

C.I. TAKIRON Group

Integrated Report 2020



Mission of C.I. TAKIRON

Create a people- and earth-friendly future through plastics technology.

Management Philosophy of C.I. TAKIRON

1. We always try to protect the global environment and aim for permanent development and growth of the Company.
2. We will contribute to society by providing a quality and price that will satisfy our customers.
3. We will be ahead of social change and sustain enthusiasm for the challenge to the unknown.
4. We will give consideration to people and respect individual characteristics and ingenuity.
5. We will pursue legitimate profits and strive for fair distribution.

Corporate Message

Supporting today, changing tomorrow

Statement

Here is what we can do for today - In order to support the security of the world we live in, provide consistent supply durable, easy-to-use products.

Here is what we can do for tomorrow - In order to make our lives more comfortable create products that meet contemporary needs by using technologies and ideas.

Here is what we should do for today and tomorrow - Continue to explore the potential of plastics and create products that contribute comfort and utility to our everyday lives.

Make our products even more durable, lightweight, elegant and environmentally friendly.

Utilize flexibility of thought in the continuing challenge of manufacturing new products.

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SDGs (Sustainable Development Goals)

Sustainable Development Goals (SDGs) are international targets set from 2016 to 2030 included in The 2030 Agenda for Sustainable Development adopted at the United Nations Summit in September 2015 as a succession to the Millennium Development Goals drafted in 2001. These SDGs are made up of 17 goals and 169 targets to realize a sustainable world.

Editorial Policy

We publish this report for the purpose of deepening communication with all of our stakeholders by providing information about ESG management as well as the basic ESG/CSR concepts and specific initiatives of C.I. TAKIRON Group.

Reporting Period

FY2019 (April 1, 2019 to March 31, 2020)

* This report includes some information outside of this reporting period.

Reporting Organizations

C.I. TAKIRON Corporation and its Group Companies

Publication Date

September 30, 2020

Main Reference Guidelines

Ministry of Economy, Trade and Industry

Guidance for Collaborative Value Creation

Ministry of the Environment

Environmental Reporting Guidelines

International Integrated Reporting Council (IIRC)

International Integrated Reporting Framework

GRI (Global Reporting Initiative)

Sustainability Reporting Standards



Introduction of Communication Tools

We cover basic information about C.I. TAKIRON Group on the company homepage while comprehensive management information is published in the annual report.

* The C.I. TAKIRON website provides online videos for an easy-to-understand business profile. Please take a look.



Corporate Information

<https://www.takiron-ci.co.jp/corporate/>

Annual Report (IR Information)

<https://www.takiron-ci.co.jp/ir/>

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Integrated Report

Message from Top Management on Integrated Report

Providing a Quality Workplace for a Better Life

We have formulated the Better Life Management Declaration as the most vital mission of management based on the belief that providing a quality workplace to offer a better life in turn fosters growth of the company.



充実人生
経営宣言

The Better Life Management Declaration and the Post-Corona Age

Using its 100th anniversary as a milestone, the C.I. TAKIRON Group announced the Better Life Management Declaration to provide a quality workplace to offer a better life to our employees and their families toward the next century of business in 2019. Then, in early 2020 while working on that important management policy for the company, COVID-19 became a pandemic worldwide and as a result we face a series of challenges: working from home, teleworking, suspending all dining functions with people inside and outside the company. This has resulted in the creation of a business environment that changes the way people work regardless of their intentions.

I was surprised that so many work styles designed to avoid spreading the virus match up with the work style reforms in our Better Life Management Declaration!

We have been blessed with the opportunity to try out different approaches to this extent to make the lives of employees and their family members more fulfilling. Benefits include time spent with family created due to working from home, the reduction of the physical burden on employees by not having to commute to work, and the effective use of time that used to be spent for commuting. In terms of management costs, we experienced changes to our work style and new expense structure that we had never imagined, including the reduction of business trips through web conferencing and reduction of office space by allowing employees to work from home.

Since economic conditions in this society have reached a level of challenges that none of our generations have experienced, it is very difficult for C.I. TAKIRON management in fiscal 2020 started without any conviction regarding what business conditions will be like to influence the company's future prospects. In 2019, three years after C.I. TAKIRON was born, the company declared, in the Better Life Management Declaration, that it would create a new corporate culture, moving away from the corporate culture of the Showa and Heisei Periods. However, we cannot say for sure how corporate life will change during the new Reiwa Period. This was when all people experienced various work styles to prevent the spread of infection. I think this has allowed us to find some useful hints for making our lives more fulfilling in the future. The enrichment of employees' lives and growth of the company must be able to occur together. Our new corporate culture that emerges from it must meet the new demands of our business partners as well as the demands of society.

The C.I. TAKIRON Group aims to solve social issues through business activities centered on Materiality (priority issues), including the Better Life Management Declaration. We want to have a corporate culture that fulfills its responsibilities, as it has done over the last 100 years of its history, and I believe this company has a role to play in the rapidly changing environment.

Continuing from fiscal 2020, all C.I. TAKIRON Group employees will do their utmost to ensure customer satisfaction in all areas, including new product development, high-quality products, services, and delivery. I look forward to the continued support and guidance of our stakeholders in fiscal 2020 in a new global business environment and a work style environment never experienced before.

Director Chairman

Yosuke Minamitani

One Century of History at C.I. TAKIRON

C.I. TAKIRON celebrated its 100th anniversary on October 10, 2019. This century of business is thanks to the support of everyone who was part of the history with us. The C.I. TAKIRON Group will continue to persevere with unflinching passion in order to support the security of the world we live in today as well as make our lives more comfortable for tomorrow.

● Former Takiron ◆ Former C.I. Kasei ● C.I. TAKIRON



Founder
Sataro Takigawa

Sataro Takigawa establishes Takigawa Celluloid Plant in Katae, Ojimura-Oaza in the Higashi-Nari District of Osaka (Ikuno-ku, Osaka today).

1919 Founding

1919

- Company begins the sale of remanufactured celluloid.



Doll made from celluloid sheets

1928

- Takigawa Celluloid Plant begins sale of pearl sheets (celluloid sheet with a pearl-like luster and color).



Pre-war fountain pens made from pearl sheets

1930

1935

- Takigawa Celluloid Plant constructs the new Aboshi Plant in Mitsu-cho in the Ibo District of Hyogo Prefecture (Mitsu-cho, Tatsuno City today).



- Takigawa Celluloid Plant incorporates under the name Takigawa Celluloid Co., Ltd. (3 million yen in capital), Founding President and Representative Director Tsunezo Nishida.

1955

- Takigawa Celluloid Co., Ltd. begins the sale of TAKIRON Plate rigid vinyl chloride sheets.

1958

- Takigawa Celluloid Co., Ltd. starts manufacturing rigid vinyl chloride corrugated sheet using an extrusion process.

1959

- Takigawa Celluloid Co., Ltd. changes its corporate name to Takiron Chemical Co., Ltd. and established a corporate logo.



1960

1961

- Takiron Chemical Co., Ltd. is listed on the Second Section of the Osaka Securities Exchange.
- Takiron Chemical Co., Ltd. starts manufacturing polycarbonate plates.

1963

- ◆ Yokohama Rubber Co., Ltd. (Yokohama Rubber Company, Limited today) establishes Hama Kasei Co., Ltd. as a joint capital venture with the Zeon Corporation and other Furukawa Group companies (473 million yen in capital).

1964

- ◆ Hama Kasei Co., Ltd. constructs the new Shiga Plant in Ishibe-cho in the Koga District of Shiga Prefecture (Konan City today).



1965

- ◆ Hama Kasei Co., Ltd. starts manufacturing agricultural vinyl film.

1970

1971

- ◆ Hama Kasei Co., Ltd. and Kobe Resin Co. Ltd. merge to form C.I. Kasei Co., Ltd. (800 million yen in capital).



1972

- Takiron Chemical Co., Ltd. starts the sale of polypropylene waste water drainage basins.



1973

- Takiron Chemical Co., Ltd. listed on the First Section of the Tokyo Stock Exchange.
- Takiron Chemical Co., Ltd. changes its name to Takiron Co., Ltd..

1977

- ◆ C.I. Kasei Co., Ltd. starts the sale of hydrophilic water sealing materials.

1979

- ◆ C.I. Kasei Co., Ltd. starts the sale of heat-shrinkable films.



■ Former Takiron ■ Former C.I. Kasei ■ C.I. TAKIRON

*Net Sales 1935 to 1986: Non-consolidated, 1987 to 2019: Consolidated

1980

1980

- ◆ C.I. Kasei Co., Ltd. starts the sale of Belbien self-adhesive decorative film.

1982

- ◆ C.I. Kasei Co., Ltd. starts the sale of Binon Hydrotite hydrophobic water sealing materials.

1985

- Takiron Co., Ltd. starts the sale of polycarbonate corrugated sheets.



1989

- ◆ C.I. Kasei Co., Ltd. starts the sale of micro motors.



1990

1992

- ◆ C.I. Kasei Co., Ltd. starts the sale of agricultural polyolefin film.

1993

- Takiron Co., Ltd. establishes its corporate color. 

- ◆ C.I. Kasei Co., Ltd. starts the sale of BONLEX decorative resin laminate sheets.



1994

- Takiron Co., Ltd. starts the sale of Takistron slip-resistant vinyl flooring sheets for condominiums. In the following year Takiron Co., Ltd. starts the sale of Takistep sound insulation and slip-resistant flooring material for stairs.



1999

- ◆ C.I. Kasei Co., Ltd. constructs the new Okayama Plant in Niimi City, Okayama.

2000

2000

- Takiron Co., Ltd. constructs the new Ibogawa Plant in Ibogawacho in the Ibo District of Hyogo Prefecture (Ibogawa-cho, Tatsuno City today).



- Takiron Co., Ltd. starts the sale of FM Plates, which are plastic plates conforming to the FM standards.

2005

- Takiron Co., Ltd. starts the sale of the new Jet Line rain gutter system.

2007

- Takiron Co., Ltd. starts the sale of Lume Carbo large polycarbonate plastic double-layer panels.



2009

- ◆ C.I. Kasei Co., Ltd. starts the sale of whiteboard sheets.

2010

2019

2010, 2011

- Tokyo Head Office moved to Shinagawa Intercity Tower A (Minato-ku, Tokyo) and Osaka Head Office moved to North Gate Building (Kita-ku, Osaka) and integrated Group companies in each area.

2016

- Awarded the 2016 Low Carbon Challenge Cup Minister for the Environment Prize (Corporate Division Gold Prize) for promoting reduction of the carbon emissions by creating building that make use of natural lighting by using Lume Carbo.

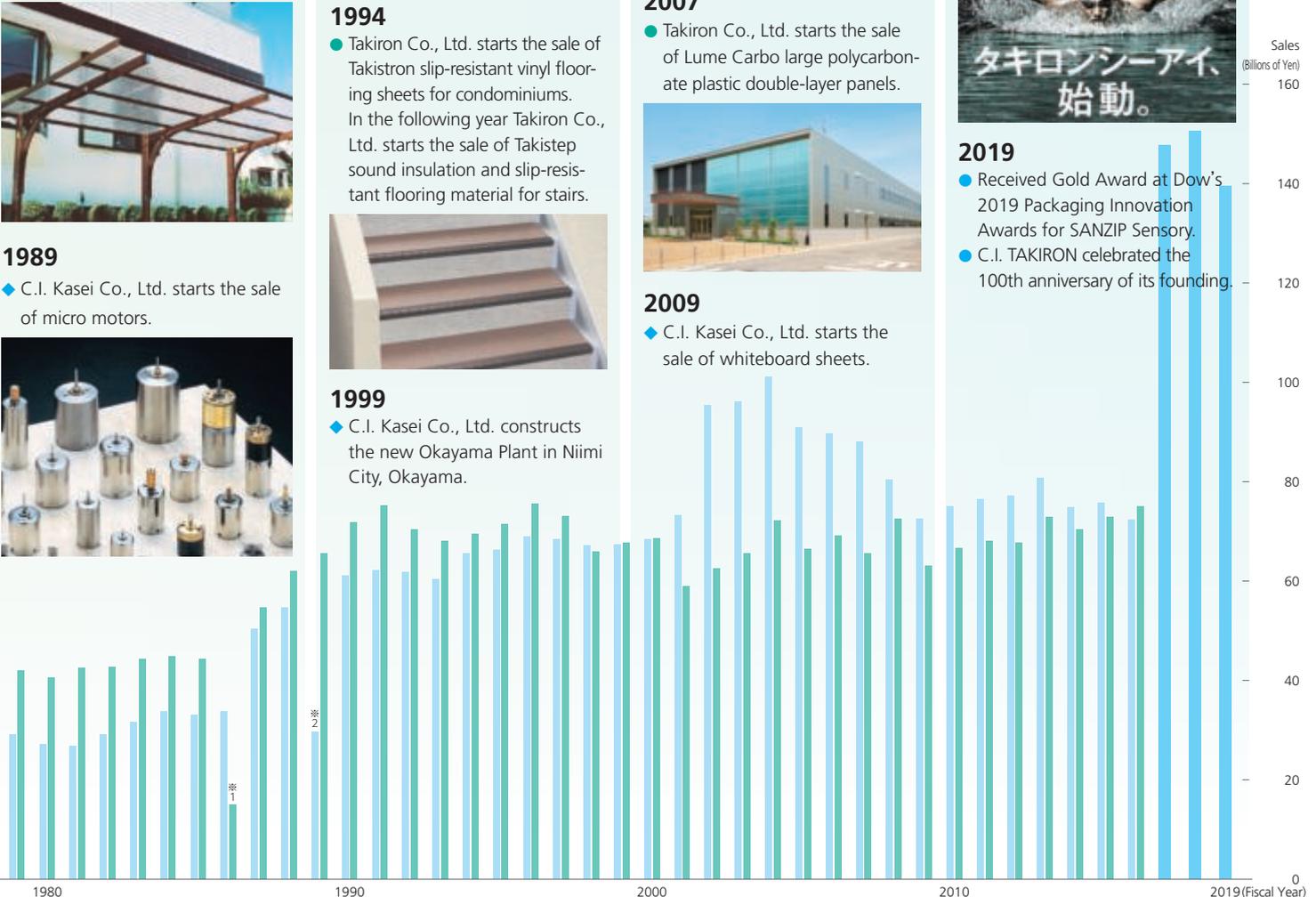
2017

- ◆ Takiron Co., Ltd. and C.I. Kasei Co., Ltd. undergo management integration and change the corporate name to C.I. TAKIRON Corporation. 



2019

- Received Gold Award at Dow's 2019 Packaging Innovation Awards for SANZIP Sensory.
- C.I. TAKIRON celebrated the 100th anniversary of its founding.

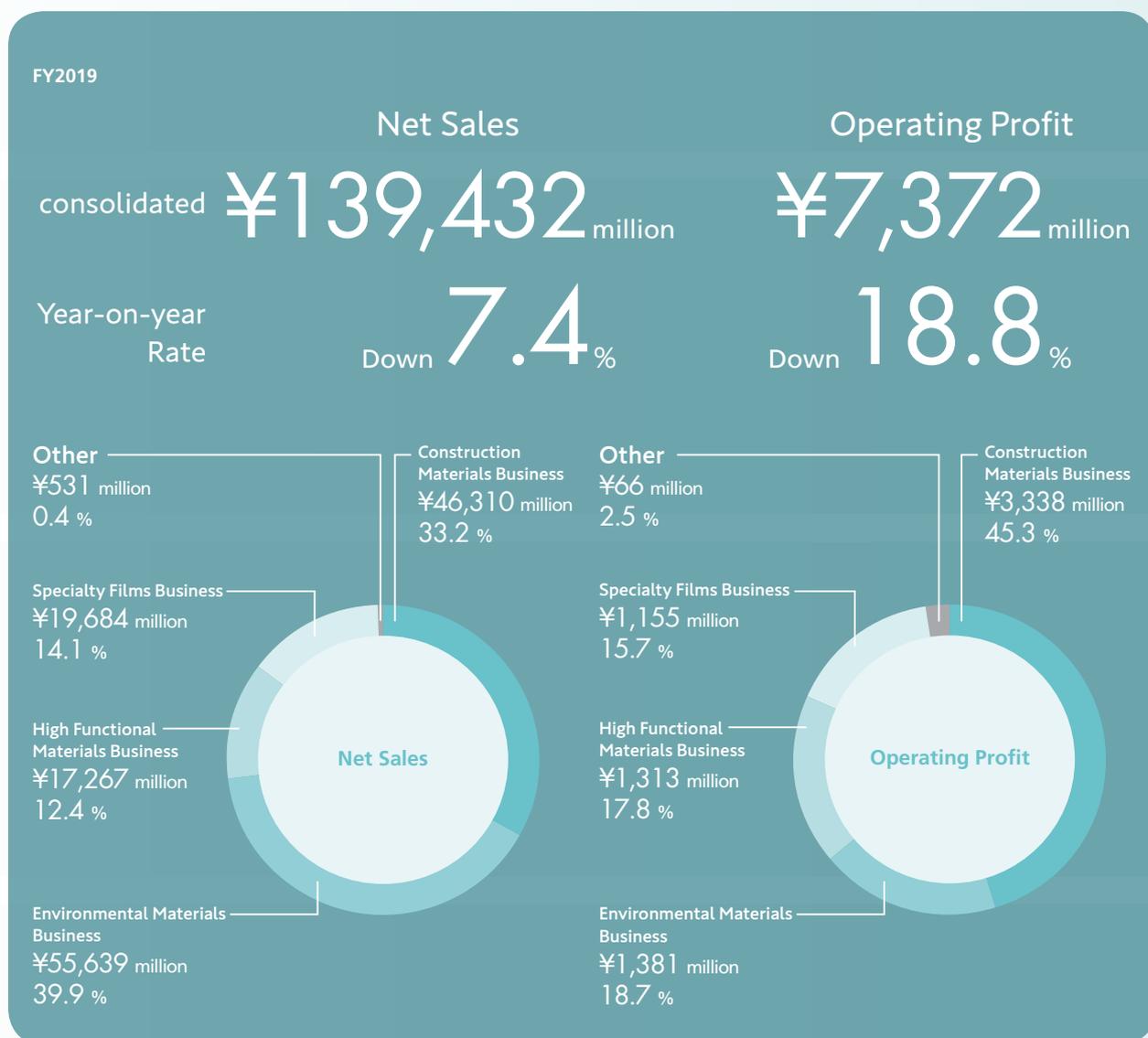


*1 Total from November 21, 1986 to March 31, 1987 due to change in the accounting period

*2 Total from October 1, 1989 to March 31, 1990 due to change in the accounting period

Business Overview

C.I. TAKIRON Group contributes to better life and development of society in addition to solutions toward environmental and social issues in four business sectors driven by plastic molding and processing technologies.



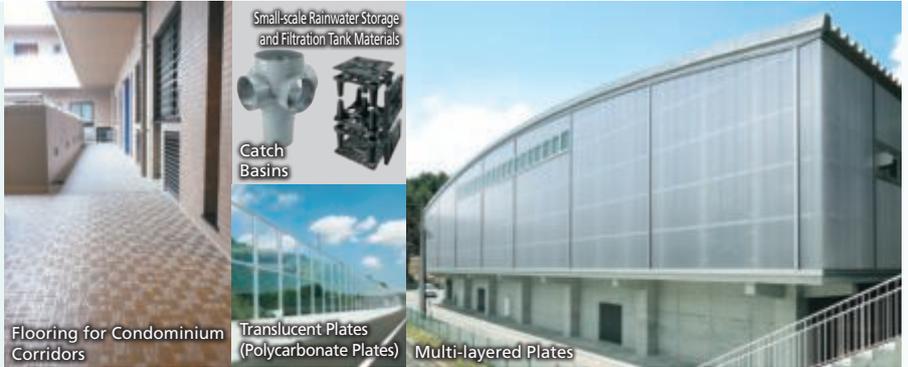
Note: "Other" consists from business segments that are not covered in the reported segments and includes sales of testing equipment.

