with children. The nursery not only enables employees to return to work early from childcare leave and make their return to work easier, but also lays the platform for women to feel more comfortable with planning a family.

### Educational Activities and Training (FY2020)

Activities/Training	Frequency	Participants
Explanatory Meeting	21 times	682
Seminar for Managers	6 times	137
Career Design Seminar	2 times	48
Female Leader Development Seminar	2 times	33

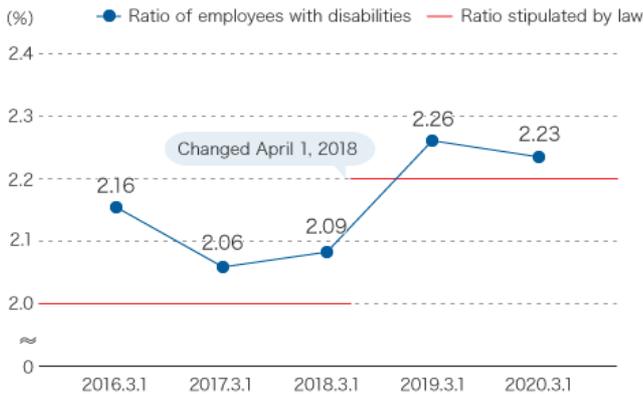
### Proportion of Female Employees with Management-Level Qualifications



## Active participation of diverse human resources

In addition to activities to promote the participation of women in the workforce, we are also working to ensure that the assessment and treatment of employees focuses on ability and is not influenced by differences such as gender and nationality and we are cultivating a corporate culture in which diverse employees can participate actively and find job satisfaction. We also engage senior employees who have been rehired after the set retirement age of 60 to train younger employees and pass on skills. In regard to raising the ratio of employees with disabilities, it is crucial that initiatives are carried out at a companywide level, and at meetings of the managers of General Administration Departments at each business site held four times a year, we share information and actively encourage the recruitment of people with disabilities.

### Ratio of Employees with Disabilities



## Work-life Balance

### Approach to work-life balance

We are engaged in work style reform so that our employees can work with renewed efficiency and achieve a good balance between work and personal life and we also provide support such as the Childcare Shortened Work Hour Program, Nursing Care Leave, and a Flextime system. We are also providing more flexible work styles tailored to each employee's life stage, which we view as an opportunity to enhance creativity.

We want to create a foundation for the company that enables each individual to do their best with confidence, pride, peace of mind, and a forward-looking mindset.

The TOYOBO Group Charter of Corporate Behavior declares, "We will respect employee diversity and support work practices that allow employees to demonstrate their individual skills. Also, we will provide workplaces that are conducive to productive work while taking health and safety into consideration."

### Initiatives

Toyobo has introduced schemes that go above and beyond the legal requirements, including the Childcare Shortened Work Hour Program and Nursing Care Leave, and we also provide a Flextime system. Since FY2020, Childcare Leave has offered five days of paid leave. In conjunction with this change in the system, we are encouraging men to take Childcare Leave. Male employees who have a child are notified of the system individually and are recommended to take this leave by their immediate supervisor. We will continue these promotion efforts until it becomes normal for male employees to take childcare leave.

We introduced a 15-Minute Shortened Work Hour Program at head and branch offices in FY2018, and at the Research Center in FY2019.

We are also increasing the number of days of leave at other offices and we are creating opportunities for employees to spend quality personal time together with family and friends, such as holding a No Overtime Day at least once a month. In FY2020, we introduced a Teleworking scheme at head and branch offices.

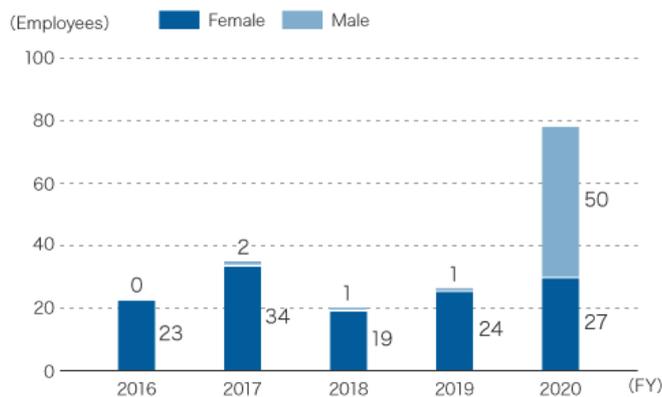


## Scheme Usage

(FY)

	2016	2017	2018	2019	2020
Women taking childcare leave	23	34	19	24	27
Ratio of women taking childcare leave (%)	100	100	100	100	100
Men taking childcare leave	0	2	1	1	50
Ratio of men taking childcare leave (%)	0	2	1	1	46
Employees taking childcare shortened work hour program	40	50	65	75	65
Annual paid leave utilization ratio (%)	66	65	66	68	73

## Childcare Leave Utilization



## Main Support Systems

	Main System	Details
<b>Systems supporting diverse work styles</b>	Teleworking Scheme	Employees can work outside the office, in principle at their home, for up to five days per month. Can be used in conjunction with Half-Day Annual Leave, Childcare and Nursing Care Shortened Work Hour Programs, and the Flextime system.
	Flextime System	Managed in one-month installments with core time set from 11:00 to 14:00. Introduced in 1990.
	Half-Day Annual Leave	Annual paid leave can be taken in half-day installments. Introduced in 1990.
	Volunteer Leave	Applies to employees participating in the Japan Overseas Cooperation Volunteers initiative. In principle, leave can be up to two years and four months.
<b>Systems supporting work-life balance</b>	Childcare Leave	Can be taken up to the day the child turns two. * Salary is paid from the first day for a period of up to five consecutive days

	<b>Main System</b>	<b>Details</b>
	Childcare Shortened Work Hour Program	One workday can be shortened in 15-minute installments up to two hours. However, the period from 10:00 to 16:00 has to be worked (including designated breaks). (Can be used up to the child finishes the third grade of elementary school)
	Nursing Care Leave	Can be taken up to three times per case (same illness of the same family member) for a maximum of 366 days (which can be taken in installments).
	Nursing Care Shortened Work Hour Program	Designated work hours for a single day can be shortened by up to two hours for up to two times per case (same illness of the same family member).
	No Overtime Day	Once a month, employees are able to spend quality personal time together with family and friends as an opportunity to improve motivation and enhance creativity.
	Childcare Facilities	In April 2018, a nursery was established inside the Research Center.
	Babysitters	When an employee is on a business trip, the company will pay the cost of a babysitter (but only in cases where another appropriate care provider is not available). In principle, to be taken in three-hour installments for children in the sixth grade of elementary school or below.

# Health and Productivity Management

## Management Approach

### Policy and approach

The Toyobo Group is engaged in initiatives for maintaining and improving employees' physical and mental wellbeing in order to create people-friendly workplaces that are conscious of employee health.

In fiscal 2020, we embarked on the strategic implementation of health and productivity management, considering health care from a management perspective. Going forward, we will promote initiatives that energize and increase the productivity of the organization, and improve performance through measures such as maintaining and enhancing employees' health and wellbeing. We also aim to obtain certification under the Ministry of Economy, Trade and Industry's Certified Health & Productivity Management Outstanding Organizations Recognition Program.

Furthermore, we are investing in employee health based on the approach that having energetic workplaces where employees can work dynamically will lead to the long-term growth of the Group, and to date, we have been cooperating with the health insurance union on initiatives to support health and wellbeing. We will continue these initiatives with the aim taking another step forward and actively and systematically practicing health and productivity management. In March 2020, we formulated the TOYOBO Health & Productivity Management Declaration containing a declaration by the President, and we have built a health promotion structure.

#### <TOYOBO Health & Productivity Management Declaration>

Under the Group's corporate philosophy, *Jun-Ri-Soku-Yu* (adhering to reason leads to prosperity), we aim to be a "strong and good Toyobo Group" which offers growth potential and stability.

We believe that in order to ensure strong, sustainable growth, we need the capabilities, effort, and energy of every employee, and that the growth of the Group is linked to the job satisfaction of our employees and the feeling that they and their families are being enriched.

Health is the source of our employees' energy and effort, and as a Group we recognize that actively working to maintain and improve employee health is an important management issue.

It is also important that employees themselves realize the importance of their health.

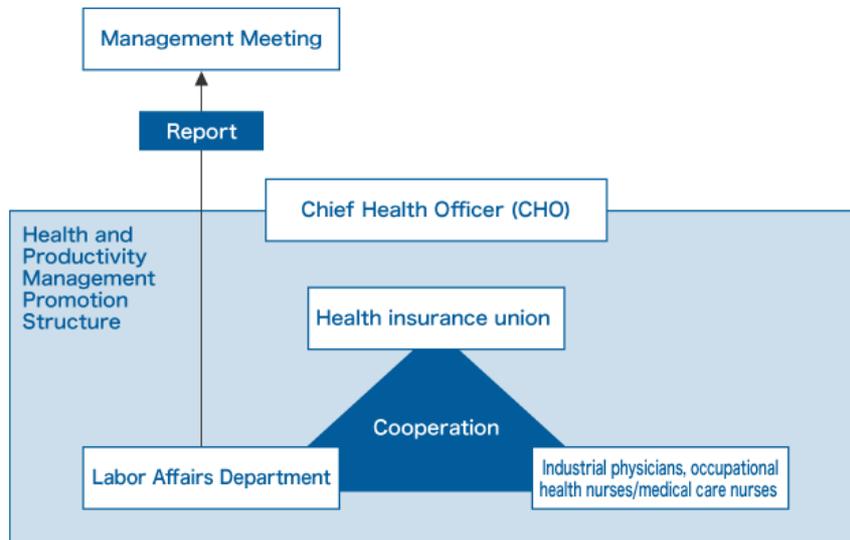
Therefore, we declare that we will actively engage in health and productivity management.

Seiji Narahara  
Representative Director, President, and CEO  
March, 2020

### Structure

#### <Health management system>

In March 2020, the Toyobo Group formulated a "Health & Productivity Management Declaration" in order to proactively and systematically address health and productivity management, and also established a structure to promote this. Under the supervision of the Chief Health Officer (CHO), the Labor Affairs Department, industrial physicians, occupational health nurses/medical care nurses, and the health insurance union are working together on key measures.



## Key measures under the TOYOBO Health & Productivity Management Declaration

Under the TOYOBO Health & Productivity Management Declaration, we are working on the following key measures.

1. Initiatives for raising employees' health awareness: education and training
2. Initiatives for improving employees' lifestyle habits: exercise, diet, support for quitting smoking, etc.
3. Initiatives for strengthening mental health, including improvement measures for high-stress employees and workplaces

## Initiatives

### Mental healthcare initiatives

We invite guest lecturers to provide training for managers, to increase their awareness and understanding of mental healthcare. Individual consultations are also given by industrial health staff at each business site. We also provide personalized support to those suffering from high levels of stress, based on the results of a stress checkup. In the near future, we plan to identify and resolve issues in high-stress workplaces based on the results of group analysis.