Construction Materials Business

Housing Materials Business/ Flooring and Decorative Materials Business

We comprehensively create urban spaces and provide future-oriented safe and comfortable living environments.

We of course provide safety and durability but also have a broad track record which has earned a high level of trust in the construction field where aesthetics and comfort are essential. Our wide-ranging product lineup supports comfortable living and urban environments.



Environmental Materials Business

Agriculture Business/ Infrastructure Material Business

We propose optimal environment with our wide array of agricultural materials and contribute to building, maintenance, and improvement of a safe and secure social infrastructure.

We contribute to the revitalization of agriculture by providing high-quality agriculture materials, such as agricultural films and irrigation tubes. We also offer materials that support the functionality and safety of social infrastructure according to the various applications and purposes.



High Functional Materials Business

High Functional Materials Business

We support the growth of next-generation industrial fields through our advanced material processing technology.

C.I. TAKIRON high functional materials play an important role in many fields from industrial applications in technically demanding semiconductor and liquid crystal manufacturing to the high reliability needs of cameras and RC servos.



Specialty Films Business

BONSET Business/ SANZIP Business

We offer heat-shrinkable films and a wide array of high-precision zippers to meet customer needs.

Our internationally-recognized, advanced film technology allows the optimal design, resulting in beautiful product labels that improve product value and packaging films which meet the demand for high hermeticity.



Financial/Non-financial Highlights

Net Sales (Millions of Yen)

150,650	139,432
FY 2018	FY 2019

Point

Although we focused on our strengths to strengthen the growth and profitability of the entire Group, the production activity of the entire manufacturing industry slowed down due to sluggish exports and slowdown in capital investment, and backlash after the settlement of disaster recovery demand and special demand for tax increases, causing sales to decrease by 7.4% year-on-year.

Ordinary Profit (Millions of Yen)

9,200	7,611
FY 2018	FY 2019

Point

Although our gross profit margin improved by 0.6% due to efforts to reduce manufacturing costs through structural reforms, the impact of decreased sales was large, resulting in ordinary profit to decrease by 17.3% year-on-year.

Current Net Income Attributable to the Owners of Parent (Millions of Yen)

6,391	13,091
FY 2018	FY 2019

Point

Due to the transfer of fixed assets at a consolidated subsidiary, current net income attributable increased significantly and reached a record high, resulting in a 104.8% year-on-year increase.

Current Net Income Per Share (in yen)

65.62	134.47
FY 2018	FY 2019

Point

Current net income per share also increased by 68.85 yen from the previous year due to current net income attributable to the owners of parent reaching a record high.

Capital Investment (Millions of Yen)

7,430	12,388
FY 2018	FY 2019

Point

We continued to invest in improving major product production in each business segment and also integrated core systems to make work reasonable. Such activity engagement in capital investment increased the amount by 167% year-on-year.

Energy Consumption Rate (GJ/Manufacturing Ton)

13.0

FY 2018

12.2

FY 2019

Point

Although production for Group companies decreased on a non-consolidated basis due to implementation of production increase countermeasures and energy-saving measures, the energy consumption rate for each Group company as well as for the entire Group decreased due to measures including the implementation of energy-saving measures and the reorganization production bases. (-6.2% compared to FY2018)

Unit CO₂ Emissions (t-CO₂/Manufacturing Ton)

0.63

FY 2018

0.55

FY 2019

Point

We reduced our unit CO₂ emissions factor as a result of energy savings activities and due to contracted power companies having lower CO₂ emissions factors than in FY2018. (-12.7% compared to FY2018)

Water Consumption (Thousand m³)

1,176

FY2018

1,053

FY2019

Point

Water consumption decreased due to identifying area where leakage was occurring and carrying out necessary repairs or replacing pipes. (-10.5% compared to FY2018)

New Female Graduate Employment Ratio (%)*

28.6

FY2018

54.5

FY 2019

Point

We hired 11 new graduates (including six females) in contrast with our employment plan in which we planned to hire 15 new graduates (five females), and our female employment ratio increased compared to fiscal 2018.

Rate of Paid Leave Taken by Employees (%)*

62.4

FY 2018

91.2

FY 2019

Point

The rate of paid leave taken by employees increased drastically compared to fiscal 2018 as a result of encouraging initiatives for the employees to take paid leave on a strategic basis and the adoption of a financial incentive program to encourage employees to take paid leave.

*Non-consolidated figure for C.I. TAKIRON



The worldwide spread COVID-19 starting in the fourth quarter of fiscal 2019 has created significant economic and social challenges that continue to this day.

I would like to express my deepest sympathies to all those affected by COVID-19 as well as their families. Also, I would also like to express my deepest gratitude to all the medical professionals and other relevant personnel who are working hard to maintain the medical system and to everyone involved in work that supports our lives.

Looking Back on a Year of Reform

Starting with the US-China trade friction, the consumption tax hike in Japan, natural disasters including typhoons, economic stagnation and social unrest caused by the spread of COVID-19 made fiscal 2019 a year during which the situation surrounding our company changed rapidly. It was also a year we face full of major reforms aimed at sustainable growth. I believe that we were able to complete the turbulent 2019 fiscal year without making any serious issues thanks to the support of our customers, business partners, our employees and executives.

Structural Reform is the first step toward change. C.I. TAKIRON, which was created from the merger of Takiron and C.I. Kasei three years ago, was not free from challenges specific to an integrated company: it has overlapping functions and organizations, distribution of production bases and sales routes, differences in personnel systems and core systems, and exploration of new areas. Despite these challenges, I believe, by addressing each of them over the past three years, that we were able to aim for structural reform in

fiscal 2019.

In 2019, we celebrated the 100th anniversary since our founding in 1919 as Takigawa Celluloid Plant, which is the original form of Takiron founded in Osaka in 1919. In order to fulfill our mission as a company that has been in business for 101 years, C.I. TAKIRON must continue to be a company that is needed by society. Therefore, we need to solve the issues that we see in front of us, promote change, and continue bringing about innovation. As business conditions become more complex, it is clear that sustainable improvements in corporate value cannot be achieved without the innovation of products, technologies, production, and organizations. Therefore, the only things that are important are taking on challenges and implementing measures for success. It is my responsibility as President to lead the way to further structural reforms and environmental improvements such as investment in order to take on bold challenges.

Looking back on the past fiscal year, I strongly feel that the crucial moment for reform of C.I. TAKIRON in its newest form is here onward. The foundation for development is ready to create future profits and new value. Our next step is to find an answer to the question: how will we continue to innovate? These ideas are planned to be reflected in the next medium-term management plan that will start in fiscal 2021 and will define what the Group wants to become 10 years from now, and proceed to formulate the next medium-term and through back casting.

On the other hand, as for business performance in fiscal 2019, the production activities of the entire manufacturing industry, including our company, remained sluggish due to continued slowing exports and slowing capital investment against the backdrop of the US-China trade friction. Income and profit decreases were un-

Top Message

Accelerate Transformation

Continuing to challenge and putting things into practice to bring about innovation useful for society.
A new step for C.I. TAKIRON in its 101th year.

Representative Director President

藤 一也
Kazuya Saito

avoidable in all our business segments as a result of the reaction after the special demand for tax increase, stagnation in personal consumption due to a series of natural disasters such as torrential rains and typhoons, and the rapid spread of COVID-19, which severely constrained economic activities. As for net income, however, the current net income attributable to owners of parent was 13.091 billion yen, the highest ever recorded for the Group due to the extraordinary income from the transfer of fixed assets of DAIPLA CORPORATION, a consolidated subsidiary. In line with this record high profit, we will add 10 yen to the 2020 stock dividend to commemorate the 100th anniversary of our founding.

Although the entire global economy was sluggish in the background, we take it seriously that the operating profit of our core business fell in all segments. With the end of the COVID-19 pandemic being uncertain even after entering fiscal 2020, I predict domestic demand for processed plastic products to decline temporarily due to delays and interruptions in construction and civil

engineering projects, production adjustments, and other factors. In addition, it is predicted that production activities will decline overseas due to various regulations issued by the government of each country. With that said, unfortunately the financial results for the fiscal year ending March 2021 are also expected to continue to have a grim outlook.

Fortunately, however, the results of recent structural reforms are gradually beginning to take shape. Furthermore, even if it resulted from the sale of fixed assets, it is a fact that we were able to achieve record high profits at the milestone of the 100th anniversary of our founding, and we are trying to regain based on this results and highest profits resulting from these reforms. We will make bold and steady progress in line with our six-item management policy so that fiscal 2020 will be a memorable year in which we will adapt to the major changes in the environment facing the Group through our own reforms.

Main Business Results Indicators for FY2019

	FY2018 Results	FY2019 Forecast	FY2019 Results	Compared to previous year
Net Sales	150,650	151,000	139,432	-11,218
Operating Profit	9,080	9,300	7,372	-1,708
Ordinary Profit	9,200	9,400	7,611	-1,589
Current Net Income Attributable to the Owners of Parent	6,391	13,500	13,091	6,700

(Millions of Yen)

FY2020 Management Policy

1. Improve fundamental profitability by concentrating our strengths
2. Promote a next-generation growth strategy
3. Accelerate international business development
4. Put the Better Life Management Declaration into practice
5. Expand business activities taking into account SDGs
6. Engage in comprehensive compliance and risk management response

Top Message

Medium-term Management Plan Progress and Vision for the Next Medium-term Management Plan

In the Good Chemistry Good Growth 2020 medium-term management plan, we have promoted various reforms based on the guidelines of the plan. Especially with the completion of the delayed integration of core systems, we became able to determine the profit earning capacity, competitiveness, efficiency, and potential of each business with a same standard. I believe that a great result will be a dramatic increase in work efficiency.

In the current medium-term management plan, our business is classified into three areas: mature sectors, growth sectors, and emerging sectors. We are aiming for development in each of these sectors. In mature sectors and growth sectors, we promoted rationalization through consolidation of our production bases. For example, the production of polycarbonate products, which had been spread among multiple factories and group companies, has been consolidated to the Ibogawa Office. As a result of building the new production site complex and processing facility nearby, we are now able to respond to requests for items that we previously could not deliver on it.

I believe that vacating Matsudo Plant of DAIPLA CORPORATION, a consolidated subsidiary, constructing a new factory on the site

of the former Tokyo factory that we owned in Ibaraki Prefecture is also a result of reforms in the growth sector. The new plant has room for expansion and if the production line is to be further expanded in the future, it is expected that the management plan achievements in the growth sector will be in sight.

In our overseas business, we have determined that the markets for products including BONSET AMERICA CORPORATION's shrink films and BONLEX EUROPE S.R.L.'s decorative films are expected to grow in the future, meaning that we will continue to make capital investments in relevant businesses as a growth sector. Through these efforts, the profitability of our core business is steadily improving. Considering the current situation, including the external environment such as the COVID-19 pandemic and friction between the United States and China, it is undeniable that the achievement of all goals is extremely difficult. However, we will continue to work as hard as possible during fiscal 2020, the final year of the medium-term management plan.

Furthermore, for business expansion in new sections, we aggressively promoted mergers and acquisitions and capital alliances as a growth strategy from a long-term perspective. In order to continue moving into the mobility industry, which is said to have entered a period of change once every 100 years, we will promote mergers and acquisitions and capital tie-up efforts. And in order to speed up execution, we have set up the Growth Strategy Promotion Group,



a new specialty section within the Corporate Planning Division.

On the other hand, as a reform of organizations related to new sectors, the R&D department, which was previously headed by the Chief Operating Officer of the Corporate Planning Division, will be changed to an organization that is under the direct control of the President from fiscal 2020 so that various business decisions can be made quickly. From our experience, we are fully aware that it is not easy to create products with new values, so we are targeting the mobility industry, which is likely to undergo changes in the future and can expect returns commensurate with investment. I would like to steadily improve our innovation capabilities while narrowing down and considering alliances with companies that can provide support with product technologies and skills that we do not fully possess.

In the Good Chemistry Good Growth 2020 medium-term management plan, I intended to clearly indicate the direction in which we should proceed and proceed in that direction. However, I have the impression that the timeline for initiatives has shifted slightly. We will take over the work left over from this period in the next medium-term management plan which starts in 2021 and aim to realize the plan without surrender.

Furthermore, in formulating the next medium-term management plan, we will build a plan for the next three years, looking at 10 years from now when the various reforms and innovations we are currently working on will show results.

Expanding Business Activities Taking into Account SDGs (Sustainable Development Goals)

Almost five years have passed since the SDGs were formulated in December 2015, and there are mere 10 years left until 2030, the SDGs target year. As a company committed to contributing to the achievement of the SDGs, we defined 10 Materiality items (priority issues) that will contribute to the SDG initiatives in October 2019 in order to take specific action. In fiscal 2020, we will establish standard targets (KPIs) and process charts to accelerate our efforts. In addition to the vague call for contributing to SDG initiatives, we will specifically decide on which of the 17 goals we will work on. I now recognize that we have entered that stage.

The 17 SDGs are centered on two major basic principles: "Leave No One Behind" and "Transforming Our World." I feel that the idea "Transforming Our World" is in line with the achievement that lies past the reform that we are aiming for right now.

At the same time as defining the Materiality items, we also defined the value points that should be created by contributing to

the achievement of the SDGs. These four value points are: safety and security, comfort and peace of mind, resilience, and the environment. The creation of any of these four value points is closely related to the industry in which we are in. Considering the frequent occurrence of natural disasters in 2019 and the current COVID-19 pandemic, I would like drive ourselves to contribute to disaster prevention, mitigation, and regional resilience through our business, especially with safety and security and resilience in mind, and realize value in society that leads to solving social issues.

Concerning the environment, we deeply acknowledged our "responsibility of manufacturing" as a manufacturer, and clarified our policy of contributing through our products and services to the solution of environmental problems and the social issues that result from them. In addition to thorough implementation of the basic 3Rs (Reduce, Reuse, Recycle) as a methodology, we will continue to focus our efforts on the development of environment-friendly products in regard to the materials used and the manufacturing process, being sensitive to changes in user needs due to efforts to reduce greenhouse gases called for by the Paris Agreement and heightened environmental awareness.

As a preliminary step to put related efforts into practice, we expanded activities designed to foster awareness of the SDGs among all Group employees. In addition to sending my own message to employees under the title "2030 SDGs - My Personal Challenges," I also created a video to promote understanding of the 17 goals and 169 targets that comprise the SDGs which was provided on the intranet, used in employee training, etc.

Furthermore, we have established Waterside Clean Aid which is an activity based on the SDGs for the entire Group to participate in as a management goal for fiscal 2020 and have started its implementation. This activity aims to contribute to solving the marine plastic problem, which is a social issue, through cleanup activities and environmental improvement activities along coasts, rivers, and lakes nationwide. It is an activity that involves high employee engagement and I want to see it continues for a long time.

In addition, in order to raise awareness of the issue in the C.I. TAKIRON Group as a whole regarding marine plastic pollution, an expert from the Japan Plastics Industry Federation was invited to the Group President's Meeting held in November 2019 as a lecturer to speak about the marine plastic waste issue. We are also promoting other activities as well to create awareness.

Although I think it will take some time before the results of these activities for creating awareness about the issue show up, I was able to share my determination with many employees to contribute to the achievement of the SDGs goals through our business.

Top Message

Human Resources, Our Engine for Reform and Promotion of the Better Life Management Declaration

I believe that each and every employee is responsible for making up the driving force, the engine behind the numerous reforms promoted by C.I. TAKIRON. With the management integration that occurred three years ago serving as a catalyst, we defined what the ideal human resources for C.I. TAKIRON should be and made it the fundamental philosophy behind human resource development. Based on this, we have developed an employee training system to provide them with various growth opportunities.

In addition to such an organizational design, the concept of Ideal Human Resources is becoming more widespread among employees. The Ideal Human Resources concept calls for, among other things, employees to “Be Proactive.” As this means to “think ahead and act in advance in an active manner”, when COVID-19 began to spread throughout Japan, our factory employees came up with their own ideas to make face shields and partitions to prevent splashes and donated them for use at help windows of nearby city halls and reception counters at hospitals. In addition, still ongoing, even for the COVID-19 infection prevention measures for several months from February 2020, each plant has actively implemented various forms of ingenuity according to conditions, resulting in the ability to maintain 100% of the production operation during the period. In this way, I feel that employees are steadily developing in line with the Ideal Human Resources concept.

On the other hand, the Better Life Management Declaration expresses our ideas as a company to employees who are working hard every day based on the idea that making each employee’s life fulfilling leads to the sustainable growth of the company. In this declaration, we advocate three initiatives for building a quality workplace: support for diverse work styles, support for purposeful work, and support for better health. We are striving to cultivate a new corporate climate.

As for support for diverse work styles, we have made rapid progress with introducing measures planned and prepared as part of work style reform, such as telework and DX (digital transformation), as countermeasures against the spread of COVID-19. In the case of our company, we have been successful in identifying issues in implementing telework and flexibly responding to department managers, and the new normalization of telework is becoming established as a work style reform. In the future, we plan to continue discussing post-COVID-19 work styles during Better Life Management Declaration Promotion Committee meetings and promoting the introduction of various systems that utilize IT technology.

In addition, as a result of enhancing the welfare and benefit system, the rate of employees taking paid leave and the rate of taking

childcare leave, including those of male employees, both greatly exceeded the targets. Therefore, I feel that we are moving forward in fostering a work environment and corporate culture that realize diverse work styles.

In regard to support for purposeful work, we have introduced a career interview system aimed to support enhancing employee motivation and sustainable growth through a human resources development plan that takes into account the abilities and aptitudes of employees. However, a system does not necessarily guarantee that employees always find it worthwhile to work. I would like to enhance the motivation of each and every employee by having management and leaders take the initiative in deepening communication with them.

Regarding support for better health, activities such as the Online Smoking Cessation Program aiming at achieving a smoking rate of 30% or less among our employees and Body Improvement Program for specific health guidance and implementation of programs directly to those applicable were carried out. Such programs were evaluated and the company was recognized as an excellent corporation for health management under Health & Productivity 2020 under the large-scale corporation category by the Ministry of Economy, Trade and Industry. From fiscal 2020 onward, we plan to further strengthen our Better Life Management Declaration initiatives by incorporating the elements of health management advocated by Nonprofit Organization Kenkoikei.

FY2020 Target	FY 2019	FY 2018	Initiatives
Acquisition Rate of Paid Leave for Employees of 80% or Higher	91.2%	62.4%	<ul style="list-style-type: none"> Adoption of a financial incentive program to encourage employees to take paid leave Quarterly disclosure of information on paid leave taken in all department
Acquisition Rate of Childcare Leave for Male Employees of 75% or Higher	90.6%	31.0%	<ul style="list-style-type: none"> Adoption of a short-term childcare leave system Guidance for employees taking childcare leave as well as for their managers
Regular Medical Check-Up Participation Rate of 100%	100%	98.1%	<ul style="list-style-type: none"> Recommendations to employees that have not received a medical check-up to do so
Smoking Rate of 30% or lower	35.2%	—	<ul style="list-style-type: none"> Online smoking cessation program
Specific Health Guidance Implementation Rate of 60% or Higher	40.9%	—	<ul style="list-style-type: none"> Make employees aware of the Body Improvement Program (specific health guidance initiative) and recommend that they follow it (if applicable)

Strengthening Group Governance as a Management Foundation Reform

Naturally, we have also developed measures that give attention to reform in the management base such as governance and risk management. The point of reform is to transition to a group gov-



ernance system that takes the entire Group into account.