With regard to mental healthcare in COVID-19 stay at home situations (adopted as a measure to tackle the spread of COVID-19), we have addressed the importance of self-care and so-called "line care" (care provided by managers for the wellbeing of their staff and measures to improve the workplace), issuing information so as to maintain and support our employees' physical and mental wellbeing.

### Countermeasures against COVID-19

As countermeasures against COVID-19, we are encouraging working from home and staggered working hours, ensuring employees maintain social distancing when working in the office, providing information about infection prevention, and distributing masks, among other measures.

[Find more information about our Safety, Disaster Prevention, and Quality Assurance Efforts here >](#)

# Local Communities

## Management Approach

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### Policy and approach

The Toyobo Group believes that our business activities can only be carried out with the understanding of local communities. We have positioned the building and maintaining relationships of trust with local communities as fundamental to our business activities. And in addition to disclosing necessary information to members of these communities, we focus on actively participating in regional activities and maintaining close communication.

As a member of society, we think we can support the building of a better society by providing value to regional communities and we work to encourage science and technology, conserve environments, and promote communication with local communities. We think that fulfilling our responsibilities as a good corporate citizen and investing in the future is part of practicing our corporate philosophy: *Jun-Ri-Soku-Yu* (adhering to reason leads to prosperity) corporate philosophy.

Additionally, at each business site, we recruit local personnel in order to vitalize the surrounding area.

#### Related policies:

[TOYOBO Group Charter of Corporate Behavior: 8. Social contribution](#) >

[TOYOBO Group Basic Policy on Health & Safety](#) >

[TOYOBO Group Fundamental Policy on the Global Environment](#) >

### Structure

Based on the policies above, each business location works to communicate with its surrounding area.

## Cultivating Future Generations

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### Approach to cultivating future generations

In the TOYOBO Group Charter of Corporate Behavior, we declare that “we will actively participate in society and contribute to its development .” Therefore, it is important that we cultivate human resources who can take on the task of developing society into the future. To achieve this, we are supporting sports and encouraging science and technology through initiatives such as providing research subsidies through the Toyobo Biotechnology Foundation. We also offer internships to give students an image of what it is like to work through actual workplace experiences.

### Initiatives

#### Supporting Science and Technology

The Toyobo Group is contributing to the development of science and technology by supporting young researchers through our foundation. We are also contributing to the development of technology, industry, and society by participating in industry-academic-government collaboration.

**A Foundation that Contributes to the Biotechnology Field by Supporting Young Researchers**

Advancing science and technology is important for Japan to develop socially and economically into the future. The Toyobo Group began to focus on the biotechnology and life science fields when these fields were still new to Japan. In order to encourage scientific research in the biotechnology field and to contribute to society through the results of this research, in May 1982 we celebrated the 100th anniversary of the Company by establishing the Toyobo Biotechnology Foundation (hereafter “the Foundation”) and since then, we have been holding study groups and symposiums and providing research subsidies. Since the establishment of the Foundation to the present day, its efforts have been supported by academics working on the front lines of this field, many of whom have served as directors and advisors. In recent years, the biotechnology and life science fields have grown compared to when the Foundation was established, so we are concentrating activities on supporting the young researchers who will take responsibility for the future of these fields.



Recipients of FY2020 long-term research subsidies and other people connected to the Foundation

The subsidies granted by the Foundation are notable in that they do not stipulate what the funds should be used for. This is because we want to provide comprehensive support for young researchers who are venturing overseas for the first time. From the reports provided by the researchers we sponsor, we can see that they are vigorously engaging in their research activities.

In FY2020, five people were granted research subsidies amounting to a total of 32 million yen and these were presented at a ceremony at Toyobo’s Head Office on February 19, 2020. As of the current fiscal year, we have granted long-term research subsidies to a cumulative total of 206 researchers. Recipients are active on the front lines of the biotechnology and education fields and some of them want to contribute to the cultivation of the next generation of researchers by serving as directors and advisors of the Foundation.

**Support for initiatives such as the Shiga Tech Planter R&D startup support program and the Shiga Junior Research Grant next generation cultivation project through the Shiga-based Growth Business Identification and Cultivation Consortium**

The Shiga-based Growth Business Identification and Cultivation Consortium (hereafter “the Consortium”) is an industry-academic-government collaborative organization that aims to encourage industry in Shiga and revitalize the region by creating a framework for generating a succession of industries that leverage the prefecture’s strengths and help them grow. As the Toyobo Group has a Research Center and the Otsu Pharmaceuticals Plant in Shiga prefecture, we support the aims of the consortium and we have been a partner company of Shiga Tech Planter, an R&D startup support program for cultivating the next generation of researchers, engineers, and entrepreneurs, and the Shiga Tech Plan Gran Prix , a business plan contest run by the program, since the start. The Consortium also aims to cultivate the leaders who will create the next generation of industry and in addition to being a partner company since the first round of Shiga Junior Research Grants, grants that support the research activities of junior high and high school students in the prefecture, the Toyobo Group employees also serve as judges at events showcasing this research.



The Shiga Tech Plan Gran Prix finals held on July 4, 2020



The representative of the Woman Support Design Project Team, which won the Toyobo Award, and Toyobo managing executive officer Yasuo Ota who served as a judge at the finals

\* Masks were removed to take this photo

## Supporting sports

The Toyobo Group is supporting young people who want to compete globally through the following initiative.

### Becoming gold sponsor of FC Basara Mainz

In September 2019, the Toyobo Group has become a gold sponsor of FC Basara Mainz, a team playing in the sixth level of the German soccer league. The club was founded in 2014, and one of the founders of the club, a professional soccer player Shinji Okazaki (currently playing for Huesca in Spain's La Liga) who has also been involved in the Toyobo Group's advertising and PR activities, with the aim of "creating a place where Japanese players can grow as people through German soccer." The team is working to encourage sports in a way that benefits the local area through initiatives such as holding origami classes that use Olyester Origami®, a material developed by Toyobo.



FC Basara Mainz team photo

## Social Contribution Activities

### Social contribution activities approach and policies

As a materials manufacturer, the Toyobo Group provides a variety of information so that local communities can live with peace of mind and we carry out educational and awareness raising activities for these communities. As a good corporate citizen, we also carry out activities that support the creation of flourishing towns and cities, so that we can develop together with the local community.

- We provide information through our website and other channels so that people can learn about the Group's approach and business.
- We communicate with local communities by actively participating in community activities and providing opportunities for them to learn about the Group, and the lessons learned from these initiatives are reflected in our business activities.

### Initiatives

Each year, all our business locations actively participate in cultural events aimed at vitalizing their local region and carry out initiatives such as site tours that help local community members and employees' families get to know the Group better. In FY2020, we carried out the following activities.

### Exhibiting at the Tsuruga Environmental Fair (Tsuruga Research and Production Center)

In FY2020, we exhibited a booth at the Tsuruga Environmental Fair organized by the Tsuruga Environment Future Network . The fair is an event that aims to provide opportunities for people in the community to consider their local nature and the environment through a variety of programs related to nature and environment.

At the Toyobo booth, we exhibited BIOPRANA®, a film of plant-derived raw materials, and BREATHAIR®, a recyclable three-dimensional cushion material that offers durability and strong antibacterial properties, making it widely used in hospitals and nursing care facilities. We also gave origami classes which showcased the properties of Olyester Origami®, a foldable polyester film that is both high performance and environmentally friendly. The fair was attended by 3,030 people and 630 of them visited our booth where they were introduced to our environmentally friendly products.



The Toyobo booth

## Holding site tours for former employees, employees' families, and members of the local community (Iwakuni Production Center)

Over two days, from August 2 to 3, 2019, the Iwakuni Production Center held site tours for former employees, employees' families, and members of the local community. Around 500 people participated, including employees from Toyobo, Group companies, and affiliated businesses, members of their families, and members of the local community.

Visitors were shown the Toyobo Iwakuni Production Center Archive and a display of products from the Iwakuni Polymer Plant, the Iwakuni Functional Textiles Plant, the Iwakuni Functional Membranes Plant, and TOYO CLOTH CO., LTD.'s Iwakuni Plant. Employees gave full explanations of the products that they helped produce, which the visitors listened to with interest.

Manipularer®, a concept car that incorporates more than 50 Toyobo materials and technologies, was also on display at the venue. Visitors enjoyed sitting in the driver's seat and having their photo taken with the car.



Visitors learn about the history of the Iwakuni Production Center (Toyobo Iwakuni Production Center archives)



Receiving an explanation of Toyobo products



Experiencing Toyobo technologies through the concept car

## Welcoming local elementary school field trips

TOYO KNIT CO., LTD. welcomed 286 students and teachers from several elementary schools in the local area to tour its main plant. An explanation was given of each production process that takes place at the plant, from the operation of cutting machinery through to hand finishing using sewing machines, and students learned about the production of high-performance swimwear while touching actual products. They also enjoyed a display that included Olympic swimwear, the uniforms of the Japan women's national volleyball team, and leotards used by gymnasts.

Going forward, the company will continue to actively communicate with the community.



A demonstration of a laser cutting machine



An explanation and demonstration of sewing swimwear

## Countermeasures against COVID-19

Amid the spread of COVID-19, the Toyobo Group is contributing to society by supplying our products and services.