As a member of the ITOCHU Group, we are working to strengthen our independent corporate governance system as a listed company, taking into account ITOCHU's governance policy. In April 2020, in order to clarify management independence, we increased the number of Outside Directors and Outside Audit & Supervisory Board Members who can evaluate our management from third-party perspectives. As a result, the ratio of independent Outside Directors serving on the Board of Directors has been increased to share more than 1/3 of the board members, resulting in the system becoming more transparent and objective than ever before. In addition, one female Outside Director and one female Audit & Supervisory Board Member have been appointed which has also increased the diversity of the Board of Directors. Furthermore, in order to take a bird's eye view of the overall management conditions of the C.I. TAKIRON Group and to make swift and appropriate decision-making and perform agile management, we have introduced a Group Executive Officer System and appointed three Executive Officers from the Group.

Regarding compliance, based on continuous compliance education activities for all employees, we have established various systems, such as revision of the compliance program and thorough implementation, expansion of application of reporting counters to overseas groups, expansion of harassment consultation counters in the Group, etc. We are actively incorporating outside perspectives, such as by holding compliance patrol seminars jointly with ITOCHU.

And now, the need for reform has increased, especially in risk management. The spread of COVID-19 served as a big opportunity to drastically review our risk management. In fiscal 2019, discussions and initiative formulation work were carried out related to important risks applicable starting from fiscal 2020. As a result of identifying and reviewing risk items, the four important risks in

fiscal 2020 were identified as: mass infection/epidemic risk, climate change risk, IT security risk, and compliance and human rights risk. In the current situation where we all face natural disasters occur rather frequently and the risk of infectious diseases, the human mobility is greatly restricted and considering that IT technology makes up for it, the three risks of mass infection/epidemic risk, climate change risk, and IT security risk will remain important risks for some time to come. By accepting the existence of each risk and controlling it systematically and effectively, we will try to avoid or reduce losses, and make the utmost effort to continue business and improve corporate value.

Further Promote ESG Management for the Next 100 Years of Business

In fiscal 2019, we celebrated the 100th anniversary of C.I. TAKIRON which served as a valuable opportunity to reaffirm the history of our technology providing value to society and of solving social issues.

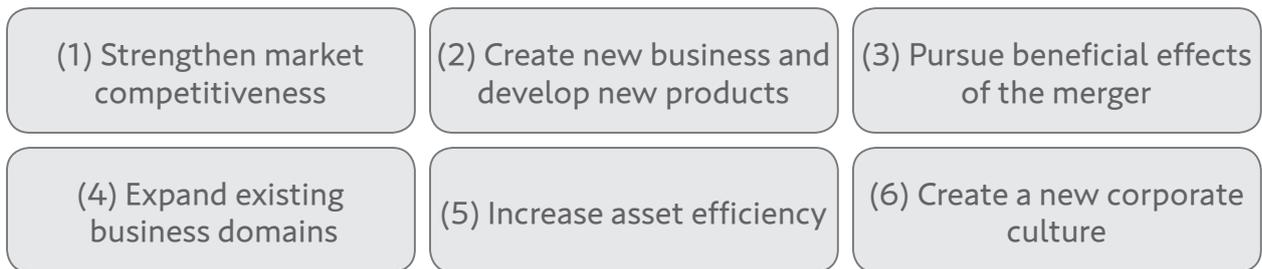
The only way for the C.I. TAKIRON Group to evolve on the basis of this tradition is to continue to take on the challenge of reform, even if the tradition is broken in a good sense. The challenge is how we change in the coming 10 years for the next 100 years for business. In that respect, the SDGs to be achieved in 2030 serve as optimal ideas with a roadmap that fits the Group. With social issues at the center of our awareness, we aim to be a corporate group in which each and every employee of the group embodies change. At first, we must carry out take on challenges and implement related initiatives in the next medium-term management plan so that we can present our new Group with significant changes after 10 years. You can expect many great things from C.I. TAKIRON.

Medium-term Management Plan

Good Chemistry Good growth (2017-2020)

Based on the basic management policy of the medium-term management plan with fiscal 2020 as the final year, in fiscal 2019 (the third year of the plan), the polycarbonate production system that involved three C.I. TAKIRON Group companies was consolidated to Ibogawa Office as well as the idle land was reformed as the base for Howell pipe production (DAIPLA Tsuchiura Plant). We have steadily implemented measures for strengthening the growth potential and profitability of the entire group, such as measures to improve the production capacity of overseas production bases, adding value through compound technology as a foundation for new businesses, executing strategic investments that will serve as a foothold in new fields such as mobility, etc. However, target large-scale mergers & acquisitions have been delayed, and in the final year, an organization to support mergers & acquisitions was established within Corporate Planning Division, and R&D Department was placed under direct control of the President, working to promote the acceleration of themes.

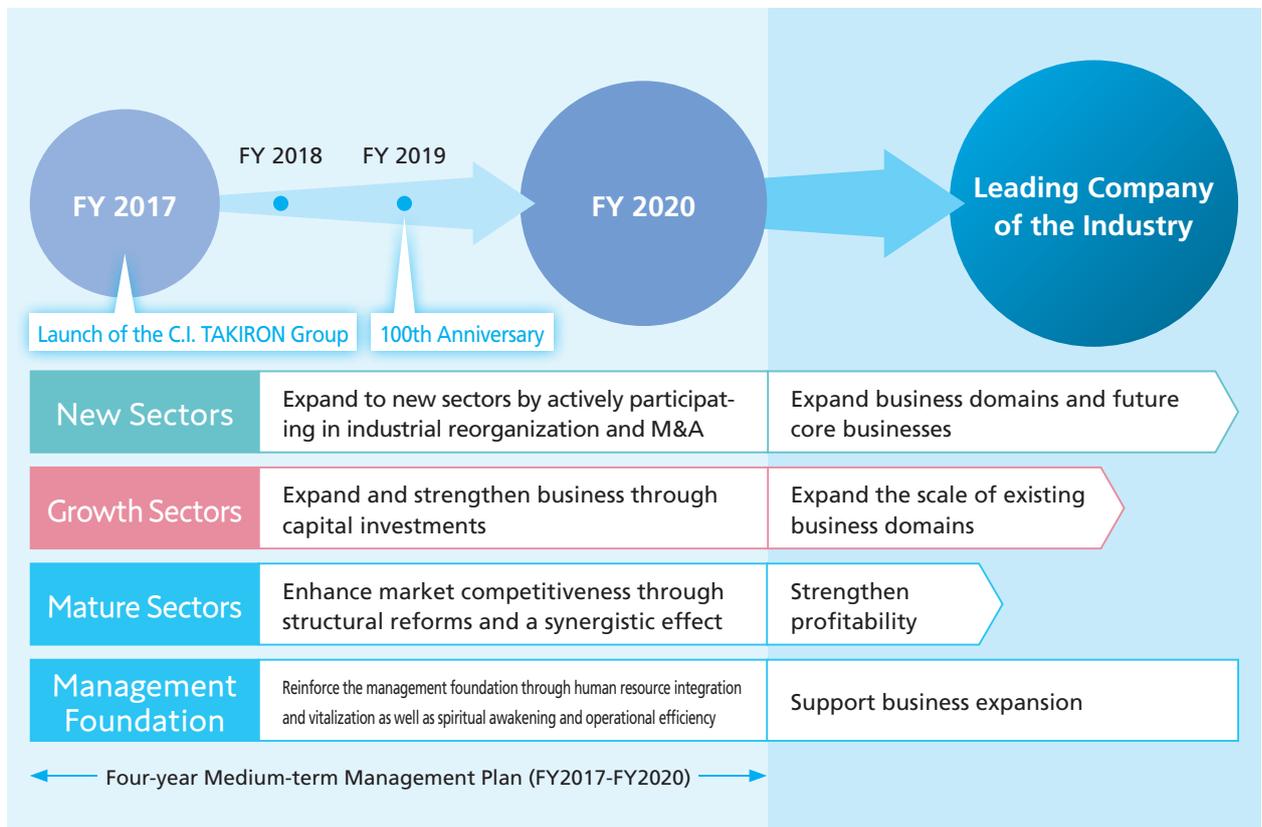
Basic Management Policy



Management Vision and the Road Map

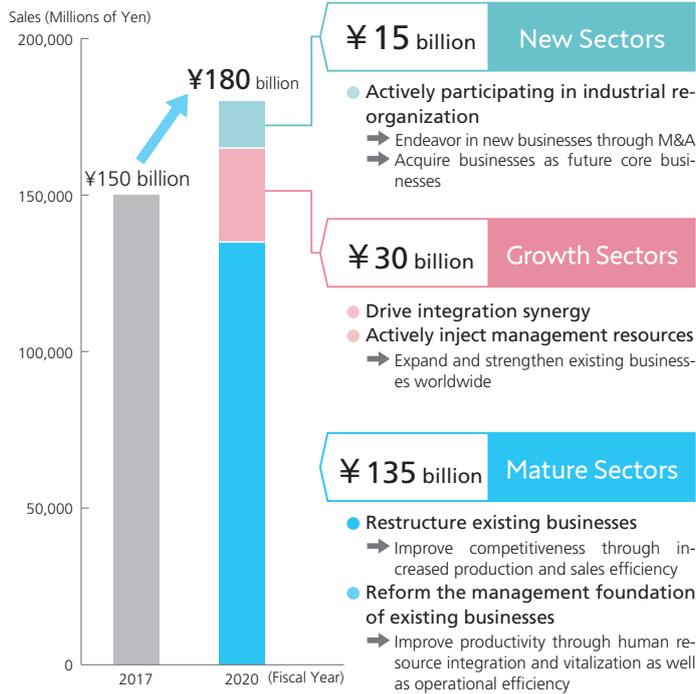
Management Vision

Contributing to society as the industry's leading company by taking on new challenges and continually implementing plans



Medium-term Management Plan

Growth Strategy



Strategic Investment

Amount of Strategic Investment

Category	Amount	Investment Focus
New Sectors	Approx. ¥10 billion	Investment in new sectors (M&A) M&A is positioned as an important strategy to expand the business scale and for active investment in excellent opportunities that provide greater medium and long-term corporate value.
Growth Sectors	Approx. ¥8 billion	Investment in growth sectors (development/increased production) Active investment in growth regions strengthens market competitiveness and expands the market share through development and increased production capabilities.
Mature Sectors	Approx. ¥4 billion	Investment in mature sectors (restructuring) Investment to heighten efficiency and streamline mature sectors optimizes people, equipment, material and the value chain as well as improves productivity and strengthens cost competitiveness.

Growth Strategy Topics

New Sectors

- **Strategic Investment**
- Investment aimed at having a synergistic effect in technology development, including polymer processing technology and functional compound technology development, and product development.
- Investment aimed at expansion into the mobility field and strengthening alliance with other companies



Growth Sectors

- **Improvement of the production capacity of overseas production bases**



Approx. ¥800 million*

BONLEX EUROPE (Veneto Region, Italy)

Mature Sectors

- **Improving efficiency for producing polycarbonate building materials**



Approx. ¥2 billion*

C.I. TAKIRON Ibogawa Office

- **Reformation of production sites in the Kanto Region**



Approx. ¥2.7 billion*

DAIPLA Tsuchiura Plant

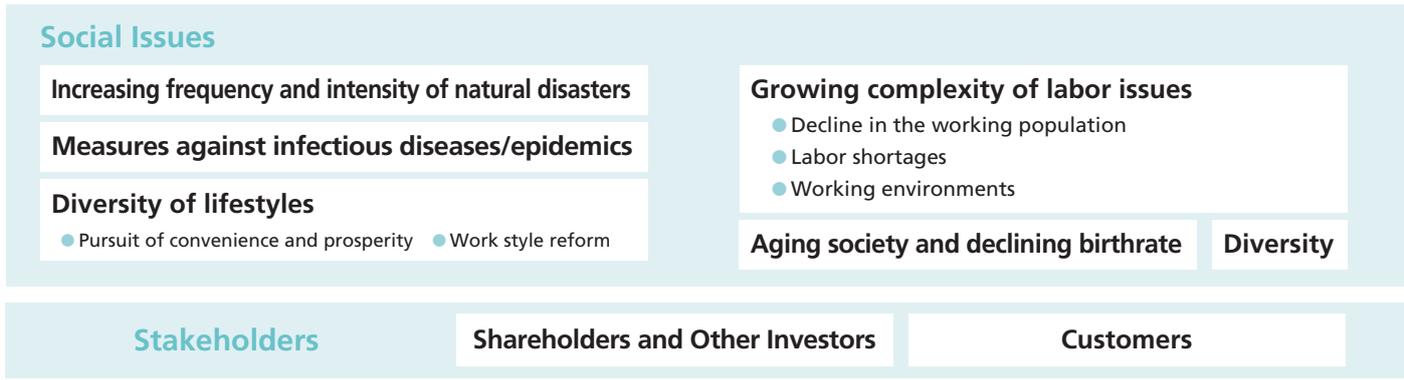
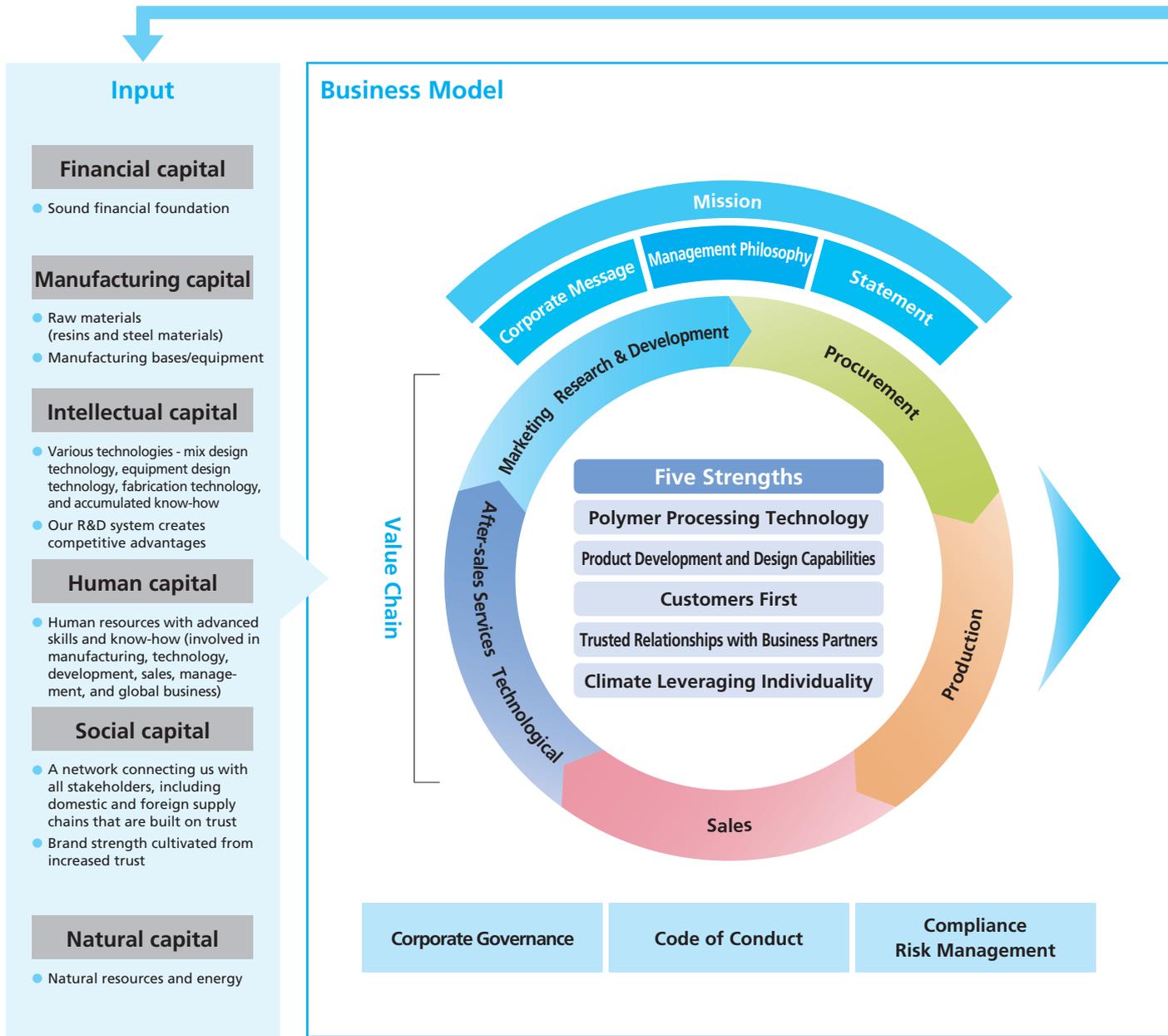
System Enhancement

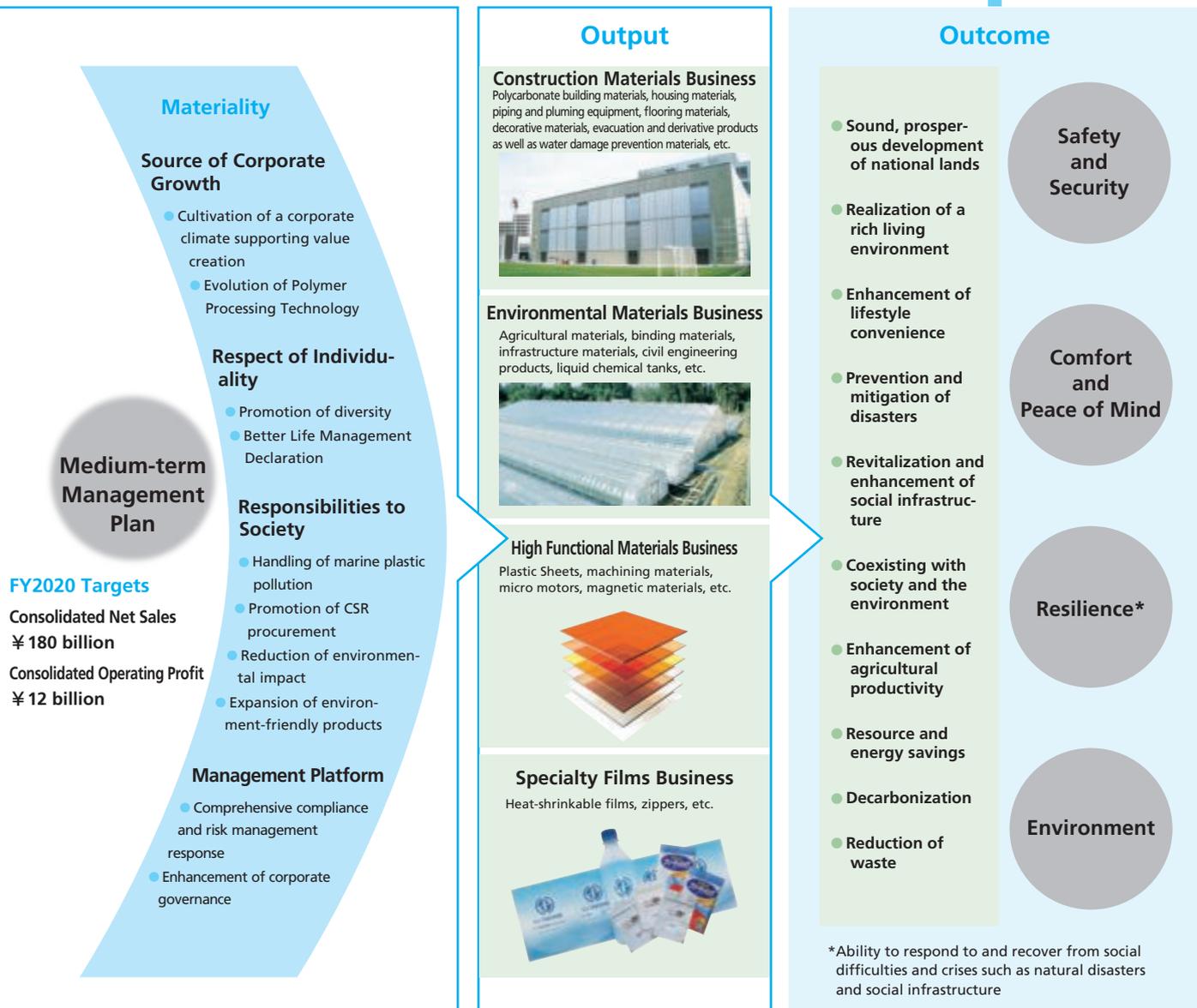
- **Establishment of the Growth Strategy Promotion Group**
- **R&D Department placed under direct control of the President**

* Amount of investment

Value Creation Process Chart

C.I. TAKIRON Group aims to contribute to greater sustainable development of society by generating value through products and services that contribute to solutions to social issues in the hope of realizing its mission to create a people- and earth-friendly future through plastics technology.