### Toyobo Group Products Supplied to Local Communities

Item	Volume	Recipient	Date
<b>SARS-CoV-2 Detection Kit<sup>*1</sup></b>	—	Fukui Prefecture	July 7, 2020
<b>Protective clothing made using airbag fabrics<sup>*2</sup></b>	200 pieces	Medical facilities including Nagoya University Hospital	May 2020 (donated through Toyoda Gosei Co., Ltd.)
	50 pieces	Inuyama City	June 23, 2020
	50 pieces	Tsuruga City	July 27, 2020
<b>Cool sensation masks made using Tsunooga<sup>*3</sup>, a high strength polyethylene fiber</b>	300 pieces		

\*1 A research reagent that has been assessed by the Ministry of Health, Labour and Welfare and the National Institute of Infectious Diseases as having 100% positive and negative agreement rates

\*2 A product of joint research with Toyoda Gosei Co., Ltd. and others aimed at solving the worsening shortages of medical supplies caused by the pandemic. Silicon coated airbag fabrics are airtight and washable, so they can be used to make reusable protective clothing

\*3 An ultra-light and cut resistant super fiber. It has a high specific heat and heat conductivity which creates a cool sensation

# Activity Report : Governance

## Corporate Governance

Materiality	
Related ESG: <b>G</b>	
Corporate governance	

## Management Approach

### Basic approach

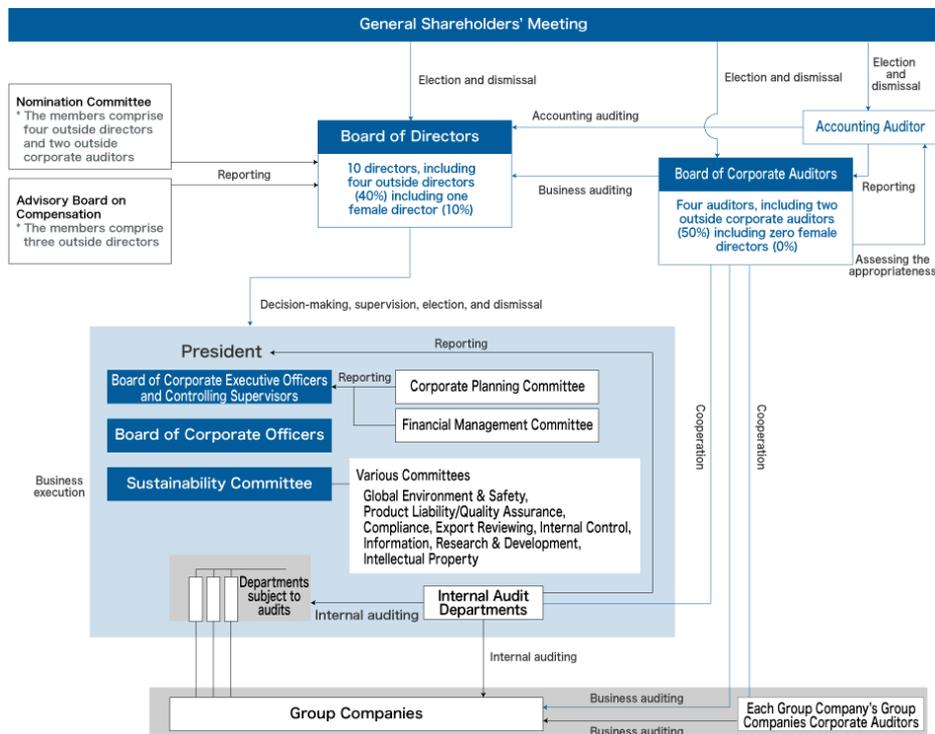
To respond to the changing times and continually enhance corporate value, the Toyobo Group endeavors to strengthen group governance based on the policies of enhancing timeliness and accuracy in decision-making, ensuring transparency in management, and emphasizing fairness.

[Find more information about our Corporate Governance Report here >](#)

### Corporate governance structure

Toyobo is a company with internal auditors and, under this governance system, has adopted the corporate officer system. In the corporate officer system, which is defined in our management regulations, the Board of Directors oversees the business execution of Corporate Officers. Under Toyobo's governance framework, a clear separation is made between the role of the Board of Directors—which oversees decision-making and performs management oversight—and the Corporate Officers who are in charge of business execution. This system enables rapid decision-making and efficient business execution.

#### Corporate Governance Structure (as of June 2020)



Meetings Convened in FY2020

Number of meetings held	
Board of Directors	19
Board of Corporate Auditors	15
Nomination Committee	2
Advisory Board on Compensation	2
Outside Officer Liaison Meeting	7
Board of Corporate Executive Officers and Controlling Supervisors	31
Corporate Planning Committee	10
Financial Management Committee	20

Attendance Record of Outside Directors (attendance rate) (FY2020)

	Board of Directors	Board of Corporate Auditors	Nomination Committee	Advisory Board on Compensation
<b>Taketoshi Oka (Director)</b>	18/19 (95%)	—	2/2 (100%)	1/2 (50%)
<b>Masaru Nakamura (Director)</b>	19/19 (100%)	—	2/2 (100%)	2/2 (100%)
<b>Takafumi Isogai (Director)</b>	16/19 (84%)	—	2/2 (100%)	—
<b>Kimie Sakuragi (Director)</b>	15/15 (100%)	—	2/2 (100%)	—
<b>Shiro Takenaka (Corporate Auditor)</b>	19/19 (100%)	15/15 (100%)	2/2 (100%)	—
<b>Hiroyuki Sugimoto (Corporate Auditor)</b>	18/19 (95%)	15/15 (100%)	2/2 (100%)	—

## Board of Directors

The Board of Directors has 10 directors, including four outside and Controlling Supervisors directors. A director's term of office is set at one year to ensure a swift response to changes in the business environment and to clarify the responsibilities.

At the General Shareholders' Meeting held in June 2019, one outside director (female) was appointed in order to increase diversity and strengthen the supervisory function. Moreover, at the General Shareholders' Meeting held in June 2020, we adopted a modified system aimed at further separating decision-making and supervision from business execution. For example, the Board is elected from outside directors and corporate officers who oversee departments that are engaged in operations with a company-wide scope. This system makes it easier for corporate officers, who are responsible for specific businesses, to concentrate on their respective businesses and fields.

In fiscal 2020, the Board of Directors made decisions on matters stipulated in laws and the Articles of Incorporation, and on important investment deals including acquisitions. In addition, the Board received reports on each business and conducted appropriate supervision.

In order to further optimize the functions of outside officers (both directors and auditors), important issues are shared beforehand. In addition, Toyobo periodically holds liaison meetings that consist of representative directors and outside officers, to share their viewpoints and exchange opinions on management issues.

## Board of Corporate Auditors

The Board of Corporate Auditors has four members, two of whom are outside corporate auditors. Their responsibilities include attending meetings of the Board of Directors and other important meetings, stating their opinions when necessary, and auditing each department's operation in order to audit directors' execution performance.

KPMG AZSA LLC has been appointed to conduct the Toyobo Group's independent audits required under Japan's Companies Act. The Board of Corporate Auditors receives auditing plans and reports from the independent auditor and meets with the independent auditor periodically to exchange information. The Board of Corporate Auditors also exchanges information with the internal audit department, which monitors the effectiveness of internal control.

## Board of Corporate Executive Officers and Controlling Supervisors

There are 20 corporate officers, including some who serve concurrently as directors. The Board of Corporate Executive Officers and Controlling Supervisors deliberates in advance on matters to be resolved by the Board of Directors, and determines matters related to business execution, which has been entrusted by the Board of Directors. The Corporate Planning Committee and the Financial Management Committee are established under the Board of Corporate Executive Officers and Controlling Supervisors. They deliberate on important investments and new projects, important borrowing, etc. from their respective realms of expertise, thereby managing business risk.

A working group comprised of directors was also established to discuss issues including the future vision of the Toyobo Group.

## Nomination Committee / Advisory Board on Compensation

The Nomination Committee and Advisory Board on Compensation deliberate and report to the Board of Directors from the perspective of ensuring transparency and fairness in the determination of nomination and compensation of directors and other officers.

The Nomination Committee comprises the two representative directors and six outside officers. It reports on the appointment of directors and executive officers from the perspective of fairness and transparency in response to inquiries from the Board of Directors. The Advisory Board on Compensation comprises the two representative directors and three outside directors. It deliberates and verifies the system, level, and method of calculation of compensation for officers from an objective and fair point of view based on the results of surveys by outside organizations.

## Targets and KPI

### < Targets >

The Toyobo Group is building a fair and highly transparent governance structure through compliance with the Corporate Governance Code and proactive information disclosure.

### < Targets and Results >

Initiatives	KPI	Targets	Results (FY2020)
<ul style="list-style-type: none"> <li>Strengthen corporate governance</li> <li>Strengthen information disclosure</li> </ul>	1. No. of meeting of the Board of Directors/committees	1. Disclose results	1. Board of Directors' meetings: 19, Other meetings: 4
	2. Attendance rate of officers at meetings in 1.	2. Disclose results	2. Share on the Company website
	3. Disclosure of details of evaluation of Board of Directors' effectiveness	3. Disclose details of effectiveness evaluation	3. Equivalent of the Corporate Governance Report

\* Nomination Committee and Advisory Board on Compensation

## Progress in system enhancement

The Toyobo Group has worked continuously to strengthen corporate governance.

### Initiatives to Strengthen Corporate Governance

Year	Initiative & Objective
1998	<ul style="list-style-type: none"> <li>Established the Ethics Committee (the current Sustainability Committee) To promote companywide compliance activities as a key element of management</li> </ul>
2004	<ul style="list-style-type: none"> <li>Appointed one outside director, shortened the term of office for directors to one year To clarify management accountability by strengthening the supervisory function and shortening the term of office</li> <li>Established an Advisory Board on Officer Provisions, etc. (the current Advisory Board on Compensation) To ensure transparency and fairness in procedures for determining officer compensation</li> </ul>
2005	<ul style="list-style-type: none"> <li>Introduced a corporate officer system, reduced the number of directors To split the decision-making/supervisory and executive functions</li> </ul>
2015	<ul style="list-style-type: none"> <li>Increased number of outside directors to two To strengthen the supervisory function by multiple appointments</li> <li>Established an outside officer liaison meeting To hold regular information exchange meetings to optimize the functions of outside officers</li> <li>Established the Nomination Committee To ensure transparency and fairness in procedures for nominating/dismissing directors</li> </ul>
2016	<ul style="list-style-type: none"> <li>Made an analysis/evaluation of the overall effectiveness of the Board of Directors Will annually identify issues and make improvements</li> </ul>

Year	Initiative & Objective
2018	<ul style="list-style-type: none"> <li>Increased number of outside directors to three, raising their ratio to one third of all directors To ensure diversity among members of the Board of Directors, as well as strengthen governance</li> </ul>
2019	<ul style="list-style-type: none"> <li>Increased number of outside directors to four (adding a female director) To further promote diversity among members of the Board of Directors</li> <li>Revised the officer compensation system (introduced compensation in the form of restricted stock units) To offer longer term incentives and realize greater sharing of value with shareholders</li> </ul>
2020	<ul style="list-style-type: none"> <li>Implemented further separation between decision-making/supervision and business execution in regard to election of directors</li> </ul>

## Director skill matrix

The directors who execute business are elected from among the directors based on whether they have the requisite experience and qualities for the area of responsibility and whether they have a company-wide perspective.

### Director Skill Matrix (as of June 2020)

		Independent	Age	Gender	Within the expertise required by the Company, skills that are particularly beneficial (3 for inside directors and 1 for outside directors)								Overseas Business Experience
					Corporate Management/Strategy	Sales/Marketing	Finance/Accounting	Legal Affairs/Ethics	HR/Talent Development	R&D	Sustainability	Production Technology & Quality	
Inside	Seiji Narahara		63	Male	○		○	○					○
	Masaru Watanabe		63	Male	○	○	○						
	Ikuo Takeuchi		57	Male	○	○					○		○
	Hiroshi Otsuki		59	Male	○	○	○						
	Yoshio Araki		60	Male						○	○	○	
	Masakatsu Shirai		57	Male				○	○		○		
Outside	Masaru Nakamura	○	66	Male	○								○
	Takafumi Isogai	○	71	Male								○	
	Kimie Sakuragi	○	61	Female							○		
	Masaaki Harima	○	69	Male				○					

## Evaluating the effectiveness of the Board of Directors

From January to March 2020, in order to further enhance the functions of the Board of Directors, an overall analysis and evaluation of the effectiveness of the Board in fiscal 2020 was carried out with the support of a third-party organization.