Deterioration of the global environment

- Constraints of resources and energy
- Handling of marine plastic pollution
- Unstable agricultural production
- Insufficient response to climate change



SDGs (Sustainable Development Goals) Sustainable Development Goals (SDGs) are international targets set from 2016 to 2030 included in The 2030 Agenda for Sustainable Development adopted at the United Nations Summit in September 2015.

Business Partners	Local Communities/Society	Government and Municipalities	Employees
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Materiality (Priority Issues)

Based on changes in social issues such as SDGs and social demands related to ESG (Environmental, Social, and Corporate Governance), the Group has defined 10 Materiality issues that should be prioritized, and formulated each KPI and annual target while incorporating opinions from external experts.

Moving forward, the entire Group will work toward sustainable value creation.

Process to Define Materiality





Materiality Matrix



1 Better Life Management Declaration

- 2 Strengthen human resource development
- 3 Eradicate occupational accidents
- 4 **Promote diversity**
- 5 Promote the active participation of women
- 6 Promote the active participation of disabled persons, senior citizens and foreign employees
- 7 **Advancement of polymer processing technology**
- 8 **Expand environment-friendly products**
- 9 **Handle marine plastic pollution**
- 10 Reduce and recycle waste

11 Cultivate a corporate climate supporting value creation

- 12 Enhance quality assurance systems
- 13 Provide attractive and distinct (special) products and services
- 14 Improve customer satisfaction
- 15 Strengthen trusting relationships with customers
- 16 Strengthen sales power (problem-solving capabilities)
- 17 **Reduce the environmental impact**
- 18 Reduce the environmental impact throughout the entire value chain
- 19 **Engage in comprehensive compliance and risk management response**

20 Promote CSR procurement

- 21 **Enhance corporate governance**
- 22 Combat climate change
- 23 Ensure disaster response and create a Business Continuity Plan (BCP)
- 24 Disseminate information and engage in a dialogue with stakeholders
- 25 Implement chemical substance management and regulatory compliance (RoHS, etc.)
- 26 Ensure harmony with local communities
- 27 Promote social contribution activities
- 28 Expand use of renewable energy
- 29 Pursue globalization
- 30 Forge academic-industrial alliances and provide academic support

10 Materiality Items Defined

Medium-term Plan for Materiality

Materiality	Goal	Strategies
<p>1</p> <p>Cultivate a Corporate Climate Supporting Value Creation</p>	<p>Challenging Corporate Culture</p> <p>In such a corporate culture, the spirit of voluntarily and aggressively taking on new challenges without fear of failure will take root and will be inherited by all Group employees as our "DNA." The social value of the company is continuously improved by the simultaneous and frequent occurrence of taking on challenges not only within the group but also involving stakeholders.</p>	<p>Tangible</p> <p>Build systems and structures within the Group.</p> <p>⇒ Build structures and incentive system that makes it easy to plan new businesses, new products, and business improvements.</p> <p>Intangible</p> <p>Instill in all employees the idea of taking on challenges and to always be doing something.</p> <p>⇒ Conduct a survey to confirm to what extent the corporate culture where employees take on challenges has permeated. Evaluate the level of permeation by checking the percentage of officers and employees who feel that the level of permeation is high.</p>
<p>2</p> <p>Advancement of Polymer Processing Technology</p>	<p>Reliable and Promising Technologies</p> <p>Contribute to a sustainable society through material compounds, fabrication, compounding technology, and construction technology that maximize the various features of polymers.</p>	<ul style="list-style-type: none"> ● Strengthen research and development of new materials and technologies, and provide new products that can contribute to a smart society and sustainable society.
<p>3</p> <p>Promote diversity</p>	<p>Diversity & Inclusion</p> <p>Respect the various values and differences of each individual to create an environment where all people can fully demonstrate their abilities.</p>	<ul style="list-style-type: none"> ● Strengthen in-house education to foster a corporate culture. ● Active recruitment for employees with various backgrounds and personalities. ● Enhance systems that make it easy for diverse human resources to work and establish an environment in which it is easy to use such systems.
<p>4</p> <p>Better Life Management Declaration</p>	<p>Creation of a Quality Workplace for a Better Life</p> <p>Create a high-quality workplace where each employee can work in good physical and mental health and live a fulfilling life.</p>	<ul style="list-style-type: none"> ● Improve work environment <ul style="list-style-type: none"> ● Create a comfortable workplace where employees can choose their own job, remuneration, work location, etc. according to their abilities and life stage. ● Implement measures to create a workplace where people can work in a state of good physical and mental health. ● Improve understanding and utilize various systems.
<p>5</p> <p>Handle Marine Plastic Pollution</p>	<p>Contribute to the Elimination of Marine Plastic Pollution</p> <p>Disclose relevant information to initiatives designed to eliminate of marine plastic pollution.</p>	<ul style="list-style-type: none"> ● Promote awareness of all Group employees for participating in solving the marine plastic issue through their participation in volunteer activities and training.

* Considering the use of natural raw materials, name of the materiality "Evolution of Plastic Processing Technology" has been changed to "Evolution of Polymer Processing Technology".

Evaluation Standards (KPI)	Medium-term Roadmap		Relevant Sustainable Development Goals (SDGs)
	1 year later (2021)	3 years later (2023)	
● Number of challenge promotion measures implemented during the period (Specific measures will be created during this fiscal year)	3	4	 
● Survey-based evaluation of the extent the corporate culture where employees take on challenges has permeated (Survey draft will be created during this fiscal year)	Disclosure in FY2021	Disclosure in FY2021	
● New Product Net Sales Ratio (%) (Benchmark data will be collected in FY2020)	Disclosure in FY2021	Disclosure in FY2021	   
● Number of Patent Applications	35	50	
● Rate of Participation in In-house Training Classes Related to Diversity & Inclusion	100%	100%	
Level of Understanding Regarding Diversity & Inclusion Identified Through Surveys Conducted After Training	40%	60%	
● Ratio of New Female Graduate Employees (main career track)	30%	30%	  
● Ratio of Female Employees in Management Positions	-	1%	
● Ratio of Employees Who Return to Work After Leave	75%	80%	
● Employment Ratio of Disabled Persons	2.50%	2.50%	
● Employee Survey Results	Ratio of employees who feel that there is a workplace environment and systems established that make it easy to work	Disclosure in FY2021	Disclosure in FY2021
	Ratio of employees who answered that they work actively	Disclosure in FY2021	Disclosure in FY2021
	Level of system understanding	70%	90%
● Recognition status as an excellent corporation for health management	Continued	Continued	
● Number of Waterside Clean Aid Activity Participants (Total number of participants for the period)	300	1,000	
● Number of Marine Plastic Related Events and Seminars Held (Total number of seminars and events held for the period)	30	30	

Medium-term Plan for Materiality

Materiality	Goal	Strategies
<p>6</p> <p>CSR Procurement</p>	<p>Establish a Supply Chain That Gives Consideration to Human Rights and the Environment</p> <p>Establish a fair supply chain that gives consideration to human rights and the environment through cooperation with our business partners (procurement and purchasing).</p>	<ul style="list-style-type: none"> ● Formulate CSR procurement guidelines for the entire C.I. TAKIRON Group and promote further awareness of human rights and environment friendly CSR in the supply chain.
<p>7</p> <p>Reduce the Environmental Impact</p>	<p>Create a Planet Where We Can Continue to Live</p> <p>Contribute to the environmental protection of the planet by reducing the environmental burden of the entire Group.</p>	<ul style="list-style-type: none"> ● Comply with the latest global standards for global environmental impact countermeasures (review roadmap as appropriate).
<p>8</p> <p>Expand Environment-friendly Products</p>	<p>Ecological Development</p> <p>Contribute to the realization of a carbon-free society and a recycling-oriented society by designing and developing all products provided by the C.I. TAKIRON Group to be environment-friendly.</p>	<ul style="list-style-type: none"> ● Continuously improve technologies (including materials, evaluation, and secondary processing technologies) for expanding the number of environment-friendly products* offered by the Group. <p>*Environment-friendly Products Products that pass environmental impact assessment criteria during design review. (our definition of "environment-friendly products")</p>
<p>9</p> <p>Comprehensive Compliance and Risk Management Response</p>	<p>Solid Compliance and Risk Management</p> <p>Aiming to be a company trusted by society realize corporate governance through high-level compliance and risk management.</p>	<ul style="list-style-type: none"> ● Serious Compliance Violations* To achieve zero serious compliance violation, promote the improvement of compliance awareness and knowledge of all Group employees. * Serious Compliance Violations: Defined as cases that are considered a concern within the C.I. TAKIRON Group Compliance Program. Cases that are deliberated or reported on by the Compliance Committee. <hr/> <ul style="list-style-type: none"> ● Establish a risk management system based on risk management regulations, regularly identify important risks, formulate countermeasures, carry out year-round monitoring and reviews using PDCA cycle, and strengthen the response to possible corporate risk in the future.
<p>10</p> <p>Enhance Corporate Governance</p>	<p>Create Transparent Management</p> <p>Create a condition in which management independence and fairness can be objectively recognized.</p>	<ul style="list-style-type: none"> ● Improve the independence and diversity of the Board of Directors and optional committees. ● Actively disclose information on corporate governance. ● Consider and implement measures to enhance dialog with shareholders and investors, and establish a system that can appropriately reflect the opinions of shareholders and investors.

Evaluation Standards (KPI)	Medium-term Roadmap		Relevant Sustainable Development Goals (SDGs)
	1 year later (2021)	3 years later (2023)	
● Request Rate for CSR Procurement Guidelines by Major Domestic Business Partners (% of purchase base)	100%	-	
● Request Rate for CSR Procurement Guidelines by Major Domestic Business Partners in Overseas Group Companies (% of purchase base)	100%	-	 
● Level of Agreement with CSR Guidelines (Based on business partner survey)	Implementation of Business Partner Survey (Grasping the current level of business partner agreement with CSR guidelines)	Level of Agreement: 100%	
● CO ₂ Emissions Reduction Rate (compared to FY2018)	8% reduction	13% reduction	  
● Environment-friendly Products ▶ Number of Development Themes	10	15	     
● Environment Related Awards	-	Aim to receive an environment related award by FY2025	  
● Compliance Related Education Implementation (% of companies)	100%	100%	
● Number of Serious Compliance Violations	0	0	
● Rate of Completion of Response to Important Risk Issues Within Period (%)	80% or above	80% or above	 
● Regular Important Risk Reviews (at least once a year)	At least once a year	At least once a year	
● Board of Directors Attendance Rate	85% or above	85% or above	
● Formulation of Corporate Governance Guidelines	Gathering data for formulation of guidelines in FY2022	-	 
● Number of Times Explanatory Meetings Were Held for Shareholders/Investors	Financial Results Briefings	2 times a year	2 times a year
	Meetings with Individuals	At least three times a year	At least three times a year
	Small-sized Meetings	-	At least once a year

Construction Materials Division

We support comfortable living environments and urban spaces close to people in the construction field where aesthetics, comfort and a co-existence with society and the environment are essential.



Akihiro Ueda
Director

Senior Managing Executive Officer,
Chief Operating Officer of the Construction Materials Div.

Business Description

The Construction Materials Division is comprised of our housing materials business and Flooring and Decorative Materials Business, dealing with materials that people are familiar with in residential life.

The housing materials business deals with peripheral materials for water treatment, including rain gutters and drainage basin, which are indispensable for housing construction, and polycarbonate building materials products that are widely used for daylighting found in structures from residential facilities to warehouses and factories.

In the Flooring and Decorative Materials Business, we deal with flooring materials offering excellent slip-resistant function for aquatic facilities, safety in apartment corridors, safety on stairs, etc., and beautifully designed decorative films that make room interiors look luxury.

With these two businesses at the core, within the C.I. TAKIRON group we have two sales companies with expertise in their respective product markets, a manufacturer of advertising displays for convenience stores and parking lots in Japan, and a manufacturing subsidiary of decorative sheet materials for European market in Italy.

Market Environment

The population decline due to the declining birthrate and aging population in Japan has a direct impact on business conditions, such as the decrease in the number of new housing construction projects, causing the market for our living environment related products to shrink steadily. The problem of waste plastics, symbolized by marine plastics, is also becoming a structural problem of our industry. Under these conditions, by developing products with enhanced functionality, such as light-weight alternatives to glass and products that provide natural light and heat insulation, we are contributing substantially to improving comfort in people's lives. We are also focused on product development that is suitable for the current environment, such as focusing on the 3Rs to realize the commercialization of recycled materials.

(Unit: Millions of Yen)

	FY 2018 Results	FY 2019 Results	Compared to FY2018
Net Sales	48,502	46,310	△2,191
Operating Profit	3,458	3,338	△119

Results of FY2019 Initiatives (Results and Issues)

In the polycarbonate building materials business, as part of the integration of production and sales between group companies which has been promoted since fiscal 2018, we have completed consolidating production of polycarbonate products to the Ilogawa Factory and promoted the optimization of Nippon Polyester's FRP business. Furthermore, we decided on the direction we will head in for establishing a sales company integrated with the functions of the sales organization, building a foundation for more efficient management. We also focused more on improving the efficiency of operations within the division, implemented measures such as RPA adoption, and worked to implement work style reforms.

Development of Environmentally Friendly Products

In Europe, there is an increasing interest in environmental issues. In response to requests from customers to increase the usage ratio of recycled raw materials, BONLEX EUROPE S.R.L., which has a manufacturing base in Italy, supplies PET based decorative films comprised of at least 50% recycled materials to major furniture manufacturers. In the future, we will focus on securing sources that can more stably obtain recycled PET materials in Europe and would like to develop them in an integrated form.

Long-term Outlook

(Environmental Considerations, Global Expansion, etc.)

This division provides products that are closely related to people's lives. In addition to supply safe and comfort products, we develop new products which are lighter, helping to support an aging society, offer a higher level of performance, such as heat insulation in response to climate change, and designs with excellent appearance.

Regarding environmental issues, we will strengthen 3R technology and system focused on recycling to establish a system capable of contributing to a recycling-oriented society.

These directions we are headed in serve as extremely important factors not only in the domestic market but also in overseas markets. While focusing on expanding into the interior business in Europe where we already have a manufacturing base in Italy, we plan to further expand the stable North American market and the market in China where demand is rapidly increasing.

SWOT Analysis of the Division's Main Businesses

<p>Strength</p> <ul style="list-style-type: none"> ● Polycarbonate fabrication technology ● Number one in Japan for our polycarbonate building material manufacturing capabilities ● Our housing material product line holds a large share of the market ● Top share in domestic slip resistant vinyl flooring market ● Technical background of Decorative Materials by start-to-finish production in Japan ● Overseas facility for production of decorative materials (Bonlex Europe) <p>S</p>	<p>Weakness</p> <ul style="list-style-type: none"> ● Overseas sales channels for housing material products ● Our Flooring and Decorative Materials Business is small compared to that of major competitors ● Limited overseas site development for our Flooring and Decorative Materials Business ● Our Flooring and Decorative Materials Business is not a comprehensive interior manufacturing business <p>W</p>
<p>Opportunity</p> <ul style="list-style-type: none"> ● Increase in long-life quality housing ● Expansion of the scope of the Building Energy Efficiency Act ● Changes in lifestyles and concept of values ● Increasing aging society and declining birthrate figures ● Expansion into areas overseas where related businesses are undeveloped ● Expanding demand due to improved living standards in developing countries <p>O</p>	<p>Threat</p> <ul style="list-style-type: none"> ● Decrease in the number of new housing construction projects ● Rapid climate change ● Influx of low-cost products from overseas ● Market shrinkage due to Japan's population decline ● Marine plastic pollution <p>T</p>

Overview of Main Businesses

Housing Materials Business

We provide housing material products to support comfortable housing and urban development centered upon housing materials, piping and plumbing equipment, and polycarbonate building material products with superior characteristics from shock resistance, lightness, and light transmission properties and weatherability.

Market Conditions

It is predicted that the number of new housing construction projects will decrease as Japan's population declines. In contrast, demand for products that provide natural lighting is expected to increase due to the Expansion of the scope of the Building Energy Efficiency Act, response to climate change, and various needs, including those related to supporting healthy lifestyles.

Business Conditions

With the aim of strengthening group management, we are consolidating sales and production in the polycarbonate building materials sector, strengthening our sales force and customer base by unifying development, production, and sales processes, and improving the efficiency of our production and distribution systems.

Future Priority Measures

We will further strengthen our polymer processing technology and quickly develop products that contribute to people's health and the global environment by taking advantage of the characteristics of resins.



Reference Project of Rain Gutters

Flooring and Decorative Materials Business

We provide flooring products that support safety walking, with a focus on slip resistant flooring materials that are specifically required to offer durability and stability under harsh outdoor conditions, and finishing material products for a wide range of areas required as decorative materials. This contributes to the creation of comfortable living spaces for indoor and exterior facilities.

Market Conditions

In addition to the housing complex renovation market, there is also demand in the new construction market for durable flooring products due to the requirement for longer lasting products. As for decorative materials, due to lifestyle diversification, products with various functions as well as designs are required.

Business Conditions

Demand for flooring materials for corridors, balconies, and stairs in housing complexes, which serve as the pillar of our flooring business sector, remains steady mainly due to demand for housing complex renovations. In the decorative materials business sector, we are steadily expanding not only our supply of decorative materials to global furniture manufacturers but also the interior business, including interior market in new constructions and refurbished properties in Japan and overseas.