### Method of analysis and evaluation of effectiveness

We have conducted a survey on our directors and corporate auditors. As in the previous fiscal year, the responses to this survey were provided directly to the external organization. Analysis and evaluation were carried out by the Board of Directors based on the aggregated survey reported by the external organization.

## Summary of evaluation results

1. The survey results gave a broadly positive assessment regarding matters including the number of Board members, the ratio of internal and outside officers, its composition including the diversity of members, and management of meetings procedures. This confirms the overall effectiveness of the Board of Directors.
2. In order to further enhance discussion concerning long-term business strategy, the Board of Directors is promoting initiatives aimed at sustainable growth, which involves reviewing the criteria for selecting items on the agenda and delegating the appropriate authority to subordinate meeting bodies, etc.
3. As well as continuing last fiscal year's initiatives, the Board aims to further strengthen its Group management functions.

## Officer compensation

Toyobo's system of officer compensation is designed in line with basic policy, within the monetary amount of officer compensation by the Advisory Board on Compensation and resolved at the General Shareholders' Meeting. Our basic policy is as follows: (1) provide incentives that lead to Toyobo Group's sustained growth and enhance corporate value over the longer term; (2) secure highly talented management personnel; (3) set determination procedures that are objective and highly transparent.

Based on the above policy, in fiscal 2020 we reviewed the compensation system for directors, including the introduction of a stock compensation scheme.

### Details of Officer Compensation (FY2020)

Position	Total compensation, etc. (¥ mn)	Total compensation by type (¥ mn)		Number of officers
		Monthly compensation	Stock compensation	
Directors (excluding outside directors)	340	312	28	6
Corporate auditors (excluding outside corporate auditors)	51	51	-	2
Outside officers	55	55	-	6

## Training programs for officers

For our newly appointed directors and corporate auditors, we provide orientation concerning their roles and duties, as they undergo an external training program upon their appointment, in order to acquire the necessary knowledge.

In addition, newly appointed outside directors and outside corporate auditors also attend orientations regarding the Company's operations, finances and organization, and more.

They are also encouraged to continue participating in external training programs and lectures to continuously build on their managerial literacy.

## Contributing my BtoC experience



Kimie Sakuragi  
Outside Director

“Toyobo is actually a BtoBtoC (business-to-business- to-consumer) company,” President Seiji Narahara told me prior to my appointment as outside director. “Many people view us as a BtoB company, but the materials we provide to our client companies would eventually become products for the general consumers.” I had also thought of Toyobo as a BtoB company and anticipated adding my expertise from working at a BtoC company. However, the insight I gained from that discussion with Mr. Narahara made it crystal clear what Toyobo needed from me.

In experience serving as a business ethics and compliance officer and Audit & Supervisory Board Member, my general assessment criteria have been to ask, Are the company’s actions in line with its philosophy? Is the company meeting the expectations of stakeholders, or are they falling short? and Do the words match with the deeds? After working for a BtoC company, I am also aware of the duty of an outside director to evaluate our operations from the perspectives of the consumer and society.

## Reforming corporate governance

Over the past year, the Toyobo Group made significant progress promoting strategies for medium- and long-term growth, such as reorganizing the corporate philosophy and reforming the corporate structure.

In terms of corporate governance, we further separated business supervision and the execution of duties by shifting more decision-making authority to the people at the business site and reorganizing the board of directors to focus on planning and monitoring of medium to long-term growth initiatives.

Now that we have established a corporate structure for generating steady and stable profit flow, our top priority for the Board of Directors is to set a roadmap towards attaining consolidated sales of ¥500 billion in fiscal 2026.

## Promoting the participation and advancement of women in the workplace

I believe, promoting and appointing more women to management positions is major area the management needs to address. Despite initiatives advanced by the Women Empowerment Promotion Group, in fiscal 2020 the percentage of women management was still a low 4.3%.

Soon after I was appointed as outside director, I was given an opportunity to share my own career experiences and meet with a few of the women in management positions. My impression was that they were an exceptionally capable group. I believe that the management would do well to take a moment to reflect on the real benefits that will come from developing and using the full potential and skills of its female workforce.

I would think it is reasonable to believe that in most households, women make most of the purchasing decisions related to consumer goods. Toyobo is presently reforming its business model and shifting towards a market centric approach. The management would be missing a major opportunity if it does not leverage the significant insight its female managements and employees could bring to identifying market needs creating business and making business decisions.

Research shows that the active participation and advancement of women in the workforce is proportionate to corporate performance. I believe Toyobo needs to do more to develop, promote, and encourage women in the workplace.

## Toyobo in the future

Our future society after the COVID-19 pandemic is uncertain, but I expect there will be a drastic change in people’s values in relation to lifestyle and health. Toyobo has been providing PCR test reagents and detection kits, mask materials, and medical face shield materials to help prevent the spread of the virus. The Company needs to continue to accelerate “creating solutions for people and the earth.”

The reconfigured TOYOBO spirit consists of three values of the TOYOBO PVVs corporate philosophy system—challenge, reliability, and collaboration. Toyobo is an outstanding company that is credible and dedicated to its purpose. Toyobo is building customer trust with its advanced technologies and actively communicating with stakeholders. However, I believe more can be done to take on new challenges. The Company needs to change how we interact with customers and the market, be more flexible in generating ideas, and fulfill society’s expectations by proactively taking on more challenges to create new values. Right now, I believe that is the greatest priority for the Toyobo Group.

# Compliance

Materiality	
Related ESG: <b>S</b> <b>G</b>	
<b>Compliance</b>	

## Compliance Management

### Policy and approach

The Toyobo Group Corporate Philosophy, *Jun-Ri-Soku-Yu* (adhering to reason leads to prosperity), forms the basis of our compliance activities. In particular, the idea of “thinking rationally and logically, as well as respect for ethics and morals, the fundamental nature of being human.”

Furthermore, based on the fundamental principles stated in the TOYOBO Group Charter of Corporate Behavior, the Group has summarized the rules that employees must follow in the TOYOBO Group Compliance Manual in a specific and easy-to-understand manner and works to promote understanding and widespread awareness of the rules among Group employees. The manual has been translated into the languages of countries and regions where Toyobo and its Group companies operate, including English and Chinese, and has also been distributed to employees of overseas affiliates.



TOYOBO Group Compliance Manual

<TOYOBO Group Compliance Manual/TOYOBO Group Employee Conduct Standards (theme excerpts only)> (19th edition, November 1, 2020)

1. Handling of company secrets
2. Handling of personal information
3. Engaging in fair transactions
4. Appropriate transactions with subcontractors
5. Responsible procurement and logistics
6. Rules on security trade control (export management)
7. Management of export/import cargo and prevention of undeclared exports and imports
8. Handling of gifts and entertainment (prevention of bribery)
9. Handling of political donations, etc.
10. Intellectual property
11. Proper accounting
12. Conclusion of contracts
13. Rules on credit management
14. Timely and appropriate information disclosure

15. Prohibition of insider trading
16. Respect for human rights
17. Ensuring quality and safety
18. Provision of information on products and services
19. Appropriate handling of quality data, etc.
20. Rules on research and development activities
21. Customer service
22. Respect for diversity in the workplace
23. Prevention of harassment
24. Safety and health
25. Appropriate working hours management
26. Business activities taking the global environment into consideration
27. Promotion of social contribution
28. Process safety and disaster prevention
29. Duty of care on overseas assignments and business trips
30. Response to anti-social forces, etc.
31. Ensuring cybersecurity
32. Social rules

**Relevant Policies and Guidelines, etc.**

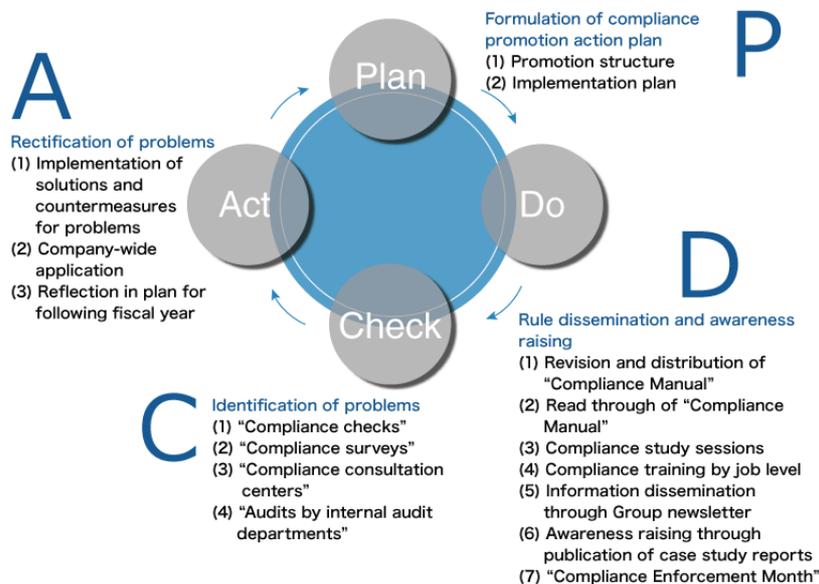
[Find more information about our Anti-Bribery Policy here >](#)

## Promotion structure

A Compliance Committee is comprised of members from the Board of Corporate Executive Officers and Controlling Supervisors. The goal is to promote Group-wide compliance from a management perspective. A Compliance Promotion Committee has also been established as a sub-committee, which considers and promotes specific initiatives.

In fiscal 2020, the Compliance Committee convened twice, and the Compliance Promotion Committee convened four times. The committees clarified their policy and standards, and debated/finalized various measures related to enhancing the effectiveness of education, training and preventive measures.

**Compliance promotion cycle**



## Compliance consultation centers

Toyobo provides the Complaint Handling Committee and Compliance Consultation Centers as the internal reporting service, which is for all Group employees and accepts consultations and reports on human rights. So that employees can use the consultation centers with peace of mind, we guarantee protection of privacy, including the names of people who seek consultations, and that there will be no disadvantage for employees who consult or report. This prevents as well as quickly detects workplace legal violations and other instances of wrongdoing.

1. Users of consultation centers
  - Toyobo Group officers and employees
  - Temporary employees and employees seconded from other companies who are engaged in the Toyobo Group's business
  - Officers and employees of the Toyobo Group's trading partners
  - \* Retirees are also included in the above.
2. Topics for consultation
  - (1) Legal violations and violations of internal regulations and rules
  - (2) Conduct contrary to the Compliance Manual
  - (3) Workplace harassment
  - (4) Other conduct suspected of being illegal or dishonest, etc.

### Number of consultations

FY2016	FY2017	FY2018	FY2019	FY2020
12	20	15	32	35

[Find more information about our Establishment of Complaint Handling and Internal Reporting Services here >](#)

[Find more information about our Harassment Prevention Initiatives here >](#)

## Targets and KPI

### <Targets>

Each and every employee complies with laws, regulations, and rules and acts transparently and appropriately, fostering an ethical corporate environment and culture.