Future Priority Measures

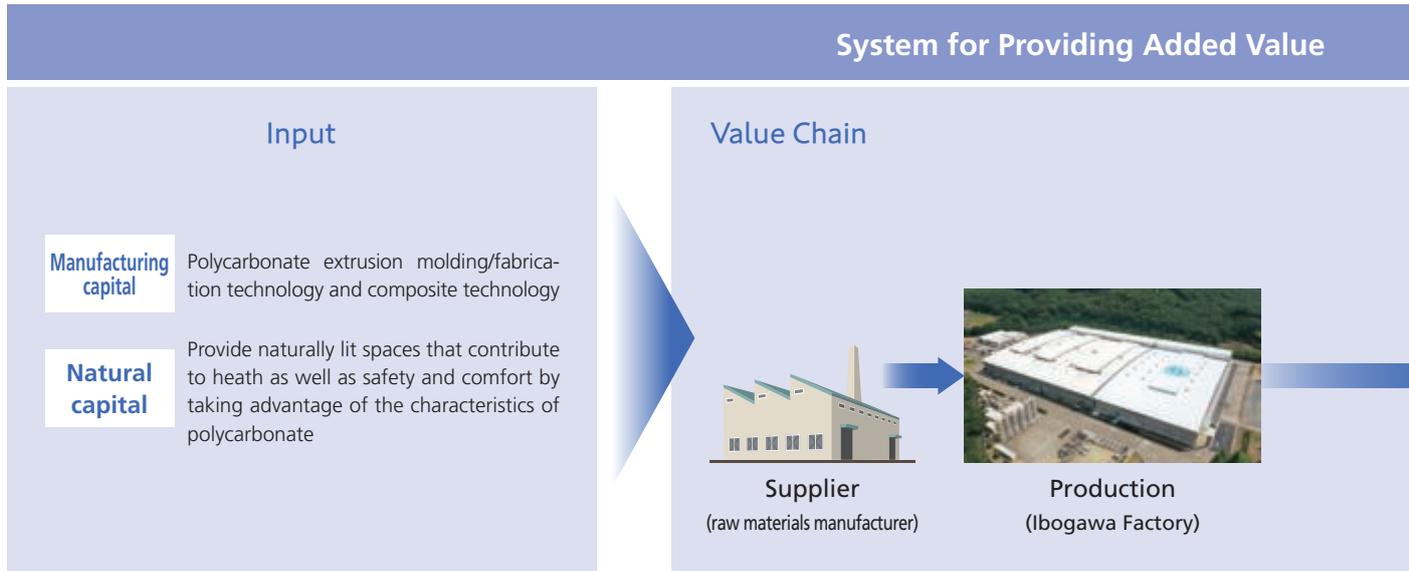
In the flooring business sector, as the demand for durability continues to grow, we will continue to pursue better solutions that can contribute to further safety and comfort as a leading manufacturer of slip resistant flooring materials. As for the decorative materials business sector, we will work to develop environment-friendly products focusing on recycled materials in order to contribute to a sustainable society. The creation of a sustainable society has become a topic of focus around the world.



Reference of installed flooring

Construction Materials Division

Value Creation Model Polycarbonate Daylighting Materials



Competitive Advantages

Market Competition

Polycarbonate daylighting material products are used for various applications ranging from housing and exteriors to roads with each company in the industry competing to develop products with new functions and develop new applications. Among these companies, we are the largest in Japan for polycarbonate-based building material products, which feature shock resistance, and we are focusing on manufacturing products that take advantage of the material's characteristics.

Competitive Advantages

We offer a wide variety of products such as corrugated sheets, flat plates, folded plates, etc. that make the best use of each feature of polycarbonate plastic, PVC, and fiber-reinforced plastic (FRP). In addition, Lume Carbo large polycarbonate plastic double-layer panels, which are lightweight, provide a high level of heat insulation, and offer high rigidity. Therefore, in consideration of design and workability, it is possible to use this product for large building structures that utilize natural lighting. While making the best use of the characteristics of materials, the formation of technologies, including various compounding technologies/optical control technologies, fabrication technologies, and technologies for combining various different materials, serve as the basis of our competitive advantage.

In terms of production, in fiscal 2019, the Group's polycarbonate product manufacturing was consolidated to the Ibogawa Plant, which is our core polycarbonate manufacturing plant, strengthening processing functions and providing an integrated manufacturing system from sheet manufacturing to processing (cutting, folding, and vacuum molding). The implementation of this production system will further enhance our competitive advantage.

Major processes that Provide a Competitive Advantage Product Development

Polycarbonate building material products have various applications in our society ranging from public facilities, such as highways and schools, to factories and housing. This is the result of developing these products that offer unique functionality and designs in addition to the characteristics of polycarbonate, such as natural light utilization, lightness, high strength, and UV protection. In addition, we will focus on creating spaces with natural lighting that are safe and comfort, designed with people's health and mental well-being in mind, and developing products that contribute to a low-carbon society.

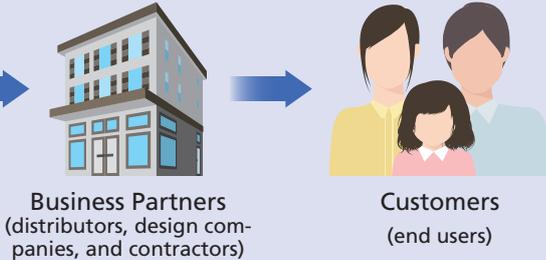
Revenue Structure and Industry Driving Force

We have pursued more value propositions for materials that provide natural lighting based on our existing corrugated sheets and flat plates.

Moving forward, we will concentrate our management resources on glass substitutes and lead the industry with the goal of developing recycling-oriented materials and providing sustainable products with "SDGs" and "ESG" serving as keywords.



We offer the creation of comfortable spaces with natural lighting and support the foundation for creating a low-carbon society in all areas of energy savings and environmental sustainability.



Added Value Provided to Society



Customer/Consumer Needs

The needs for disaster prevention and mitigation on a global scale are increasing year by year. Issues of focus include floods caused by large-scale earthquakes, typhoons, and torrential rainfall (downpour), which have been occurring frequently in recent years, global warming, and health hazards caused by the increase in ultraviolet rays caused by the depletion of the ozone layer. We will promote the development of safe and secure products that utilize polycarbonate plastic as a resilient material that contributes to global environment conservation, disaster prevention, and disaster mitigation.

Furthermore, for the contribution for creating a sustainable society, we will promote research and development by evolving polymer processing technology and providing products that are friendly to the global environment as priority materiality initiatives of the Group.

Role of C.I. TAKIRON

The increase in global natural disasters and the destruction of the environment threaten people's healthy and peaceful lives. We aim to contribute to the safety and security of everyone and the conservation of the global environment by providing disaster prevention, mitigation, and spaces for health maintenance through the utilization of the Group's polycarbonate product manufacturing and processing technologies.

Provision of Custom Value

We provide solutions that utilize the characteristics of polycarbonate to meet a wide variety of customer needs to contribute to maintaining people's health, security, and safety.



Sustainable Solutions

We contributed to the renovation of the main room/gymnasium of this former elementary school, transforming it into a comfortable facility for social exchange featuring natural lighting.

Our Lume Wall double-layer panels were used for the window sections. No electrical lighting is required during the day and Lume Wall's high insulation performance provides a comfortable space for people throughout the year.



Double-layer polycarbonate panel installation

Environmental Materials Division

Based on production, processing, and construction technologies that produce high-quality products and services, we will contribute to improving agricultural efficiency and functionality of agricultural products as well as solving mounting social issues such as large-scale disaster response and preparation.

Takahisa Miyake
Director
Senior Managing Executive Officer,
Chief Operating Officer of the Environmental Materials Div.



Business Description

The Environmental Materials Division consists of the Agricultural Materials Business, which proposes the optimal environment for agriculture, and the Infrastructure Material Business, which supports the improvement of the environment for a safe and secure social infrastructure.

The Agricultural Materials Business contributes to agricultural development by developing products that meet market demand focusing on agricultural covering materials, a segment of the market of which we have top market share in Japan. The infrastructure material business supports social infrastructure by developing waterproof/impermeable sheets, high-density polyethylene pipes, and other related materials necessary for disaster countermeasures and renewal work for social infrastructure redevelopment and increasing infrastructure lifespan.

Market Environment

In the agricultural market, we predict that the needs for larger farms, value added crops, and greater yield and productivity will increase. In the civil engineering market, we predict the needs for the renewal and maintenance of highways, tunnels, sewage systems and other such infrastructure systems to increase. We expect mid-to-long-term growth of both industries in the markets of developing nations, such as ASEAN countries.

Before Installation



After Installation



Field Fabricated Tube-Steam Method

(Unit: Millions of Yen)

	FY 2018 Results	FY 2019 Results	Compared to FY2018
Net Sales	61,867	55,639	△6,228
Operating Profit	1,823	1,381	△442

Results of FY2019 Initiatives (Results and Issues)

The overall environmental materials business was affected by business sell-offs and transfer of the business to other segments. In the Agricultural Materials Business, overseas sales increased 18% year-on-year, a record high for the company. However, we struggled due to the convergence of demand for replacement due to disaster recovery and the reaction after the special demand for tax increases. In the Infrastructure Material Business, the group companies' integrated ability to make proposals progressed in response to the increase in demand for disaster waste treatment plants due to typhoon damage. While there was a steady transition in the engineering field, there was also a struggle due to public work based delays.

As a result, net sales for the consolidated fiscal year decreased 10.1% year-on-year, and operating profit decreased 24.3% year-on-year.

Development of Environmentally Friendly Products

Blast Method in which the grinding material is projected onto the painted surface of steel bridges to remove the old paint use a metal-based grinding material as an abrasive, reducing industrial waste and dust to the utmost and making it possible to reuse it. Although it has been highly evaluated, we also wanted to develop a curing sheet that can withstand the projection of metal-based grinding material and offers good workability.

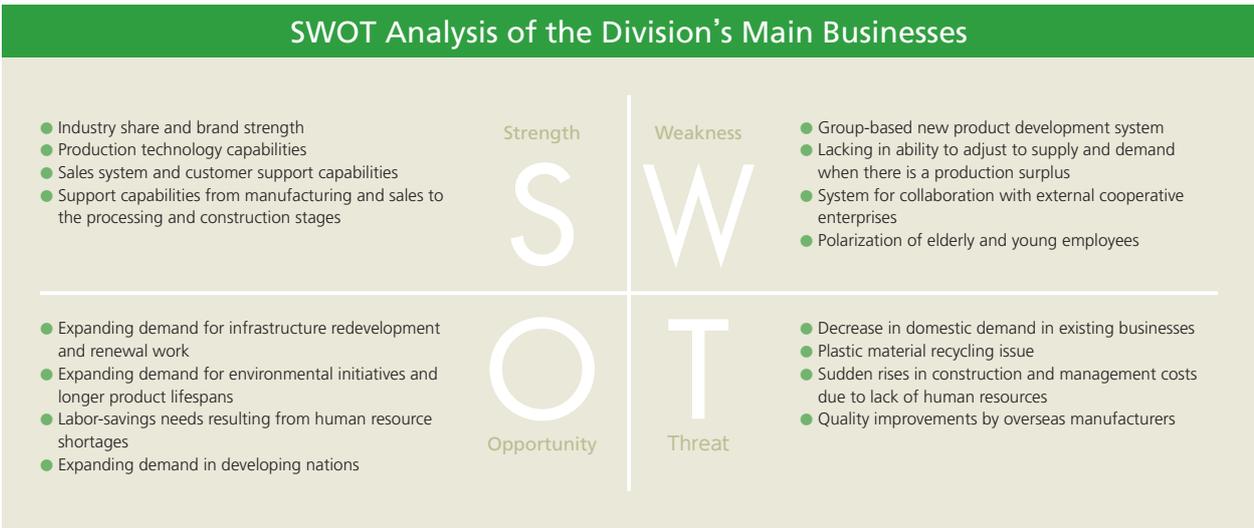
To meet this need, we have developed the Eco Clean Blast Sheet, a curing sheet with excellent durability and flexibility. C.I. TAKIRON was presented the Minister of the Environment Award in 2018 for this product.

Long-term Outlook (Environmental Considerations, Global Expansion, etc.)

In the Japanese market, each area of the environmental materials business segment will not only expand but also shift from a "business that manufactures and sells products" to a "business that integrates system for recycling, renewal, etc."

In overseas markets, we aim to expand our business by localizing businesses as a result of developing products that meet the demands of local markets and at the same time aim to break away from the commodities business.

In terms of business management, we will challenge our diverse human resources with opportunities to utilize them, and promote the creation of an organization where people can grow as well as be highly productive.



Overview of Main Businesses

Agricultural Materials Business

We provide complete support for farming business by providing agricultural covering materials, a segment of the market of which we have top share in Japan, various agricultural materials that meet market needs, and contribute to the revitalization of agriculture.

Market Conditions

Although fewer and fewer people are willing to bear the agricultural responsibility as the Japanese population decreases and the number of farmlands left abandoned is increasing, the size of farms is increasing due to regions and companies that adapt to environmental changes, and the number of companies entering the agricultural industry is increasing. The agricultural market desires value-added crops, increased yields, and improved productivity.

Business Conditions

The agricultural business has built a production and sales system throughout the entire Group up until now which has contributed to the evolution of agriculture in Japan with the expansion of new products that respond to market needs. Furthermore, we will continue pursuing the development of high-performance, high-quality products and provision of services that are right for modern times.

Future Priority Measures

We will strengthen sales of high-quality products, facility horticulture for greenhouses and facilities, and smart agriculture with the aim of increasing the market share of agricultural covering materials and expanding the business domain by further strengthening cooperation with group companies and evolving sales capabilities. In addition, we will continue to penetrate and expand the market for agricultural covering materials backed by Japanese quality in East Asia and ASEAN regions.



Infrastructure Material Business

We have earned trust as a “water specialist” that provide not only water-proofing, water-stopping, water-draining and pipe restoration materials that support safety and social infrastructure as well as other civil engineering-related materials, but also construction management service for water-proofing work.

Market Conditions

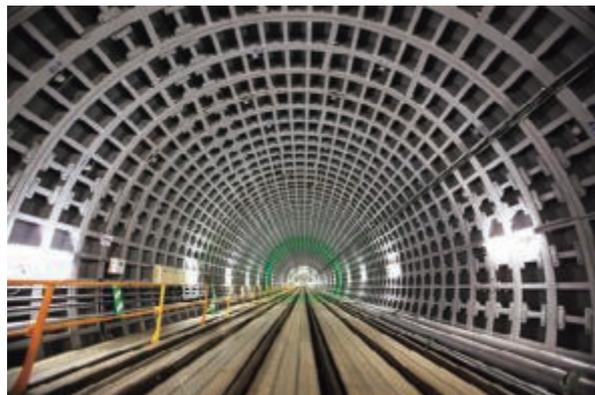
Steady demand for reconstruction due to earthquakes, other disaster recovery works, transportation infrastructure redevelopment, and measures for dealing with the current aging infrastructure underlines the market. It is expected to increase in demand specifically due to the construction of waste disposal treatment plants and the Linear-Chuo-Shinkansen (Maglev railway) as well as highway and sewer tunnel renewal works.

Business Conditions

We are moving forward with strengthening cooperation with affiliated group companies in order to strengthen capacity in each process of development, production, sales, and construction as well as enhance the ability to provide solutions throughout the entire process in order to respond to social needs and expand demand in the market.

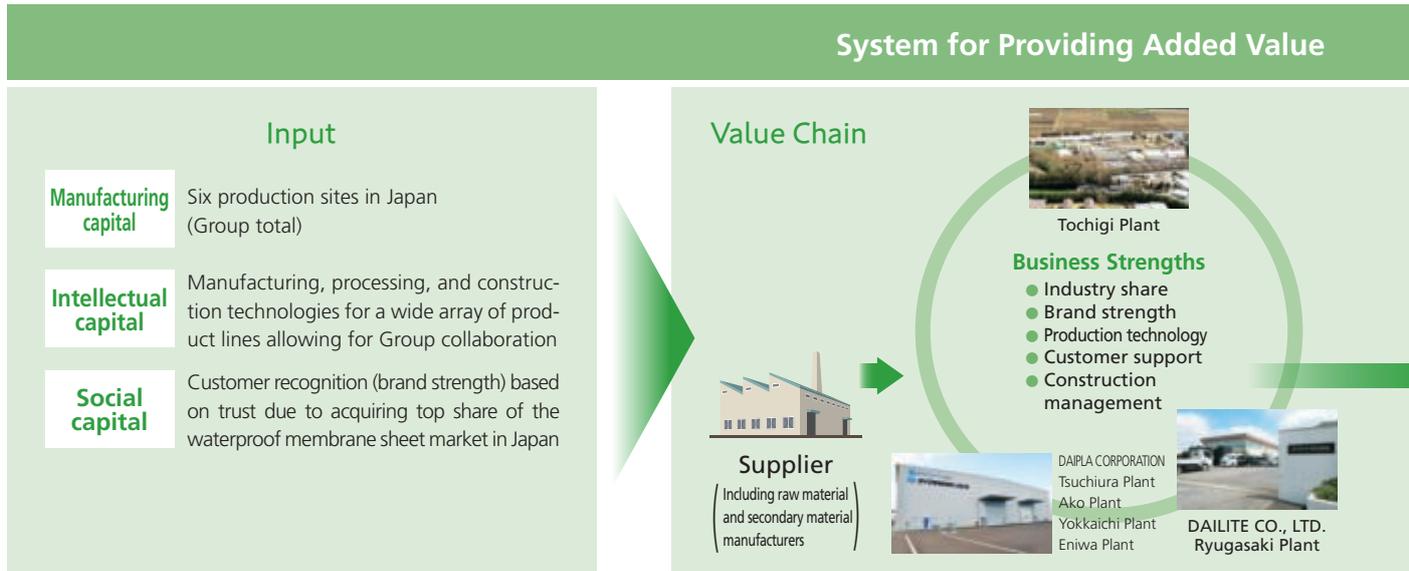
Future Priority Measures

We will strengthen our business in the areas of disaster prevention/mitigation, pollution control, Linear-Chuo-Shinkansen related solutions, and social infrastructure renewal. In particular, preparation and recovery efforts for natural disasters caused by climate change in recent years are an urgent social issue. Therefore, we will focus on business areas such as river reinforcement and raising work, underground-based river work, and construction of waste treatment plants generated by disasters.



Environmental Materials Division

Value Creation Model Infrastructure Material Business



Competitive Advantages

Market Competition

In the domestic market, there is fierce competition among companies that deal with civil engineering related materials for reconstruction from earthquakes, restoration and redevelopment after typhoons and floods, and renewal work for the aging social infrastructure.

Competitive Advantages

We supply infrastructure materials for water blocking and water flow (waterproof sheets, plastic nets, waterproofing panels, materials that prevent water-based swelling, large plastic pipes, and materials for pipe restoration) that are indispensable for decontamination-related interim storage facility construction, public and private disposal site construction, and renewal work for aging sewers, with the comprehensive strength of the Group. Furthermore, the foundation of our competitive advantage is that we are the only corporate group that offers across-the-board proposals for these materials and can perform everything from planning, development, design, manufacturing, and sales to processing and construction.

Initiatives for Competitive Advantages

In order to strengthen our response to business areas where demand is expected to increase further in the future, such as disaster prevention measures and social infrastructure renewal, we reviewed the mission and positioning within the group, improved the planning and development speed of the group as a whole, and evolved our business model from processing and constructed to manufacturing and sales to accelerate our transformation into an entity that can provide solutions to more customers, strengthening our base for competitive advantages.