### <KPI and Results>

Initiatives	KPI	Targets (FY2026)	Results (FY2020)
<ul style="list-style-type: none"> <li>• Legal compliance and reports of violations</li> <li>• Develop and maintain internal reporting system</li> <li>• Prevent corruption</li> <li>• Reinforce business resilience</li> </ul>	1. No. of serious legal violations	1. 0 per year	1. 0

Initiatives	KPI	Targets (FY2026)	Results (FY2020)
	2. Improvement rate of following compliance questionnaire items <ul style="list-style-type: none"> <li>• Whether company emphasizes compliance</li> <li>• Awareness/ease of use of compliance consultation centers</li> <li>• Awareness of “Compliance Mini Study”</li> <li>• Awareness of management compliance message</li> </ul>	2. Year-on-year increase	2. —
	3. No. of compliance study sessions and various other training held	3. Disclose results	3. 57

## Initiatives in fiscal 2020

In fiscal 2020, we developed various activities to enhance awareness of compliance, based on the slogan “Sensitivity and Reporting” as well as working to clarify policies and standards and working to increase the effectiveness of education, training, and preventative measures.

### Revision and dissemination of compliance manual

The TOYOBO Group Compliance Manual, which is the foundation of the Group's compliance activities, has been revised and distributed to Group employees, who also read through the texts together in each workplace in Compliance Enforcement Month in November.

### Tackling the key issue of bribery, gifts, entertainment

Policies and guidelines have been established to address bribery, gifts, entertainment. Rules concerning gifts and entertainment have also been put in place in order to build fair and healthy relationships with our clients as well as partner companies, and we have introduced a reporting system for the receipt of such gifts and entertainment.

### Compliance education

We provide compliance education by job level for managers, new employees, and employees who have been promoted. We also provide education for expats and study session and seminars on specific key topics such as cyber security and bribery, gifts, and entertainment.



Seminar on bribery/entertainment

## **Hosting seminars**

Members of the Compliance Department and IT Department, acting as lecturers, host seminars at nine business sites and 31 affiliated companies on topics such as preventing misconduct and cyber security. Attendees are management-level personnel from the Company and Group companies. Seminars were also given concerning gifts and entertainment, mainly for the upper management.

## **Issuing case study reports**

A “Compliance Mini Study,” which educates employees about cases of violation in case study format, is issued monthly, and heads-up reports (occasional publication) are also issued based on cases that occurred within the Toyobo Group.

## **Carrying out surveys**

In the November Compliance Enforcement Month, a compliance survey was carried out to identify issues related to the status of compliance and promotion activities. Improvement measures were then taken.

## Management Approach

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### Approach to risk management

The Toyobo Group is identifying various types of risk that could pose a threat across the entire range of our business activities, and are managing risk appropriately according to the characteristics of each risk. In an emergency, we immediately set up a task force under the instruction of the relevant corporate officer, and bring the crisis under control through a swift response. By putting these systems in place and conducting the initiatives, we work hard to earn the trust of our customers, the local community, and our shareholders and other stakeholders.

### Business risks

The main risks recognized that could have a material impact on the Toyobo Group's operating results and financial position are as listed below. The list does not include all the risks related to the Toyobo Group.

Forward-looking statements were determined by the Group as of March 31, 2020.

#### < Incurred or highly probable risks >

- (1) Occurrence of disasters, accidents, and infections
- (2) Further worsening of political and economic situations

#### < Medium- to long-term risks >

- (3) Purchase of raw materials
- (4) Product defects
- (5) Securing of human resources
- (6) Climate change
- (7) Environmental burden
- (8) Information security
- (9) Laws, regulations and compliance
- (10) Overseas business activities
- (11) Litigation

#### < Financial risks >

- (12) Large forex movement
- (13) Large rise in interest rates
- (14) Sharp drop in share prices
- (15) Impairment loss of fixed assets

[Find more information about our Annual Financial Report and the Business risks here >](#)

### Risk management structure

The Sustainability Committee\*, headed by the President as chair of the Committee, and its nine sub-committees manage the various Group-wide risks. We have also established the Corporate Planning Committee and Financial Control Committee under the Board of Corporate Executive Officers and Controlling Supervisors. Specialist committee members selected from each department deliberate on proposals for new projects or important investment and borrowing, and control business risk from a multi-faceted perspective.

\* The CSR Committee was renamed the Sustainability Committee in April 2020

[Find more information about our Sustainability Committee here >](#)

# Data Security, Privacy

Materiality	
Related ESG: <b>S</b> <b>G</b>	
<b>Data security, privacy</b>	

## Approach to data security and privacy

Amid the accelerating digitalization of society and increasingly important significance of information, the key to corporate survival will lie in continuing to create value that contributes to society and the environment by leveraging the necessary information to promote development of products and technologies.

On the other hand, inappropriate handling of information causes significant damage and impact. This includes loss of sales opportunities due to leakage of confidential information and information system outages, and legal and social sanctions as well as loss of corporate brand prestige due to leakage of personal and customer information.

The Toyobo Group drew up the “Information Security Policy” to ensure the Group’s correct and safe handling of information and sustainable growth as well as its continuation as a trusted company and strives to appropriately manage and utilize all information assets.

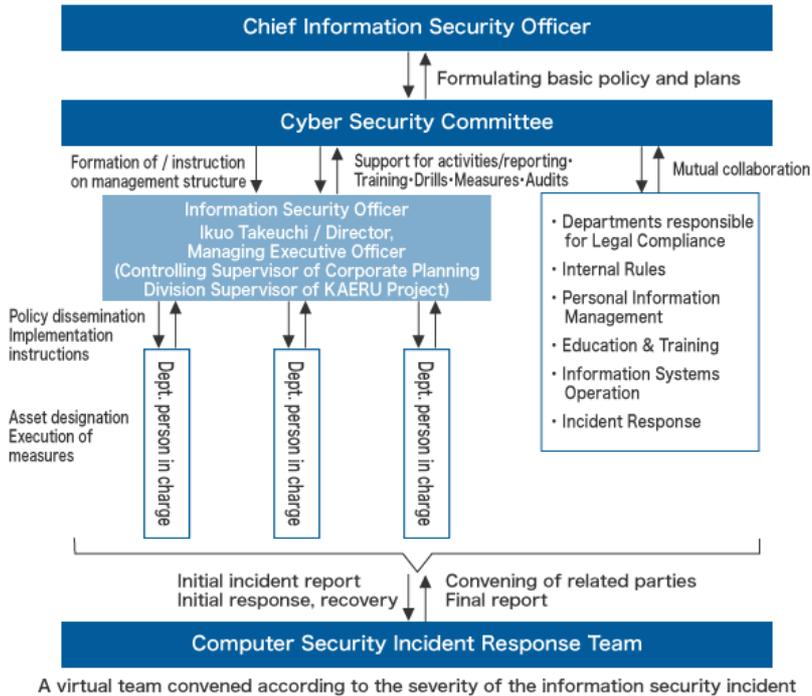
### <Information Security Policy (theme excerpts only)>

- Organizational measures
- Employee-focused measures
- Information asset management
- Handling of personal information
- Access restrictions and authentication
- Physical measures
- Use of IT tools
- Introduction and operation of IT infrastructure
- Outsourced management
- Incident response

## Structure

In fiscal 2019, the Toyobo Group set up a Cyber Security Committee, and most technical and specialist measures were implemented by fiscal 2020. In fiscal 2021, we will continue to improve employee awareness and strengthen our response to incidents, while also training internal experts.

### Toyobo Group Information Security Management Structure



## Targets and KPI

### <Targets>

The Toyobo Group establishes a structure to ensure cyber security as well as deepening employee understanding of information security and thoroughly ensuring protection of information.

### <KPI and Results>

Initiatives	KPI	Targets (FY2021)	Results (FY2020)
<ul style="list-style-type: none"> <li>• Ensure cyber security</li> <li>• Protect confidential corporate information, personal information, and customer information</li> </ul>	1. No. of times information security education provided <sup>*1</sup>	1. 15 times per year	1. 17 times
	2. No. of incidents (information leaks, service outages, etc.) <sup>*1</sup>	2. 0 per year	2. 2
	3. Implementation of information security measures <sup>*2</sup>	3. Disclosure of promotion contents	3. —

\*1 Scope is TOYOBO CO., LTD., TOYOBO STC CO., LTD., and Toyobo Information System Create Co., Ltd.

\*2 Scope is consolidated subsidiaries (determined while monitoring situation)

Specific measures aimed at consolidated subsidiaries

- Application of Information Security Policy
- Roll out of measures to strengthen OA/FA

## Initiatives

### Response to European Union's General Data Protection Regulation

With regard to the European Union's General Data Protection Regulation (GDPR), we have instructed our Group companies in the EU (in Germany, Spain and Slovakia) to formulate standards and implement training.

### Digital strategy

The development of IT is accelerating the evolution of the digital society. Responding to this change, the Toyobo Group is developing an IT system infrastructure that encompasses the entire value chain, and we are transforming our way of business, making full use of digital technologies. As well as improving business efficiency, we aim to enhance the value we provide to society and our customers.

The Toyobo Group has promoted digitalization by actively incorporating IT in our operations. This includes streamlining sales activities using a variety of IT tools, enhancing manufacturing controls with the aid of IT, and more efficiently managing intellectual property through the use of AI.

In April 2020, we established a dedicated Digital Strategy Department to promote such activities on a company-wide basis. In accordance with our road map to 2024, we will strengthen the Group's internal IT system infrastructure and push forward with digital transformation.

#### Key Digitalization Measures from now on

Field	Measures
Marketing/Sales	<ul style="list-style-type: none"><li>• MA (marketing automation)</li><li>• Company-wide rollout of SFA (sales force automation)</li></ul>
R&D/IP Management	<ul style="list-style-type: none"><li>• Introduction of Materials Informatics (materials development using AI)</li><li>• Enhancement of intellectual property management using AI</li></ul>
Manufacturing/Quality Assurance	<ul style="list-style-type: none"><li>• Company-wide rollout of smart factories</li><li>• Enhancement of quality controls and quality assurance</li></ul>
Supply Chain Management	<ul style="list-style-type: none"><li>• Building a next-generation procurement system</li><li>• Demand forecasting using AI</li></ul>

## Business Continuity Plan (BCP)

### BCP approach and policy

The Toyobo Group has drawn up a BCP focused on combining both "fulfillment of our responsibility to supply products as a manufacturer" and "coexistence with the global environment and society," and we make continual improvements. The BCP clarifies the chronological sequence of the roles and functions of each department from when a crisis occurs, through to its resolution. It also contains specific details of preparations during normal times.

## Structure

At Toyobo, the nine sub-committees\* established under the auspices of the Sustainability Committee headed by the President as chair identify and verify the risk factors relevant to each sub-committee. In an emergency situation, we immediately set up a task force under the instruction of the relevant corporate officer, and bring the crisis under control through a swift response.

Going forward, we are studying the function of risk management in particular among the functions of the Sustainability Committee in order to develop and establish a risk management structure that manages and responds to risk and will put in place a structure that keeps damage to a minimum in any situation, thereby facilitating business continuity.

\* On December 1, 2020, eight sub-committees were reorganized into nine sub-committees.

[Find more information about our Sustainability Committee here >](#)

## Initiatives

### Response to COVID-19

In our response to infectious diseases, the Toyobo Group's top priority is the safety and wellbeing of our employees and their families, with the primary goal of protecting both society and the Company, which we believe leads to business continuity.

Due to the recent COVID-19 pandemic, there have been some concerns about supply and delays in logistics. However, we have swiftly collected supply chain information and promoted measures such as utilization of alternative products and routes to keep damage to a minimum. COVID-19 has sent shock waves through society, and we are now moving towards a "new normal" in the era of living with COVID-19 and after COVID-19. The Toyobo Group will increase crisis resilience and strengthen business continuity through the activities of the Sustainability Committee and the sub-committees under its auspices.

#### <Ensuring employee safety>

- Encouraged home-based working and staggered working hours
- Following the government's emergency declaration, kept the ratio of employees attending the office to under 20%, and gradually relaxed this after the state of emergency was lifted, with employee safety the top priority
- Implemented robust infection prevention and control measures

#### <Maintaining continuity of plants and production activities>

- Operation under BCP procedures
- Flexible inventory and production adjustments

#### <Finance>

- Securing cash on hand
- Cash-generating activities: Overcome Coronavirus 100

### Response to natural disasters, etc.

In recent years, various areas of Japan have experienced significant damage from earthquakes, typhoons and sudden localized rainstorms. We have gained knowledge in the process of responding to these events, and aim to realize even more stable business continuity.

Each of our main business sites have formulated a BCP, which is reviewed at irregular intervals. We recognize that a pressing issue is a companywide BCP review in light of the recent increasing complexity and diversification of risks.

In terms of our emergency response, we have established an emergency response process in "Risk Management and Disaster Prevention, etc.," a companywide regulation, as well as setting out the systems for verifying damage and communication and the people with overall command, and structures and roles for carrying out recovery work. We have also established work procedures for recovery and the order of priority for recovery work after a disaster. In addition, we have introduced a safety confirmation system for employees and their families.

Buildings at our plants and business sites comply with the Act on Promotion of Seismic Retrofitting of Buildings. We also check hazard maps for the locations of our production plants, and each business site has formulated response procedures for the disaster risks (flooding, landslides, etc.). As part of our BCP, we strive to identify and manage risk throughout the supply chain. For procurement, we are looking to procure raw materials from multiple countries and regions, and for logistics, we are establishing alternative transportation means and routes in collaboration with logistics operators.

## ESG Related Data

### ESG Performance Data

#### Environment

(FY)

Greenhouse Gas / Energy	Unit	Scope*	2018	2019	2020
GHG emissions	Thousand tonnes	Japan	901	844	819
		Global	964	904	873
GHG emissions intensity per unit of sales	Thousand tonnes / million yen	Global	28.6	26.6	25.5
GHG emissions reduction rate (base: FY2014)	%	Global	20.6	25.5	28.1
Energy consumption	Thousand GJ	Global	11,840	12,221	11,468

Industrial Waste	Unit	Scope*	2018	2019	2020
Waste volume	Thousand tonnes	Japan	94.9	99.1	92.3
		Overseas	4.5	4.3	5.1
		Global	99.5	103.5	97.4
Amount recycled externally	Thousand tonnes	Japan	79.5	83.0	76.0
		Global	82.3	85.7	80.2
Landfill	Thousand tonnes	Japan	0.4	0.4	0.2
		Global	0.4	0.4	0.3
Landfill rate for industrial waste	%	Japan	0.7	0.7	0.6
		Overseas	0.0	0.0	2.4

PRTR Substances	Unit	Scope*	2018	2019	2020
PRTR substances emissions	Tonnes	TOYOBO CO., LTD.	74	56	50

Air	Unit	Scope*	2018	2019	2020
NOx emissions	Tonnes	Japan	969	883	922
SOx emissions		Japan	988	1,018	959
Soot and dust emissions		Japan	-	-	-
Fluorocarbons emissions		TOYOBO CO., LTD.	239	460	733

Water	Unit	Scope*	2018	2019	2020		
Water withdrawals (water and sewerage, ground water, industrial water, seawater)	Million tonnes	Japan	91	86	89		
		Global	92	88	96		
Water and sewerage		Japan	0.5	0.4	0.4		
			Ground water	33.2	31.4	32.5	
				Industrial water	2.0	2.4	2.6
				Seawater	0	0	0
				Recycled water	60	61	66
Drainage volume		TOYOBO CO., LTD.	67	62	66		
		Domestic subsidiaries	21	21	3		
		Japan	88	83	85		
COD, BOD emissions	919		972	1,009			
Total nitrogen emissions	Tonnes		199	188	161		
		Total phosphorus emissions	19	25	25		

Environmental Accounting	Unit	Scope*	2018	2019	2020
Environmental preservation costs (investment)	Billion yen	TOYOBO CO., LTD.	0.7	1.1	1.6
Environmental preservation costs (expenditure)			1.5	2.3	2.3
Economic benefits of environmental preservation			1.5	2.6	2.0

Visualization of Environmental Contribution	Unit	Scope*	2018	2019	2020
ECO-PARTNER SYSTEM® products sales ratio	%	TOYOBO CO., LTD.	27.8	27.7	30.4

Others	Unit	Scope*	2018	2019	2020
Environment-related accidents	Cases	Global	1	1	0
Violations to environmental laws and regulations			0	0	0

\* Scope

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Overseas : Overseas consolidated subsidiaries

Global : Whole Group in Japan and overseas

# ESG Performance Data

## Social

(FY)

Employees		Unit	Scope*	2017	2018	2019	2020
Number of employees (by region)			TOYOBO CO., LTD.	3,021	3,080	3,108	3,181
			Global	9,572	9,494	9,215	10,073
Number of employees (by gender)	Male		TOYOBO CO., LTD.	2,265	2,286	2,301	2,349
	Female			756	794	807	832
	Total			3,021	3,080	3,108	3,181
	Female ratio			%	25.0	25.8	26.0
Number of employees (by age)	10s (Ages 18 or over)		TOYOBO CO., LTD.	65	66	57	40
	20s			439	460	471	516
	30s			790	804	783	771
	40s			1,085	1,041	1,027	973
	Over 50s			642	709	770	881
Ratio of employees with disabilities		%		2.1	2.1	2.3	2.2
Management personnel	Male		TOYOBO CO., LTD.	481	477	474	510
	Female			11	12	11	15
	Total			492	489	485	525
	Female ratio			%	2.2	2.5	2.3
Management personnel (manager-class)	Male		TOYOBO CO., LTD.	416	408	399	420
	Female			11	12	11	15
	Total			427	420	410	435
	Female ratio			%	2.6	2.9	2.7
Management personnel (general manager- class)	Male		TOYOBO CO., LTD.	65	69	75	90
	Female			0	0	0	0
	Total			65	69	75	90
	Female ratio			%	0.0	0.0	0.0

Comfortable Work Environment		Unit	Scope*	2017	2018	2019	2020	
Average years of service	Male	Years	TOYOBO CO., LTD.	17.2	17.4	17.3	17.5	
	Female			17.9	17.6	16.6	17.1	
	Total			17.4	17.4	17.1	17.4	
Employee turnover	Male			65	58	82	160	
	Female			21	33	34	88	
	Total			86	91	116	248	
Voluntary turnover	Male			49	32	57	79	
	Female			11	9	20	55	
	Total			60	41	77	134	
Number of employees whose overtime hours exceeded 80 hours a month	Non-management employees			24	24	25	0	
	Management personnel			98	86	107	106	
	Total			122	110	132	106	
	Ratio			%	4.6	4.1	4.8	3.3
Average monthly overtime hours		Hours			12	10	10.3	10.1
Rate of taking paid leave		%			64.9	66.2	68.2	72.5
Number of employees taking childcare leave	Male			2	1	1	50	
	Female			34	19	24	27	
	Total			36	20	25	77	
Ratio of taking childcare leave	Male	%		1.7	1.0	1.1	46.3	
	Female			100	100	100	100	
	Total			21.2	17.4	21.6	57.0	
Return rate of employees from childcare leave	Male		100	100	100	100		
	Female		100	95	96	100		
	Total		100	95.2	96.0	100		
Number of employees taking childcare shortened work hour program	Male		0	1	1	1		
	Female		50	65	74	63		
	Total		50	66	75	64		

Comfortable Work Environment		Unit	Scope*	2017	2018	2019	2020
Number of employees taking telecommuting systems	Male		TOYOBO CO., LTD.	0	0	0	135
	Female			0	0	0	71
	Total			0	0	0	206
Number of employees taking family care leave				1	0	1	0
Number of employees taking family care shortened work hours program				3	0	1	0
Number of employees taking telecommuting systems for family care				0	0	0	0
Union membership rate		%			83.7	84.1	84.4

Recruitment		Unit	Scope*	2017	2018	2019	2020
New hires	Male		TOYOBO CO., LTD.	82	114	134	172
	Female			52	65	58	62
	Total			134	169	192	234
	Female ratio	%		38.8	38.5	30.2	26.5
Mid-career hires	Male			33	52	76	108
	Female			6	29	19	19
	Total			39	71	95	127
	Female ratio	%		15.4	40.8	20.0	15.0
New university graduates (technical positions)	Male			20	24	24	24
	Female			13	12	15	15
	Total			33	36	39	39
	Female ratio	%		39.4	33.3	38.5	38.5
New university graduates (administrative positions)	Male			6	8	6	11
	Female			13	9	6	10
	Total			19	17	12	21
	Female ratio	%		68.4	52.9	50.0	47.6
New junior college/ high school graduates	Male		23	30	28	29	
	Female		20	15	18	18	
	Total		43	45	46	47	
	Female ratio	%	47	33	39	38	

Developing/Evaluating Human Resources	Unit	Scope*	2017	2018	2019	2020
Training hours per employee	Hours	TOYOBO CO., LTD.	10.8	12.6	14.1	14.9
Training cost per employee	Thousand yen		29	38	56	37

Safety/Prevention	Unit	Scope*	2017	2018	2019	2020
Abnormal events, accidents (fire, explosion)	Cases	Japan	3	5	5	2
Abnormal events, accidents (environmental accidents)			0	1	1	0
Frequency rate of lost workday injuries (including accidents at affiliated companies)	Lost workday injuries per million hours worked		0.38	0.71	0.74	0.31