Major processes that Provide a Competitive Advantage

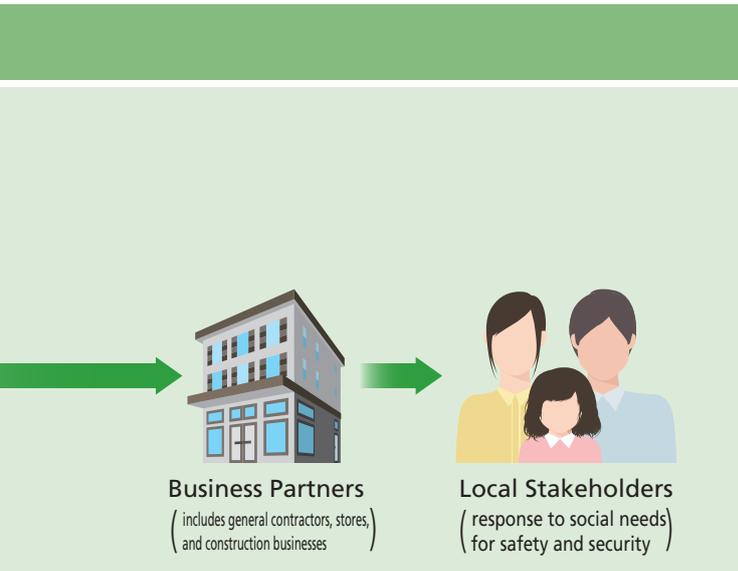
In social infrastructure development, it is necessary to place the safety of the environment of the local community first, not only direct customers, but also the people who perform the construction and all the people who benefit from the social infrastructure.

For this, we are constantly reviewing the value chain to realize our business model from planning and development to construction and after-sales service to produce high-quality products.

Revenue Structure and Industry Driving Force

In the Japanese civil engineering market, we expect demand to increase in the areas of disaster recovery/prevention, pollution control, Chuo Shinkansen related solutions, and social infrastructure renewal. In this sector, we will support solving social issues by providing solutions that combine our construction, quality assurance, and other aspects in addition to product proposals, and will increase profitability by developing highly productive businesses.





Social Needs Addressed by the Company

Among diversifying social needs, those that the infrastructure material business will be requested to address in the future is the creation of a healthy and prosperous land, living convenience improvement, disaster prevention/mitigation, regeneration/ strengthening of the social infrastructure, and coexistence of society and the environment.

Provision of Custom Value

We will contribute to the realization of the universal values that are a comfortable environment, resilience, security and safety, and the development of a sustainable social infrastructure for all stakeholders who enjoy the benefits of the social infrastructure.



Added Value Provided to Society



High stiffness resistant polyethylene pipe

Helping to Make People's Lives Safer and More Secure

Preparations to make people's lives safer and more secure are once again the focus of attention as a result of climate change that has been occurring in recent years and the aging social infrastructure. The various civil engineering materials and services provided by this business group contribute to the creation of local communities where people can live in peace and comfort by improving the safety of the social infrastructure.

Sustainable Solutions

The number of existing sewer pipes which have surpassed their legal service life of 50 years has grown rapidly, and there is growing concern about the destruction of pipes due to corrosion inside the sewer pipes and the resulting collapse of roads. One of the solutions by our business group is the pipe renewal method to revive aged sewer pipes, a method of remodeling the inside of sewer pipes using strong materials without having to dig through roads. The rehabilitated pipe features excellent chemical resistance, wear resistance, and durability. These attributes make it extremely strong, contributing to a longer pipe lifespan.

Furthermore, the amount of work performed in minimized and the construction people is shorter compared to replacing the pipe itself. This reduces the impact on the living environment of the local community and significantly reduces the cost, making it easier to maintain/improve sewer pipes. As a result, this method has been widely adopted, used for applications ranging from small diameter sewer pipes in small cities to large sewer pipes in large cities, contributing to comfortable living in local communities and sustainable sewer projects.



Construction examples using the pipe renewal method

High Functional Materials Division

We will contribute to the development of the coming IoT society by providing products offering more value by making full use of our polymer formulation and processing technology.

Toshio Tamaki
Managing Executive Officer,
Chief Operating Officer of the High Functional Materials Div.

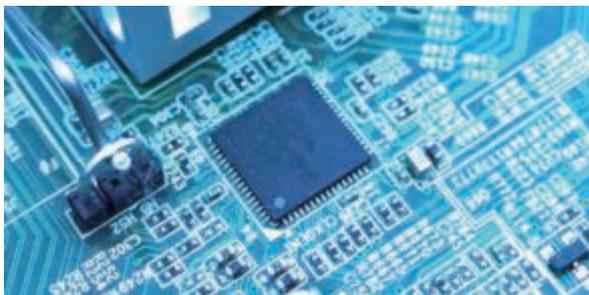


Business Description

The High Functional Materials Business Division is made up of our plate business that mainly manufactures and sells universal resins such as PVC, PC, and PET as well as magnetic materials, our micro motor business, and affiliate companies that handle ultra fine particles, engineering plastics, and acetate. Distinct products are expanding worldwide as a result of responding to the high quality requirements of customers throughout our long history by adding various types of functionality in addition to improving basic functionality. We provide products in a wide range of fields, from those that support the industrial infrastructure, including semiconductors, LCD/organic EL panel manufacturing equipment, to those that enrich our lives, such as cameras and eyeglasses.

Market Environment

With the start of full-scale operation of 5G (next-generation communication standard) networks and the promotion of telework as a countermeasure against the new corona virus, demand is expected to further increase in the fields of semiconductors and FPDs, which are the main fields of focus this division for future business. Such demand includes demand for smartphone replacement and data center capacity expansion. In addition, the motor market, which calls for miniaturization and energy savings, will also expand.



(Unit: Millions of Yen)

	FY2018 Results	FY2019 Results	Compared to FY2018
Net Sales	18,935	17,267	△1,668
Operating Profit	1,874	1,313	△561

Results of FY2019 Initiatives (Results and Issues)

In the High Functional Materials Business segment, its mainstay product of industrial plates and related products were impacted by a decline in capital investments for semiconductors and US-China trade friction. Conditions remained difficult through to the third quarter to bring net sales to 17,267 million yen (down 8.8%) and operating profit to 1,313 million yen (down 29.9%). On the production side, however, in order to meet the high level of demand for PVC materials for semiconductor manufacturing equipment, which is expected in the future, we have promoted the establishment of a system that can promptly shift to increased production. Also, we have decided to invest in increasing the production of filter plates and engineering plastic materials. Challenges we are facing are the promotion of new product development in the ultrafine particle processing and motor businesses, and to enter new markets early.

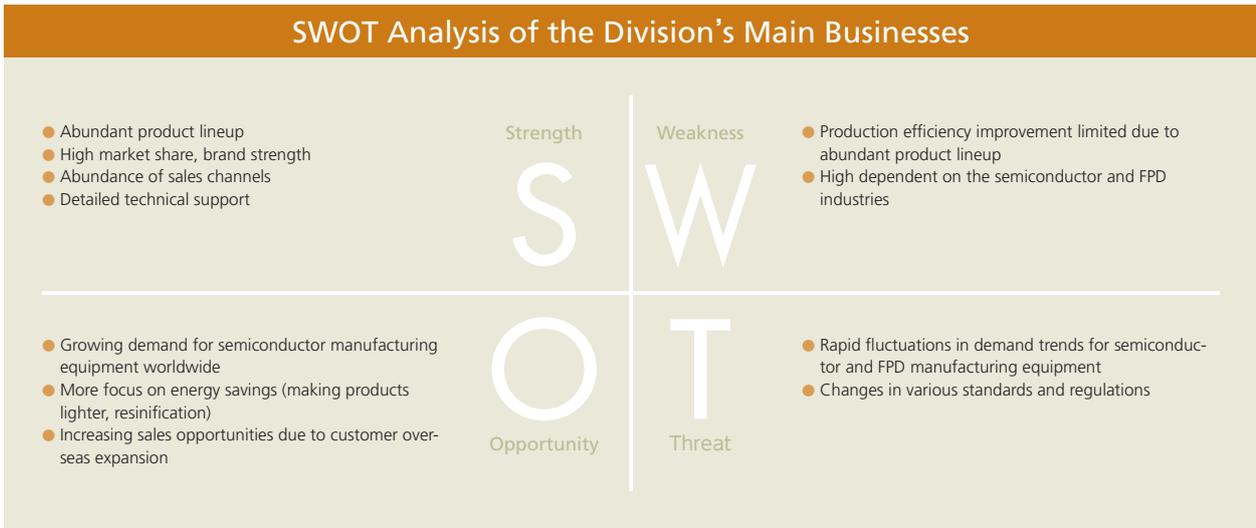
Development of Environmentally Friendly Products

As an initiative to realize a sustainable society, we have worked on product development focusing on the utilization of renewable resources derived from biomass and recycled materials. In particular, we are developing products that focus on the functions of biopolycarbonate and cellulosic materials as well as products that add new value by using unique formulation technology for recycled materials. We plan to bring these products to market at an early stage.

Long-term Outlook

(Environmental Considerations, Global Expansion, etc.)

Our plate business will continue to grow indefinitely while providing customer satisfaction and earning stable profits. The motor business will develop dramatically with the aim of achieving high profits with a visionary strategy, making thorough efforts to improve functionality and product differentiation. We will promote overseas expansion and develop business together with our customers in all areas of the world.



Overview of Main Businesses

Plate Business

By providing plate products made of PVC, PET, and PC resin materials as intermediate materials, our plates are used in a wide range of industrial fields around the world.

Market Conditions

Demand in our mainstay semiconductor manufacturing equipment field has been sluggish for several years due to the decline in memory demand. However, the market is expected to expand at an accelerated rate in the future due to the spread of 5G, IoT, and other technologies.

Business Conditions

As demand for semiconductors and FPDs was sluggish, we focused on new areas, such as expanding sales of laser shielding plates. Although we achieved certain results and worked to improve production capacity in preparation for increased demand, overall we were unable to achieve sufficient results.

Future Priority Measures

We will maintain and develop a solid supply chain, improve production capacity, pursue high quality, and accelerate expansion into new business fields so that we can always meet customer needs.

Motor Business

In the motor business, we provide on a global level coreless motors that can be miniaturized, save power, and make use of our unique technology with excellent responsiveness which are used in products in a wide range of fields.

Market Conditions

Since our motors are used in a wide range of fields, including the medical, camera, hobby product, and industrial fields, market where the advantages of coreless motors can be utilized are expected to continue to grow steadily.

Business Conditions

Although competition became fierce with the market expansion, we received praise from customers for our high product quality, and demand increased due to responding to customer needs in a detailed manner and ability to work quickly. As a result, we were able to establish a system for increasing production and create a solid track record.

Future Priority Measures

In order to further respond to the needs of the market, we will expand our lineup of products that offer improved functionality, such as gear motors and motors with encoders, and work to strengthen sales.



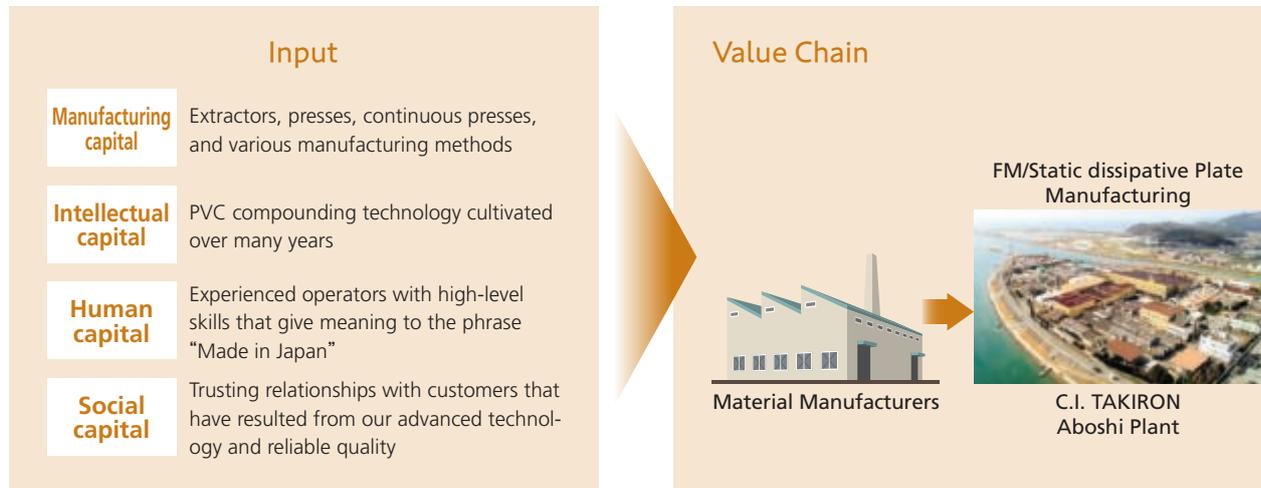
Semiconductor Wafer Processing Device (product illustration)



High Functional Materials Division

Value Creation Model FM/Static Dissipative Plates for Semiconductor and FPD Manufacturing Equipment

System for Providing Added Value



Competitive Advantages

Market Competition

Although there are many competing manufacturers in Japan and overseas, from small- to medium-sized businesses to large companies, the number of companies capable of supplying products to businesses in the semiconductor/FPD manufacturing equipment field, a segment which requires products of high quality, is limited. We are trying to differentiate ourselves from the competition through comprehensive product development using FM/Static dissipative plates for semiconductor manufacturing equipment.

Competitive Advantages

We offer high quality based on our technology cultivated over many years in the industry, and an abundant product lineup and high level of brand strength that can be realized only by grasping customer needs and continuing to meet their demands. In addition, we have a strong global sales network based on long, trustful relationships. We believe that these strengths together serve as the strength of this business.

Initiatives for Competitive Advantages

This division is improving the functions of products in order to further evolve the semiconductor manufacturing process and improve the safety of the equipment environment from the perspective of flame-retardant materials. We are also developing new products in order to pioneer the performance required for next-generation processes.

Major processes that Provide a Competitive Advantage

We are always innovating our PVC formulation technology that we have formed over 60 years by adding new knowledge to it. Taking advantage of our top market share position, we are quick to catch market demands, and our sales, development, and manufacturing sections are united to continue to introduce products that are ahead of the competition. Also, operators backed by solid experience make full use of various manufacturing equipment to deliver reliable Japanese quality to the whole world.

Revenue Structure and Industry Driving Force

In the semiconductor/FPD manufacturing equipment market, which is expected to expand further in the future, products that are important for maintaining superiority and securing profits are products that are flame-retardant and FM standard compliant, and static dissipative plates that suppress the generation of static electricity and prevent static from generating inside clean room equipment. Both products are indispensable in the semiconductor/FPD manufacturing processes. By surpassing the competition in terms of quality and product lineup, these products serve as the pillars of our profits.



Each product is processed by a PVC plate (FM/Static dissipative) processing businesses (customer) into a shape that meets the user's request and are then used as semiconductor manufacturing equipment parts.

* PVC plates become semiconductor manufacturing equipment parts and a part of housings as a result of cutting, bending, welding, and other processing tasks.



Customer/Consumer Needs

In the semiconductor/FPD manufacturing processes, quality control for improving yield and productivity is the most important matter. High-level quality is required for directly related manufacturing equipment. For FM/Static dissipative plates used in manufacturing equipment, we always aim to steadily provide high quality to meet demand.

Provision of Custom Value

In order to provide a stable supply of high-quality products that meet customer needs, we thoroughly analyze past complaint information to establish what needs to be improved as well as actions to be implemented in all processes of production, distribution, and sales for increasing customer satisfaction. While continuing to develop products that meet customer demands, we will discover new customer needs and take the next step to provide new value.

Added Value Provided to Society



Contributing to Making Life More Convenient in Ways Unseen

We contribute to making life more convenient in ways unseen by providing materials with flame retardancy and anti-static properties for semiconductors, which serve as the foundation of all industries, and manufacturing equipment that supports the high quality of liquid crystal and organic EL displays that enrich people's lives.

Sustainable Solutions

PVC plate, our main product, is made up of chlorine (Cl), which is derived from the abundant natural resource salt (NaCl) which makes up about 57% of its composition. This is unlike many other plastics that use 100% petroleum resources, contributing greatly to the savings of limited resources.



Specialty Films Division

This division will continue to promote the concept of “enriching people’s lives and making them more convenient” through specialty film applications. We will continue to provide peace of mind to people’s lives through specialty film applications that people can experience directly through touch.

Hidehiro Shima
Executive Officer,
Chief Operating Officer of the Specialty Films Div.



Business Description

The Specialty Films Division has two business pillars: BONSET and SANZIP Businesses.

BONSET is a brand of shrinkable films (heat shrinkable films) first created in Japan used for labels, cap seals, molded products, and other various purposes using three types of materials. SANZIP is a brand of re-closable plastic zipper tapes which are used in various fields, including the food business.

With Okayama Plant in Japan serving as the mother plant, we are working to maximize the production efficiency of each base while strengthening technical cooperation with BONSET AMERICA and BONSET LATIN AMERICA. We are also promoting the construction of a global optimal production and sales system at four bases around the world, including the Hiratsuka Plant (SANZIP business) and SHANGHAI SANPLUS PLASTIC. Promoting both BONSET and SANZIP as the de facto standards, we utilize the strengths of local production, realize the advantages of high quality, prompt after-sales service, and realize short lead times aiming for further business expansion.

Market Environment

The global shrink film market is expanding with a growth rate of 3% to 4%. We expect that worldwide demand will shift and expand to focus on PET materials in the future from perspective of environmental consideration. In order to conform to this shift, we are investing in equipment to enhance our PET film production capacity and plan on starting the production of environment-friendly PET films through our own proprietary manufacturing process as well as their sale.

Zipper tapes are also expected to see annual market growth of 5% to 6% primarily in Asia, including Japan, North America, and Europe. Due to the nature of products for pharmaceutical and food applications, domestic customers demand strict quality requirements, safety, and proper bag production (providing low-temperature sealing performance, multi-sealing properties, etc.). There is a demand for highly designed products, such as child resistant products that cannot be easily opened, and environment-friendly products such as mono-material and biodegradable products. We will further promote a production system that can meet these various demands at both our Japan and Shanghai production bases.

(Unit: Millions of Yen)

	FY2018 Results	FY2019 Results	Compared to FY2018
Net Sales	20,824	19,684	△1,140
Operating Profit	1,969	1,155	△814

Results of FY2019 Initiatives (Results and Issues)

BONSET business sales saw a year-on-year fall due to label revisions under FDA regulations in the North America. This year, we will add environmentally friendly products suitable for recycling to our new product lineup for sales recovery.

As for SANZIP Business, although zipper sales in Japan drove business performance, expansion of sales to North America has experienced a significant pullback due to the effects of trade friction between the United States and China, prompting a strategy review. We are proud to say that we received the Gold Award at Dow’s 2019 Packaging Innovation Awards for our Sensory Zipper that consumers can “hear and feel.” In addition, our VDS (Vertical Drum Stand), which was developed as a solution for reducing entanglement when using zippers and able to run the drum spun zipper continuously for long hours, has been well received and is expected to be used in the future as a tool for expanding zipper sales. In March 2019, SHANGHAI SANPLUS PLASTIC, our manufacturing base in Shanghai, acquired the long-sought FSSC 22000 certification. This has provided us with a great advantage in delivering zippers to European food manufacturers.

Development of Environmentally Friendly Products

	BONSET	SANZIP
(1)	Biomass films	Biomass zippers
(2)	Low-density films	Biodegradable zippers
(3)	Thin films	Mono-material zippers

Long-term Outlook (Environmental Considerations, Global Expansion, etc.)