Occupational Health	Unit	Scope*	2017	2018	2019	2020
Average rate of lifestyle-related diseases	%	TOYOBO CO., LTD.	32.6	33.1	34.0	36.2
Severity rate of sick leave			55.9	51.1	47.9	43.9
Smoking rate			25.9	25.4	25.7	19.3
Accident and sickness benefits	Yen		31,524,760	19,434,872	16,081,899	26,724,497
Legally required benefits			498,031,550	496,578,559	513,571,748	544,275,419

Social Contributions	Unit	Scope*	2017	2018	2019	2020
Social contribution expenditure	Million yen	Japan	33	19	30	34

\* Scope

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Overseas : Overseas consolidated subsidiaries

Global : Whole Group in Japan and overseas

# ESG Performance Data

## Governance

(FY)

Board of Directors		Unit	Scope*	2017	2018	2019	2020
Board of Directors	Male		TOYOBO CO., LTD.	9	9	9	9
	Female			0	0	1	1
	Total			9	9	10	10
	Female ratio	%		0	0	10	10
	Outside directors			(2)	(3)	(4)	(4)
	Independent directors			(2)	(3)	(4)	(4)
Board of Corporate Auditors	Male			4	4	4	4
	Female			0	0	0	0
	Total			4	4	4	4
	Female ratio	%		0	0	0	0
	Outside corporate auditors			(2)	(2)	(2)	(2)
	Independent corporate auditors			(2)	(2)	(2)	(2)

(included number)

R&D	Unit	Scope*	2017	2018	2019	2020
R&D expenses	Billion yen	Global	11.1	10.4	11.0	11.7
Ratio of R&D expenses to net sales	%		3.37	3.14	3.27	3.47

Compliance	Unit	Scope*	2017	2018	2019	2020
Serious legal and regulatory violations	Cases	Global	0	0	0	0
Results of compliance consultation center operations			20	15	32	35

Compliance	Unit	Scope*	2017	2018	2019	2020
Recommendations for exclusion by relevant authorities (including the Japan Fair Trade Commission)	Cases	Japan	0	1	0	0
Operational suspension due to misconduct			0	0	0	0
Criminal prosecution for compliance-related incidents and accidents			0	0	0	0
Exposure of price cartels		Overseas	0	0	0	0
Exposure of bribery			0	0	0	0
Exposure of other violations			0	0	0	0

Others	Unit	Scope*	2017	2018	2019	2020
Political donations	Million yen	TOYOBO CO., LTD.	5	5	5	5

\* Scope

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# GRI Content Index

This content index shows the GRI Guideline references on our website and other communication channels.

GRI Standards	Disclosures	References
<b>GRI102 : General Disclosures 2016</b>		
<b>1. Organizational profile</b>		
102-1	Name of the organization	<a href="#">Corporate Data</a> >
102-2	Activities, brands, products, and services	<a href="#">Corporate Data</a> > <a href="#">Products</a> >
102-3	Location of headquarters	<a href="#">Corporate Data</a> >
102-4	Location of operations	<a href="#">Corporate Data</a> > <a href="#">Worldwide Locations</a> >
102-5	Ownership and legal form	<a href="#">Corporate Data</a> >
102-6	Markets served	<a href="#">Corporate Data</a> > <a href="#">Annual Financial Reports</a> >
102-7	Scale of the organization	<a href="#">Corporate Data</a> > <a href="#">Annual Financial Reports</a> >
102-8	Information on employees and other workers	<a href="#">ESG Performance Data &gt; Social</a> >
102-9	Supply chain	<a href="#">Supply Chain Management</a> >
102-10	Significant changes to the organization and its supply chain	Teijin Film Solutions became a wholly-owned subsidiary in October 2019
102-11	Precautionary Principle or approach	<a href="#">Environment &gt; Management Approach</a> > <a href="#">Environmental Management</a> > <a href="#">Risk Management</a> >
102-12	External initiatives	<a href="#">Sustainability Management &gt; Participation in Initiatives</a> > <a href="#">Contributing to Realization of a Circular Economy &gt; Participation in Initiatives</a> > News > Toyobo joins "Challenge Zero" project led by Keidanren News > ~ Promoting Initiatives Aimed at Sustainable Logistics ~ Toyobo submits Declaration of Voluntary Action under "White Logistics" campaign

GRI Standards	Disclosures	References
102-13	Membership of associations	<ul style="list-style-type: none"> <li>• Japan Business Federation (Keidanren)</li> <li>• Kansai Economic Federation (Kankeiren)</li> <li>• Japan Chemical Industry Association</li> <li>• Japan BioPlastics Association (JBPA)</li> <li>• Japan Chemical Fibers Association (JCFA)</li> <li>• Japan Spinners' Association</li> </ul>
<b>2. Strategy</b>		
102-14	Statement from senior decision-maker	<a href="#">Message from the President</a> >
102-15	Key impacts, risks, and opportunities	<a href="#">Annual Financial Reports</a> > <a href="#">Risk Management</a> > <a href="#">Integrated Reports</a> >
<b>3. Ethics and integrity</b>		
102-16	Values, principles, standards, and norms of behavior	<a href="#">Corporate Philosophy</a> > <a href="#">TOYOBO Group Charter of Corporate Behavior</a> >
102-17	Mechanisms for advice and concerns about ethics	<a href="#">Compliance</a> >
<b>4. Governance</b>		
102-18	Governance structure	<a href="#">Corporate Governance</a> >
102-19	Delegating authority	<a href="#">Sustainability Management &gt; Sustainability Management System</a> >
102-20	Executive-level responsibility for economic, environmental, and social topics	<a href="#">Sustainability Management &gt; Sustainability Management System</a> >
102-21	Consulting stakeholders on economic, environmental, and social topics	<a href="#">Sustainability Management &gt; Sustainability Management System</a> >
102-22	Composition of the highest governance body and its committees	<a href="#">Corporate Governance</a> > <a href="#">Corporate Governance Report</a> >
102-23	Chair of the highest governance body	<a href="#">Corporate Governance</a> > <a href="#">Corporate Governance Report</a> >
102-24	Nominating and selecting the highest governance body	<a href="#">Corporate Governance</a> > <a href="#">Corporate Governance Report</a> >
102-25	Conflicts of interest	<a href="#">Corporate Governance Report</a> >
102-26	Role of highest governance body in setting purpose, values, and strategy	<a href="#">Corporate Governance</a> >
102-27	Collective knowledge of highest governance body	<a href="#">Corporate Governance</a> >
102-28	Evaluating the highest governance body's performance	<a href="#">Corporate Governance</a> >
102-29	Identifying and managing economic, environmental, and social impacts	<a href="#">Risk Management</a> >

GRI Standards	Disclosures	References
102-30	Effectiveness of risk management processes	<a href="#">Risk Management</a> >
102-31	Review of economic, environmental, and social topics	<a href="#">Sustainability Management &gt; Sustainability Management System</a> >
102-32	Highest governance body's role in sustainability reporting	<a href="#">Sustainability Management &gt; Sustainability Management System</a> >
102-33	Communicating critical concerns	<a href="#">Sustainability Management &gt; Sustainability Management System</a> >
102-34	Nature and total number of critical concerns	—
102-35	Remuneration policies	<a href="#">Corporate Governance</a> > <a href="#">Corporate Governance Report</a> >
102-36	Process for determining remuneration	<a href="#">Corporate Governance Report</a> >
102-37	Stakeholders' involvement in remuneration	—
102-38	Annual total compensation ratio	—
102-39	Percentage increase in annual total compensation ratio	—
<b>5. Stakeholder engagement</b>		
102-40	List of stakeholder groups	<a href="#">Sustainability Management &gt; Communication with Stakeholders</a> > <a href="#">Local Communities</a> >
102-41	Collective bargaining agreements	<a href="#">Sustainability Management &gt; Communication with Stakeholders</a> > <a href="#">Respect for Human Rights &gt; Respecting Workers' Rights</a> >
102-42	Identifying and selecting stakeholders	<a href="#">Sustainability Management &gt; Communication with Stakeholders</a> >
102-43	Approach to stakeholder engagement	<a href="#">Sustainability Management &gt; Communication with Stakeholders</a> >
102-44	Key topics and concerns raised	<a href="#">Materiality</a> >
<b>6. Reporting practice</b>		
102-45	Entities included in the consolidated financial statements	<a href="#">Annual Financial Reports</a> > <a href="#">Worldwide Locations</a> >
102-46	Defining report content and topic Boundaries	<a href="#">Editorial Policy</a> >
102-47	List of material topics	<a href="#">Materiality</a> >
102-48	Restatements of information	Not applicable
102-49	Changes in reporting	Not applicable
102-50	Reporting period	<a href="#">Editorial Policy</a> >

GRI Standards	Disclosures	References
102-51	Date of most recent report	<a href="#">"TOYOBO REPORT 2020"</a> was issued in August 2020
102-52	Reporting cycle	<a href="#">Editorial Policy</a> >
102-53	Contact point for questions regarding the report	<a href="#">Support/Contact</a> >
102-54	Claims of reporting in accordance with the GRI Standards	<a href="#">GRI Content Index</a> >
102-55	GRI content index	<a href="#">GRI Content Index</a> >
102-56	External assurance	—
<b>GRI 103: Management Approach 2016</b>		
103-1	Explanation of the material topic and its Boundary	<a href="#">Materiality</a> >
103-2	The management approach and its components	<a href="#">Safety, Disaster Prevention, Quality &gt;</a> <a href="#">Management Approach &gt;</a> <a href="#">Corporate Governance &gt;</a> <a href="#">Respect for Human Rights &gt; Management Approach &gt;</a> <a href="#">Materiality &gt;</a> <a href="#">Environment &gt; Management Approach &gt;</a> <a href="#">Supply Chain Management &gt; Management Approach &gt;</a> <a href="#">Human Resource Management &gt; Management Approach &gt;</a> <a href="#">Health and Productivity Management &gt; Management Approach &gt;</a> <a href="#">Local Communities &gt; Management Approach &gt;</a> <a href="#">Compliance &gt;</a> <a href="#">Risk Management &gt; Data Security, Privacy &gt;</a>
103-3	Evaluation of the management approach	<a href="#">Sustainability Management &gt; Sustainability Management System</a> >
<b>GRI 201: Economic Performance 2016</b>		
201-1	Direct economic value generated and distributed	<a href="#">Annual Financial Reports &gt;</a> <a href="#">Financial Results &gt;</a> <a href="#">ESG Performance Data &gt; Social &gt; Social Contribution Expenditure &gt;</a>
201-2	Financial implications and other risks and opportunities due to climate change	—
201-3	Defined benefit plan obligations and other retirement plans	<a href="#">Annual Financial Reports</a> >
201-4	Financial assistance received from government	—
<b>GRI 202: Market Presence 2016</b>		
202-1	Ratios of standard entry level wage by gender compared to local minimum wage	—
202-2	Proportion of senior management hired from the local community	—