We will not only address the requirements to protect the global environment, but will also focus on next-generation product development that aims to realize a sustainable society in harmony with the environment utilizing our four global production bases located in Japan, China, North America, and South America.

SWOT Analysis of the Division's Main Businesses

<ul style="list-style-type: none"> ● Capable of manufacturing a variety of products according to application with our unique compounding technology ● We possess production bases in Japan (Hiratsuka and Okayama) and overseas (China, US, and Uruguay), creating globally optimized production and sales ● Lineup of biodegradable, mono-material, biomass and other eco-friendly products 	<p>Strength</p> <p>S</p>	<p>Weakness</p> <p>W</p> <ul style="list-style-type: none"> ● Few new product launches ● Brand value has not permeated the markets in developing nations ● There is no manufacturing base in the United States, which is the largest market for SANZIP products
<ul style="list-style-type: none"> ● Demand and application expansion both in Japan and overseas (food, chemical supplies, pharmaceuticals, etc.) ● Since quality requirements are strict in Japan, it is difficult for low-priced products from overseas to enter the domestic market 	<p>Opportunity</p> <p>O</p>	<p>Threat</p> <p>T</p> <ul style="list-style-type: none"> ● Material shift due to environmental problems ● Friction between the US and China and risks from doing business with China ● Cheap competition in overseas markets

Overview of Main Businesses

BONSET Business

Market Conditions

BONSET products are primarily sold in Japan, North, Central, and South America, Europe, and Oceania. The market for its products is growing at an annual rate of 3-4% along with population growth. On the supply side, however, no large-scale expansion has been seen and it is expected that the balance of supply and demand will become tighter in the future. In regard to environmental measures, brand owners are playing a central role in Europe and the United States.

Business Conditions

Global demand for shrink film in fiscal 2019 is approximately 400,000 tons. Although our share of that is one of the largest in the world, it is still only 10% of the market. Therefore, in addition to the North American base that was expanded from this year, as the second step of our growth strategy, we will further increase our share on a global basis and aim to acquire top market share in the global market.

Future Priority Measures

- Improvement of productivity through aggressive capital investment
- Acceleration of the manufacture and sales of environment-friendly products

SANZIP Business

Market Conditions

Zipper demand in Japan is expected to continue to grow by about 5% annually due to diversification of tastes, smaller bags, and expansion of the base of products used.

We are expanding our overseas business mainly in Asia, Europe, and North and South America. In Europe and North America, since there is a particularly strong awareness of environmental issues, there is an increasing demand for environmentally friendly zippers.

Business Conditions

In Japan, there are many customers who have strict demands for quality, and sincerely responding to those demands leads to business expansion. On the other hand, although the world zipper usage in fiscal 2019 is about 65,000 tons, our market share is only 5.5%. This is largely due to the delay in capturing the North and Central America markets which account for 67% of global demand.

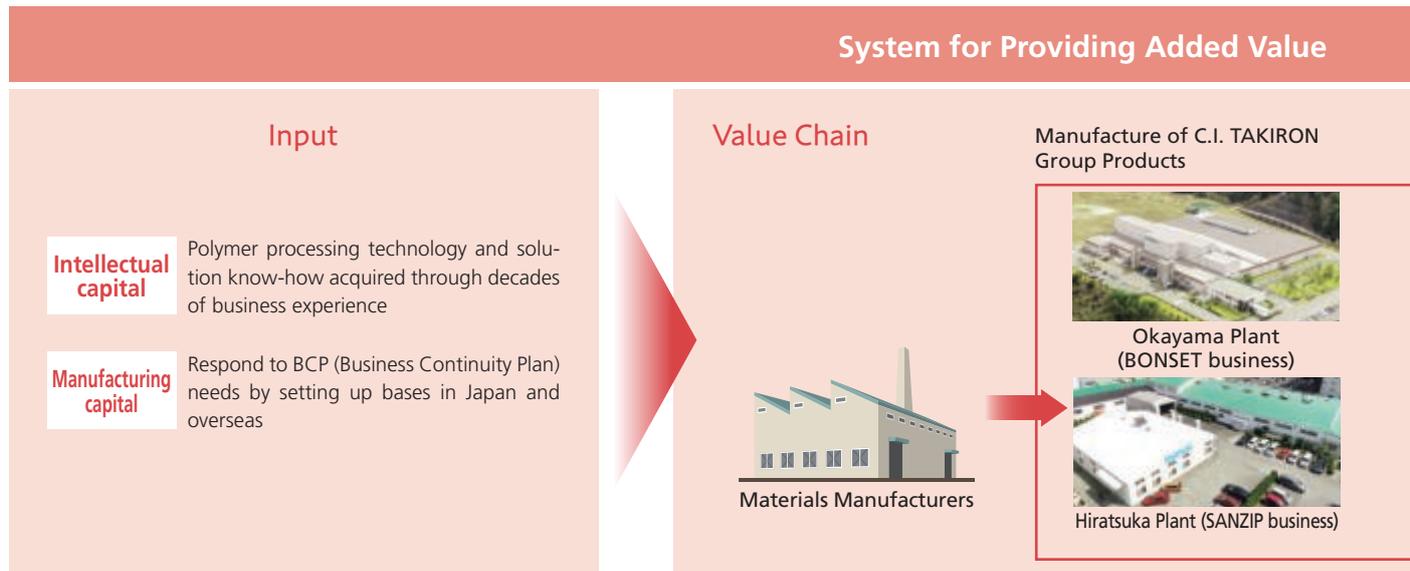
Future Priority Measures

- Increase production capacity at the Hiratsuka Plant to meet increasing demand
- Review of sales strategy for North America
- Expansion of environment-friendly zipper sales (development and relevant certification acquisition in each country)
- Development of zippers with high designability (child resistant, etc.)



Specialty Films Division

Value Creation Model BONSET Business/SANZIP Business



Competitive Advantages

Market Competition

Through our BONSET business, we propose shrink films that meet customer needs using three types of materials. In our SANZIP business, we fiercely compete with competitors in business scenes that meet the diverse needs of customers in various fields, including the processed foods business.

Competitive Advantages

BONSET Business

The advanced technical capabilities and know-how that enable optimal film quality design according to usage scenario are highly evaluated by brand owners around the world. In addition, since shrink film use as well as its market are expanding worldwide, we are expanding our production facilities in response to that expansion.

SANZIP Business

Utilizing our unique resin composite technology that combines materials and advanced molding processing technology, we also offer hybrid types that support all types of polyolefin seals to meet the diverse needs of our customers. In addition, we offer a large selection of SANZIP tape products for different shapes and applications, and promptly respond to customer requests in detail and by manufacturing molds in-house.

Major processes that Provide a Competitive Advantage

BONSET Business

We are strengthening technical cooperation for BONSET, a business initially established in Japan, at three global bases (Okayama Plant in Japan serving as the mother plant, BONSET AMERICA (US), and BONSET LATIN AMERICA (Uruguay)) and promote a production and sales system convenient for global consumers.

SANZIP Business

We are expanding our sales channels to dozens of countries around the world, including countries in Asia, Europe, and the Middle East. Also, in response to the recent growth of the global market, we are proceeding with efforts to increase production.

Revenue Structure and Industry Driving Force

BONSET Business

Expanding market share will drive profit growth. The global market for shrink films is expected to continue to grow by 3-4% annually. We will aim to capture top market share of the global market by further accelerating production and sales in optimal locations utilizing our three global bases.

SANZIP Business

Product development/globalization will drive profit growth. SANZIP Tape is used in various product packages in response to the diverse "reopening and closing needs" of customers. We are also continuing to develop the market for overseas sales expansion.



Added Value Provided to Society



Contributing to the Earth's Environment Through the Proliferation of Environment-friendly Products

We are also approaching the requirements for environment-friendly plastic products from various directions, including biodegradable, biomass, and recyclable products, as well as mono-materials. All of these efforts are in the initial stage of technical development. Although we are just taking the initial steps, we are establishing products that can meet the needs of our customers and developing the market.

Customer/Consumer Needs

BONSET Business

Customers are demanding design quality that considers various uses/product contents, including use as labels, cap seals, and molded products. There is also a demand for products that meet the demands for global environmental protection.

SANZIP Business

Customers are increasingly adopting use of zipper for packaging that did not utilize zippers in the past, whether for food or non-food product packaging. There is also a demand for the use of environment-friendly materials.

Provision of Custom Value

BONSET Business

Taking advantage of local production, we aim to further increase orders by realizing short lead time in addition to the advantages of high quality and quick after-sales service. Furthermore, we will also focus on next-generation product development that aims to realize a sustainable society.

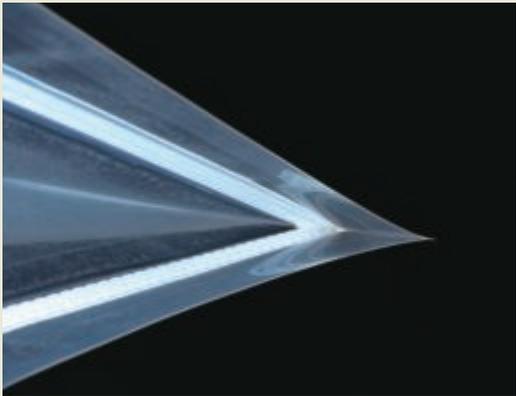
SANZIP Business

We will broadly look beyond existing fields and focus on expanding into markets that are expanding due to diversification of applications. In addition, we will actively develop and propose products that meet the demands of the times, such as the use of environment-friendly materials.

Sustainable Solutions

Providing Solutions for the Environmental Impact

Among our 3R solutions (recycle, reuse, and reduce), we are proceeding with product development with a particular focus on recycling (recycled resin) and reduction (reducing material thickness). For development, will continue to invest the management resources of people, goods, and money to eventually realize solutions.



Zipper Tapes

Technology,
Research &
Development

Creation of New Business and Development of New Products Bearing the Future



Research and development activities at C.I. TAKIRON play a vital role in achieving new value creation for the future. In addition to solving the problems faced by each business division, we also grasp environmental and social issues and market needs with our own technology serving as the core and create high value-added products or new businesses by utilizing internal or external technologies. We make contributions with our polymer technology to create a future that is people and the earth friendly.

Akihiko Shiraishi
Executive Officer and in Charge of the R&D Department

Competitive Advantages (Strengths)

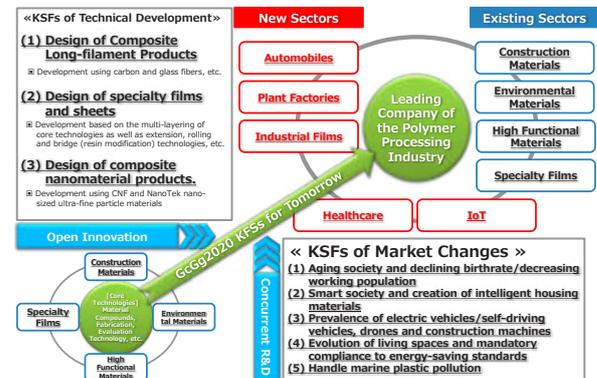
- (1) C.I. TAKIRON has been expanding its corporate scale and business domains as a comprehensive polymer processing manufacturer since the management integration in April 2017. The synergistic effect will drive us even in research and development.
- (2) C.I. TAKIRON utilizes advanced mix design technology, equipment design technology, and fabrication technology to fabricate products from films with a thickness of several microns to plates with thicknesses of several dozen centimeters.
- (3) C.I. TAKIRON holds the top share of products in a wide range of business regions through unique and superior material development, film and sheet development with high added value and functionality, technological development for geometric designs, and the development of installation technology and new processing methods.
- (4) C.I. TAKIRON possesses the high-precision analysis devices and analysis capabilities indispensable for development.

Important Strategies and Progress

C.I. TAKIRON takes full advantage of open innovation and concurrent research and development based on the “for tomorrow” keywords in the Good Chemistry Good Growth 2020 Key Success Factor (KSF) in the medium-term management plan to not only forge new regions but also expand existing regions according to short-term development themes.

As the KSFs of market change, we have outlined measures that include the standardization of AI and robots as measures to address an aging society with a declining birthrate as well as a decrease in the working population, the use of IoT to facilitate a smart society, the creation of lighter and more functional interior materials to help innovate electric vehicles, as well as housing that offers both economic and environmental benefits to evolve living spaces. As the KSFs of technical development, we are furthering medium- to long-term development themes around our three core technologies for the design of composite long-filament products, the design of specialty films and sheets, and the design of composite nanomaterial products.

R&D philosophy



R&D System

Our research and development activities aim to promote the cultivation of budding new businesses as new growth engines and build businesses as new pillars of income through cooperation across departments in addition to the independent activities of the research and development as well as product development departments.

Furthermore, project activities that link production and sales departments as well as partnerships with affiliate companies promote the development of attractive products that respond to the needs of customers. These collaborative efforts also work in environment-friendly technical and product development based on the environmental preservation activities to address new social issues such as the marine pollution caused by microplastics.

Group-Wide New Product Review Meetings

The R&D Department and the product development departments of each business division are working together to revitalize the development of new products throughout the entire C.I. TAKIRON Group. In order to materialize the new products that will be responsible for tomorrow, we play a role in efforts for future corporate development and growth as well as promoting those efforts and in the construction of a system for managing and promoting the development system.

Convening New Product and Technology Presentations

New Product and Technology Presentations primarily ask junior engineers to present the technical themes that they have been working on at a venue to introduce and evaluate new products and technology throughout the entire company once a year. These presentations accelerate research and development by encouraging technical and information exchanges shared within Group companies.



2019 New Product and Technology Presentations Award Ceremony

Core Technology

C.I. TAKIRON hopes to provide specialty products with advanced commoditization. In other words, we will offer attractive products beyond conventional quality standards in addition to providing value from the customer perspective with the aim of becoming the leading company in polymer processing. Therefore, we must pursue the potential of materials in a research effort that ties to the development of a wide range of film, sheet, and panel products that offer distinct features and characteristics. C.I. TAKIRON also strives in research to explore and combine materials as well as integrate fabrication and peripheral technologies to improve added value. In addition, we also work to analyze and evaluate the materials and elements molded in this research while enhancing the base technologies of the C.I. TAKIRON Group to help increase the quality of products.

Development of Environment-friendly Products

Looking at the 3R+Renewable environmental initiative, we are focusing on reducing the use of petroleum-derived resources and development of recyclable plastics, biomass plastics, and biodegradable resins.

We are reducing the amount of petroleum-derived resources used in our plastics by blending natural organic fillers, such as starch and paper powder, or inorganic fillers, such as limestone and silica, into the polymer. For recycling, we are trying to create new products by utilizing used polymer products, so-called post-consumer products (product containers, sanitary materials, etc.). In addition, in order to improve the performance and processing of biodegradable resins and make full use of biomass plastics, we utilize polymer processing technologies such as composite technologies and shaping technologies possessed by C.I. TAKIRON.

New Product Topics

Packing Film Development

Packing film is an olefin-based film that offers excellent elasticity for stabilizing products as a substitute for cushioning materials used as home delivery packing materials. It is used by adhering it to cardboard.

This form of packing contributes to the reduction of polymer waste since the total amount of cushioning material can be reduced compared to that used conventionally. The film also offers excellent workability during packing. In addition, it is used for transporting gifts such as pottery and beauty products such as cosmetics because of its high-class design, which makes it possible to do things such as checking contents immediately after opening packages.

We are currently selling packing film to customers on a trial basis. The product has been well received for its transparency, ability to fit to products, etc.



Offers excellent transparency and elasticity



Packing material that has a neat appearance and is visually appealing

Development of Substrate Material Film for Dicing Tape

Utilizing our specialty film molding technology, which is the core technology C.I. TAKIRON, we are developing a substrate material film for dicing tape used in semiconductor fabrication.

In the future, we will continue to promote sales by aiming for even higher levels of functionality.

Dicing tape: Adhesive tape used for mounting semiconductor wafers and package substrates to frames in the semiconductor dicing process.

Development of an Artificial Light Hydroponic Cultivation System

As an initiative to achieve the Sustainable Development Goal "zero hunger," we are developing an artificial light type hydroponic cultivation system that is capable of growing lettuce stably and in a sanitary manner by utilizing the polymer processing technology of C.I. TAKIRON.

Continuing from last year, we will also exhibit this technology at exhibitions and carry out PR activities for sales.



Nutriculture System

Personnel and Human Resource

Toward New Work Styles and Employee Development



As the spread of Covid-19 demands a shift in work styles, we are also working on creating new work styles (remote work, online meetings, etc.) to further improve the environment in which working people can demonstrate their abilities with peace of mind.

This year, we have also been recognized as an excellent corporation for health management. In order to provide a workplace where we can continue to work with peace of mind, we will continue to work on the practice of the Better Life Management Declaration. Together with establishing the concept of “ideal human resources,” we expect individual growth and will enhance the education and training to support that growth.

Yukihiro Iwata
 Managing Executive Officer,
 Chief Operating Officer of the Corporate Administration Division

Better Life Management Declaration



We provide a quality workplace for a better life

The ability for each and every employee to live a better life helps the sustainable growth of our company. While faced with a decreasing working population due to an aging society with a declining birthrate, we must build an environment where both the employees and company can grow through sufficient display of the capabilities that diverse human resources have to offer in order to heighten corporate competitiveness. As a means to this end, it is necessary for the company to provide a quality workplace that leverages individuality rather than expecting employees to conform to a standard role model archetype. On April 1, 2019, we formulated the Better Life Management Declaration in order to share our thoughts with employees as an important medium- to long-term measure of management. We advocate support for diverse work styles, support for purposeful work, and support for better health as vital measures in building a quality workplace, and we are striving to cultivate a new corporate climate. In fiscal 2020, we will introduce “health management,” a new element, and strengthen Better Life Management Declaration related initiatives in order to grow the company and increase its corporate value.

Ideal Human Resources

[Ideal Human Resources]

Communicate, Commit, Be Proactive

Take Initiative and Drive Forward

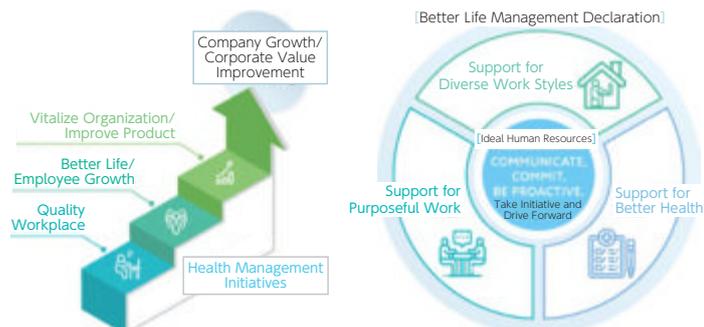
To Grow as a Leading Company

In fiscal 2018, the second fiscal year after the management integration, we embodied the concept of Ideal Human Resources in the Let’s Talk More project in which in-depth discussions were held between teams divided into each generation from people in their 20s to people in their 50s.

Our Ideal Human Resources concept strongly calls for awareness as expressed by “Communicate,” “Commit,” and “Be Proactive.” We are developing human resources who are responsible for their work, who can complete the work without discarding it, and who can increase their own value of existence by completing their work.

Communicate	Human resources capable of actively communicating with everyone inside and outside the company and conveying their thoughts
Commit	Human resources who think for themselves, act for themselves, and fulfill their responsibilities
Be Proactive	Human resources who can anticipate situations and actively realize new business and innovations

Our company provides a quality workplace where employees can work easily in accordance with the Better Life Management Declaration, and employees contribute to the lasting growth of the company through realization of the Ideal Human Resources concept.