GRI Standards	Disclosures	References
<b>GRI 203: Indirect Economic Impacts 2016</b>		
203-1	Infrastructure investments and services supported	<a href="#">Local Communities</a> >
203-2	Significant indirect economic impacts	—
<b>GRI 204: Procurement Practices 2016</b>		
204-1	Proportion of spending on local suppliers	—
<b>GRI 205: Anti-corruption 2016</b>		
205-1	Operations assessed for risks related to corruption	—
205-2	Communication and training about anti-corruption policies and procedures	<a href="#">Compliance</a> >
205-3	Confirmed incidents of corruption and actions taken	—
<b>GRI 206: Anti-competitive Behavior 2016</b>		
206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	—
<b>GRI 207: Tax 2019</b>		
207-1	Approach to tax	—
207-2	Tax governance, control, and risk management	—
207-3	Stakeholder engagement and management of concerns related to tax	—
207-4	Country-by-country reporting	—
<b>GRI 301: Materials 2016</b>		
301-1	Materials used by weight or volume	—
301-2	Recycled input materials used	—
301-3	Reclaimed products and their packaging materials	<a href="#">Solution Strategy &gt; Films and Functional Materials</a> >
<b>GRI 302: Energy 2016</b>		
302-1	Energy consumption within the organization	<a href="#">Climate Change</a> > <a href="#">ESG Performance Data &gt; Environment</a> >
302-2	Energy consumption outside of the organization	—
302-3	Energy intensity	—
302-4	Reduction of energy consumption	<a href="#">Climate Change</a> > <a href="#">ESG Performance Data &gt; Environment</a> >
302-5	Reductions in energy requirements of products and services	<a href="#">Environmental Management &gt; Ratio of ECO-PARTNER SYSTEM™ product sales increases to 30.4%</a> >

GRI Standards	Disclosures	References
<b>GRI 303: Water and Effluents 2018</b>		
303-1	Interactions with water as a shared resource	<a href="#">Water Resources</a> >
303-2	Management of water discharge-related impacts	—
303-3	Water withdrawal	<a href="#">Water Resources</a> > <a href="#">ESG Performance Data &gt; Environment</a> >
303-4	Water discharge	<a href="#">Water Resources</a> > <a href="#">ESG Performance Data &gt; Environment</a> >
303-5	Water consumption	—
<b>GRI 304: Biodiversity 2016</b>		
304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	—
304-2	Significant impacts of activities, products, and services on biodiversity	—
304-3	Habitats protected or restored	—
304-4	IUCN Red List species and national conservation list species with habitats in areas affected by operations	—
<b>GRI 305: Emissions 2016</b>		
305-1	Direct (Scope 1) GHG emissions	<a href="#">Climate Change</a> > <a href="#">ESG Performance Data &gt; Environment</a> >
305-2	Energy indirect (Scope 2) GHG emissions	<a href="#">Climate Change</a> > <a href="#">ESG Performance Data &gt; Environment</a> >
305-3	Other indirect (Scope 3) GHG emissions	<a href="#">Climate Change</a> > <a href="#">ESG Performance Data &gt; Environment</a> >
305-4	GHG emissions intensity	<a href="#">ESG Performance Data &gt; Environment</a> >
305-5	Reduction of GHG emissions	<a href="#">Climate Change</a> > <a href="#">ESG Performance Data &gt; Environment</a> >
305-6	Emissions of ozone-depleting substances (ODS)	<a href="#">ESG Performance Data &gt; Environment</a> >
305-7	Nitrogen oxides (NOX), sulfur oxides (SOX), and other significant air emissions	<a href="#">ESG Performance Data &gt; Environment</a> >
<b>GRI 306: Waste 2020</b>		
306-1	Waste generation and significant waste-related impacts	<a href="#">Preventing Contamination and Waste Reduction</a> > <a href="#">ESG Performance Data &gt; Environment</a> >
306-2	Management of significant waste-related impacts	<a href="#">Preventing Contamination and Waste Reduction</a> > <a href="#">ESG Performance Data &gt; Environment</a> >

GRI Standards	Disclosures	References
306-3	Waste generated	<a href="#">Preventing Contamination and Waste Reduction</a> > <a href="#">ESG Performance Data &gt; Environment</a> >
306-4	Waste diverted from disposal	—
306-5	Waste directed to disposal	—
<b>GRI 307: Environmental Compliance 2016</b>		
307-1	Non-compliance with environmental laws and regulations	<a href="#">Environmental Management &gt; Environmental Compliance</a> >
<b>GRI 308: Supplier Environmental Assessment 2016</b>		
308-1	New suppliers that were screened using environmental criteria	—
308-2	Negative environmental impacts in the supply chain and actions taken	<a href="#">Supply Chain Management</a> >
<b>GRI 401: Employment 2016</b>		
401-1	New employee hires and employee turnover	<a href="#">ESG Performance Data &gt; Social</a> >
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	—
401-3	Parental leave	<a href="#">Human Resource Management &gt; Work-life Balance</a> > <a href="#">ESG Performance Data &gt; Social</a> >
<b>GRI 402: Labor/Management Relations 2016</b>		
402-1	Minimum notice periods regarding operational changes	—
<b>GRI 403: Occupational Health and Safety 2018</b>		
403-1	Occupational health and safety management system	<a href="#">Safety, Disaster Prevention, Quality</a> >
403-2	Hazard identification, risk assessment, and incident investigation	<a href="#">TOYOBO's Way of Manufacturing &gt; Security and Disaster Prevention Initiatives</a> >
403-3	Occupational health services	<a href="#">Safety, Disaster Prevention, Quality</a> >
403-4	Worker participation, consultation, and communication on occupational health and safety	<a href="#">Safety, Disaster Prevention, Quality</a> >
403-5	Worker training on occupational health and safety	<a href="#">Safety, Disaster Prevention, Quality</a> >
403-6	Promotion of worker health	<a href="#">Health and Productivity Management</a> >
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	<a href="#">Safety, Disaster Prevention, Quality</a> >
403-8	Workers covered by an occupational health and safety management system	<a href="#">Safety, Disaster Prevention, Quality</a> >
403-9	Work-related injuries	<a href="#">Safety, Disaster Prevention, Quality</a> > <a href="#">ESG Performance Data &gt; Social</a> >

GRI Standards	Disclosures	References
403-10	Work-related ill health	<a href="#">Safety, Disaster Prevention, Quality</a> > <a href="#">ESG Performance Data &gt; Social</a> >
<b>GRI 404: Training and Education 2016</b>		
404-1	Average hours of training per year per employee	<a href="#">Human Resource Management</a> > <a href="#">ESG Performance Data &gt; Social</a> >
404-2	Programs for upgrading employee skills and transition assistance programs	<a href="#">Human Resource Management</a> >
404-3	Percentage of employees receiving regular performance and career development reviews	—
<b>GRI 405: Diversity and Equal Opportunity 2016</b>		
405-1	Diversity of governance bodies and employees	<a href="#">Corporate Governance</a> > <a href="#">ESG Performance Data &gt; Governance</a> > <a href="#">Human Resource Management</a> > <a href="#">ESG Performance Data &gt; Social</a> >
405-2	Ratio of basic salary and remuneration of women to men	—
<b>GRI 406: Non-discrimination 2016</b>		
406-1	Incidents of discrimination and corrective actions taken	<a href="#">Compliance &gt; Compliance Consultation Centers</a> >
<b>GRI 407: Freedom of Association and Collective Bargaining 2016</b>		
407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	<a href="#">Respect for Human Rights &gt; Respecting Workers' Rights</a> >
<b>GRI 408: Child Labor 2016</b>		
408-1	Operations and suppliers at significant risk for incidents of child labor	—
<b>GRI 409: Forced or Compulsory Labor 2016</b>		
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	—
<b>GRI 410: Security Practices 2016</b>		
410-1	Security personnel trained in human rights policies or procedures	—
<b>GRI 411: Rights of Indigenous Peoples 2016</b>		
411-1	Incidents of violations involving rights of indigenous peoples	—
<b>GRI 412: Human Rights Assessment 2016</b>		
412-1	Operations that have been subject to human rights reviews or impact assessments	—
412-2	Employee training on human rights policies or procedures	<a href="#">Respect for Human Rights</a> >
412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	—

GRI Standards	Disclosures	References
<b>GRI 413: Local Communities 2016</b>		
413-1	Operations with local community engagement, impact assessments, and development programs	—
413-2	Operations with significant actual and potential negative impacts on local communities	—
<b>GRI 414: Supplier Social Assessment 2016</b>		
414-1	New suppliers that were screened using social criteria	—
414-2	Negative social impacts in the supply chain and actions taken	—
<b>GRI 415: Public Policy 2016</b>		
415-1	Political contributions	<a href="#">ESG Performance Data &gt; Governance &gt;</a>
<b>GRI 416: Customer Health and Safety 2016</b>		
416-1	Assessment of the health and safety impacts of product and service categories	—
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	<a href="#">ESG Performance Data &gt; Governance &gt;</a>
<b>GRI 417: Marketing and Labeling 2016</b>		
417-1	Requirements for product and service information and labeling	—
417-2	Incidents of non-compliance concerning product and service information and labeling	<a href="#">ESG Performance Data &gt; Governance &gt;</a>
417-3	Incidents of non-compliance concerning marketing communications	<a href="#">ESG Performance Data &gt; Governance &gt;</a>
<b>GRI 418: Customer Privacy 2016</b>		
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	<a href="#">Risk Management &gt; Data Security, Privacy &gt;</a>
<b>GRI 419: Socioeconomic Compliance 2016</b>		
419-1	Non-compliance with laws and regulations in the social and economic area	<a href="#">ESG Performance Data &gt; Governance &gt;</a>

# Editorial Policy

The Toyobo Group endeavors to provide comprehensive and easy-to-understand information disclosure, focused on ESG information, on the Sustainability website in order to promote sustainability activities and build even better relationships with all of our stakeholders.

The Group also discloses basic company information on the About Toyobo website and information on financial results on the Investor Relations website. In addition, since fiscal 2020, the Toyobo Group has issued the Integrated Report which summarizes financial and non-financial information in one publication as a tool for gaining understanding of the Group's medium- to long-term growth strategy.

## Period covered by the report

Fiscal 2020 (April 1, 2019 to March 31, 2020)

\* Results of some activities in fiscal 2021 are also included

## Scope of the report

The scope of the report is TOYOBO CO., LTD. and its consolidated Group companies. However, where it is difficult to gather information on the consolidated basis, the report discloses information on a non-consolidated basis or for Group companies in Japan. In either of these cases, the scope of reporting is stated.

## Updated

December 2020 (next update planned: December 2021)

## Guidelines referenced

- Global Reporting Initiative (GRI) GRI Sustainability Reporting Standards
- Task Force on Climate-related Financial Disclosures (TCFD)
- Environmental Reporting Guidelines 2018, Ministry of the Environment
- Guidance for Collaborative Value Creation, Ministry of Economy, Trade and Industry