Better Life Management Declaration - Important Measures

C.I. TAKIRON strives to encourage the formulation and use of programs with these important measures at the core to support a better life for our employees. We also conduct employee surveys to verify the effectiveness of our efforts.



1) Support for Diverse Work Styles

C.I. TAKIRON adopts systems such as an hourly leave system and a telework system with the goal of realizing a workplace where each employee can select a working style according to their stage of life. As for measures to prevent the spread of Covid-19, we plan to extend the scope of the telework system to all employees who can work from home to improve the infrastructure as well as make use staggered work hours and continue doing so in the future.

With regard to childcare leave for male employees, the rate of taking childcare leave in fiscal 2019 increased significantly by establishing a short-term childcare leave system to make the leave easier to take. In fiscal 2020, we have set a target of 75% or above as the acquisition ratio of childcare leave for male employees and are promoting support for diverse work styles.

Acquisition Ratio of Childcare Leave for Employees

	FY2019 (Female)	FY2019 (Male)	FY2020 (Target for Male Employees)
Number of Employees Qualified to Take Childcare Leave During the Applicable Fiscal Year	7	32	—
Number of Qualified Employees that Took the Childcare Leave	7	29	—
Acquisition Ratio	100%	90.6%	75% or above

Percentage of Employees that Returned to the Company After Taking Childcare Leave

	FY2019 (Female)	FY2019 (Male)
Percentage of employees that returned to the company within the applicable fiscal year after childcare leave	100%	100%

Retention Rate of Employees that Took Childcare Leave

	Female	Male
Number and percentage of employees still at the company 12 months after returning to work in FY2018	6 100%	10 100%

2) Support for Purposeful Work

C.I. TAKIRON implemented career consulting and job rotation programs as a framework to support the purposeful work of its employees. Career counseling provides career development support through counseling with supervisors. Employees create an action plan and confirm a growth process after sharing their ideal

future and their thoughts about their career with their supervisor and colleagues based on a career vision sheet drafted by the employee themselves. The job rotation program is a program in which employees move to a different department five years after joining the company with the hope of aiding in their development by providing a wide range of experience. These frameworks support the expectations from the company and the passion that employees have about a career as a means to help facilitate a better professional life and purposeful work.

3) Support for Better Health

C.I. TAKIRON has adopted a financial incentive program to encourage employees to take paid leave as a framework that helps promote better health with the goal of realizing a workplace that is sound for both the mind and body. This program helps employees refresh their bodies as well as minds and provides support for a healthy and energetic work style by ensuring every employee actively takes paid leave. We have set a target for an 80% employee acquisition rate of paid leave for fiscal 2020 and recommend that employees regularly take paid leave.

Furthermore, in order to better the health of our employees, we are aiming to cultivate awareness about employee health by expanding the items for medical check-ups, disseminating and recommending specific health guidance, fully subsidizing online smoking cessation programs, and conducting stress checks.

Rate of Paid Leave Taken by Employees

FY 2018	FY 2019	FY2020 (Target)
62.4%	91.2%	80% or above

Specific Health Guidance Implementation Rate

FY 2018	FY 2019	FY2020 (Target)
—	40.9%	60% or above

Smoking Rate

FY 2018	FY 2019	FY2020 (Target)
—	35.2%	30% or lower

In March 2020, C.I. TAKIRON was recognized as an excellent corporation for health management under Health & Productivity 2020. Striving to become a White 500 company, we are strengthening our Better Life Management Declaration related initiatives.



Voice of a Male Employee Taking Childcare Leave

Jun Kamitamari Manufacturing Group, Yasutomi Plant

I was the first to take a short-term childcare leave in the Manufacturing Department with heartfelt support from my colleagues and superiors. I did my best to support my wife by doing household chores and child raising during the leave to let her rest, but it realized how difficult raising a child is. I hope I can take part in building an environment where taking leaves is even more easier for my colleagues.



Toward New Work Styles and Employee Development

Diversity & Inclusion

We believe that the acceptance of diverse human resources regardless of age, gender or nationality as well as understanding and respecting a wide range of values and viewpoints vitalizes the organization and helps employees grow.

At first, we provide in-house training so that each employee can better understand the concepts of “diversity & inclusion,” respect the various values and differences of each individual, and create a corporate culture in which all people can fully demonstrate their abilities.

1) Active Participation of Seniors (Continued Employment of Retirees)

We provide employees who would like to be re-employed at C.I. TAKIRON after they retire with a workplace that considers their hopes as an employee, such as the business category and number of work days, to support their active participation.

C.I. TAKIRON holds Second Life Seminars as a place for employees in their 50s to learn how to plan and stay aware in their daily life after retirement. This enhances both their public and private life after retirement and builds a system able to facilitate even more active participation.

Status of Continued Employment for Retirees

	FY 2017	FY 2018	FY 2019
Number of Retirees	17	17	20
Number of Re-employed Retirees	10	15	16
Re-employment Ratio	59%	88%	80%

2) Employment of Disabled Persons

We support the employment of disabled people as part of our efforts to encourage the active participation of diverse human resources, and we are furthering the employment of disabled persons at each of our corporate offices.



Employees who work at the Iwatsuki Saitama Farm

In addition, C.I. TAKIRON has been providing support aimed at increasing disabled people's desire to work through the Work Happiness Iwatsuki Saitama Farm since June 2019 by cultivating and harvesting vegetables. The vegetables that they harvest are deeply liked by employees. Their positive feedback also helps to motivate everyone working at the farm.

Employment Ratio of Disabled Persons

	FY 2017	FY 2018	FY 2019
Employment Ratio of Disabled Persons	2.11%	2.11%	2.26%
Statutory Employment Ratio	2.00%	2.20%	2.20%

3) Initiatives to Promote the Active Participation of Women

We have formulated an action plan and raise awareness both inside and outside of the company in accordance with The Act on Promotion of Women's Participation and Advancement in the Workplace while building a workplace where everyone can work enthusiastically regardless of their gender.

Action Plan to Promote the Active Participation of Women from April 2018 to March 2021

- (1) Increase the ratio of new female graduate employees to at least 30%.
- (2) Cultivate an organizational climate where female employees can participate without worry.
 - Introduce programs to support flexible work styles.
 - Build systems to support career development.
 - Conduct training to change the attitude toward female employees.

New Female Graduate Employment Ratio

	Joined 2018	Joined 2019	Joined 2020
Number of New Graduate Employment	12	14	11
Female	4	4	6
Female Ratio	33%	29%	54%

Employee Composition

(Fiscal Year)



Board of Directors/Audit & Supervisory Board Composition*

	Board of Directors		Audit & Supervisory Board	
	2019	2020	2019	2020
Total	9	8	3	4
Male	9	7	3	3
Female	0	1	0	1

* Composition after the regular General Shareholders' Meeting held each year

System for Human Resource Development

C.I. TAKIRON establish two types of assessments, achievement-based assessments and skill-based assessments, to serve as the core of a system to help the development of employees based on the belief that the growth of employees is the source of growth for the company.

For achievement-based assessments, all employees set individual goals that match the goals of the organization to which they belong and are evaluated according to their final level of achievement. Supervisors will consult with employees regularly to see if they are progressing according to the original plan while offering

Foundation of Value Creation

advice to support their success toward these goals, which at the same time builds mutual relationships founded in trust. Through these achievement-based assessments, employees see their contributions to the company and their growth.

For skill-based assessments, abilities required for each occupation and grade are set in advance, and how those abilities are demonstrated is evaluated at the individual employee level. This assessment helps employees to discover areas where they are strong and areas where they can grow to help them grasp the necessary skills to further heighten their abilities.

We then consult with employees about their career based on the results of these two assessment systems to facilitate close communication between each supervisor and employee. The career consulting program flushes out the direction for the employee to proceed by having both the supervisor and employee think about the career path. The supervisor also creates a career development plan to support employee development.

Education and Training

C.I. TAKIRON has established an education system and provides a broad range of opportunities to foster the development of the employees who help enhance the value of the company while also helping the employees themselves grow. We have designed education programs according to the career paths of our employees from training that develops the necessary skills by occupation and grade to education programs that teach active participation as global human resources, distance learning that supports self-development as well as incentive programs to acquire qualifications.

Global Human Resource Development System

In order for employees to play an active role at the global level, we promote examinations by paying TOEIC IP test fees, support English learning using e-learning, provide domestic-based English ed-

ucation comprised of one-on-one English lessons as a job training elective, and offer overseas language study and practical training programs. In FY2020, in order to prevent the spread of Covid-19, TOEIC IP tests and one-on-one English lessons, which are normally conducted in person, will be provided online instead.

Global Human Resource Development Programs and Number of Participants Foreign Language Study Abroad Program (Training in England)

FY2019 Programs and Number of Participants	
Practical Overseas Training	1
Foreign Language Study Abroad	2
Domestic-based English Language Education	14
e Learning-based English Language Education	91
TOEIC IP L&R Test	71



New Employee Training

In FY2020, in order to prevent the spread of Covid-19, group training and practical training at plants were stopped and online training was conducted for one month. Through introductory training, including web conference-based training in business etiquette and marketing, we support the acquisition of necessary knowledge to serve employees as members of society as well as members of our company.

New employees join follow-up training after working at the company for six months to consider their future career and verify their development as well as use of their skills after being assigned to a particular post.

New Employee Mentor Development Training

The new employee mentor development training for senior employees who have been with the company for several years aims to cultivate mentors (mentor employees) who support new employees both from a mental standpoint as well as with operational concerns.

Programs Designed to Improve Employee Skills

Program Name	Aims	Description	Designed for
Better Life Management Declaration Management Training	<ul style="list-style-type: none"> Understand the essence of the Better Life Management Declaration and the essence of Ideal Human Resources Create a management stance aimed at organizational growth Acquire skills necessary for career counseling 	<ul style="list-style-type: none"> Consider the duties of managers regarding the Better Life Management Declaration and Ideal Human Resources and exchange opinions Reflect on career counseling 	Managers
Manager Candidate Training	<ul style="list-style-type: none"> Understand one's own abilities and characteristics Acquire management skills 	<ul style="list-style-type: none"> Examine one's own abilities and characteristics through assessment and create/implement an action plan to develop those abilities 	Manager candidates
Second Life Seminar	<ul style="list-style-type: none"> Discover the significance of working after retirement and improve motivation Provide opportunities for considering plans after retirement 	<ul style="list-style-type: none"> Self-reflection and consideration of one's future role Give consideration to money planning 	Employees between the ages of 55 and 57
Management Simulation Training	<ul style="list-style-type: none"> Understand and learn how financial statements work, how to analyze them, and how to make decisions to improve management figures 	<ul style="list-style-type: none"> Use a PC to experience simulated corporate activities. Participants manage the company via simulation in groups and make various decisions in order to improve business performance. 	8th and 9th year employees
Sustainability Learning Program (At MORIUMIUS LUSAIL)	<ul style="list-style-type: none"> Cultivate the ability to take action independently Cultivate human resources who think about corporate activities and SDGs in relation to each other 	<ul style="list-style-type: none"> Experience cyclical living, group-based life, and primary industry through fishing and forestry 	4th year employees
New Employee Mentor Development Training	<ul style="list-style-type: none"> Understand and acquire necessary skills for training new employees Build relationships that also allow mentors to grow through guidance and training 	<ul style="list-style-type: none"> Understand the role as a mentor and the framework of how to proceed with training guidance to create guidance policies and training plans. Provide individual guidance, feedback, and acquire counseling skills 	Employees in departments to which new employees are assigned (by selection)
New Employee Training	<ul style="list-style-type: none"> Acquire a mindset that of a member of society and become motivated to grow Basic work behavior acquisition Learn about teamwork and acquire communication skills 	<ul style="list-style-type: none"> Understand about work as a member of society and acquire the mindset for it Learn business etiquette 	New employees

*All numerical data on this page are non-consolidated figures for C.I. TAKIRON.

Health and Safety

Building a Workplace Together Where Everyone Can Work Safely and Actively



The title is the name of the fiscal 2020 C.I. TAKIRON Group health and safety policies. Employee safety and health is our top priority. We believe that living a fulfilling life while maintaining safety and health will stimulate corporate activity which will lead to value creation. Therefore, we are continuing activities to improve the workplace where we can work safely and actively. We improve awareness in an effort to create a better workplace around 5S (Sort, Set in Order, Shine, Standardize, and Sustain) activities with the full participation of employees and to ingrain a sense of safety in every employee. We strive every day with the goal of sound workplace improvement with an atmosphere encouraging a free exchange of ideas.

Hideharu Iwasaki
 Director
 Managing Executive Officer,
 Chief Operating Officer of the Production Division

Health and Safety Management System

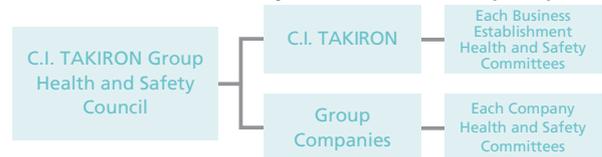
The C.I. TAKIRON Group regularly holds various health and safety meetings with the executives who are responsible for supervising health and safety to determine policies on health and safety activities as well as important measures to prevent accidents, and to expand health and safety activities to C.I. TAKIRON and Group companies.



Health and Safety Activities at Group Companies

Each C.I. TAKIRON company develops and promotes health and safety activities according to the integrated policies while working to prevent labor accidents and any recurrence under the slogan for every person to always think about safety and build a robust workplace. Each Group company also mutually shares and uses information to build a system that promotes a higher level of health and safety as well as risk reduction.

Framework of Health and Safety Activities Between Group Companies



Important Measures

- | Important Safety Measures | Important Health Measures |
|--|---|
| (1) Eradicate accidents via safety activities that all employees participate in | (5) Promote employees to take paid leave |
| (2) Provide education and practice basic safety activities | (6) Promote measures to improve health by actively using the results of medical check-ups |
| (3) Quickly identify accident factors and practice measure to mitigate risks | (7) Properly manage working hours |
| (4) Comply with relevant laws and regulations and fully respond to legal reforms | |

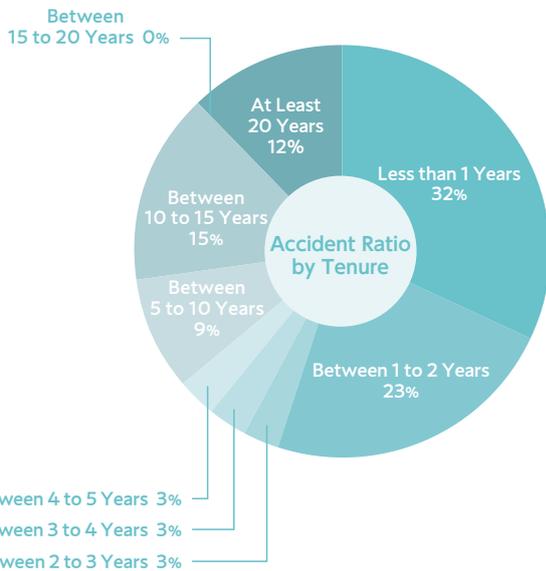
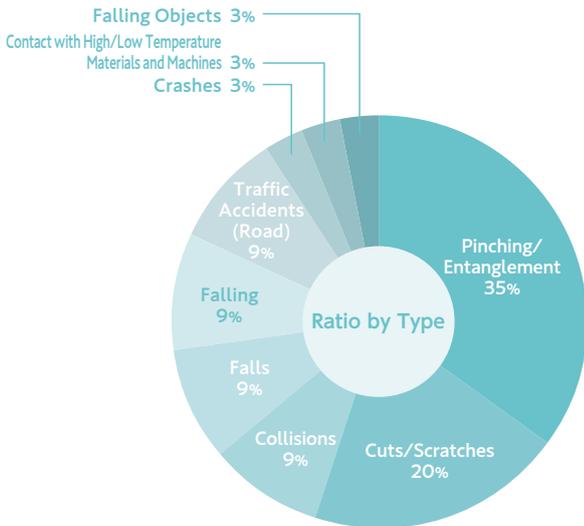
Activities at Production Sites

C.I. TAKIRON Group conducts various activities at each production site with the health and safety committees at the core.

The accident ratio of employees with a short work history of less than five years was high at 46% in fiscal 2017 and 65% in fiscal 2019 for the entire group. Therefore, we have drafted the Safety Education Manual for New and Transfer Employees. This manual defines the information, procedures, and follow-up common to each production site. We are also working to vitalize and improve the level of these activities by dividing Group companies and production sites into five groups while conducting mutual safety checks between plants (safety patrols between plants) to share information across sites, such as offering guidance and proposing improvements for inconsistencies as well as incorporating quality activities on one's own site by looking at good points of other sites.

Foundation of Value Creation

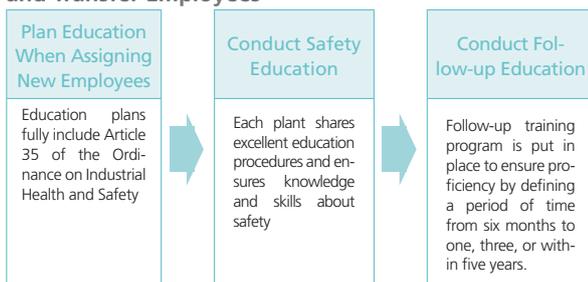
FY 2019 Occupational Accidents (Including Injuries with No Leave of Absence for All Group Companies)



Points of the Safety Education Manual for New And Transfer Employees

This manual defines the information, procedures, and follow-up common to each production site.

Three Points of the Safety Education Manual for New and Transfer Employees



Safety Simulation Training

Sensory training to heighten the ability of employees to anticipate danger is vital to prevent occupational accidents. C.I. TAKIRON introduced safety simulation equipment at the Aboshi Plant in fiscal 2017 and conducted this sensory training to heighten the ability of employees to anticipate danger. We conducted this training primarily at production sites around the Aboshi Plant in fiscal 2017. In fiscal 2018, we brought in safety simulators to conduct on-site simulation training for production sites throughout Japan. As a result, 2,235 employees from all C.I. TAKIRON plants as well as production sites of Group companies have taken the first phase of simulation training as of March 2020.



Safety simulation room

In addition, we started providing the second phase of simulation training in fiscal 2020. The first phase of training focused on experiencing danger and the focus of the second phase is not to down-play danger (to recognize danger at face value). By participating in multiple training sessions like these, we also aim to maintain ability to predict danger by employees.

Our goal is to eliminate occupational accidents throughout the entire C.I. TAKIRON Group by further expanding educational simulators that conform to production equipment, cultivating intuition of familiar dangers in the workplace and thinking about how we should make use of the awareness to improve a sense of danger as well as an awareness about safety.

Feedback from Trainees

Employee from DAIPLA Corporation's Matsu-do Plant: "I experienced pinching/entanglement caused by revolving machines and felt fear regarding the strong impact. I feel like I was informed about the danger of such machines. Since there are many revolving machines at my site, this served as a good experience."



Participants experience a dust explosion first hand

Employee from Hokkaido Sanplus Co., Ltd.: "This training made me realize that what I thought was safe due to familiarity was actually bordering on danger. It made me realize that lack of focus and being accustomed to things pose the greatest amount of danger."

Employee from DAILITE CO., LTD.: "It was beneficial to me as actually experiencing things first hand allowed me to become enlightened about many things. Seeing is believing, and the sense of unity found in the training was more effective than it appeared to be."

Employee from the Hiratsuka Plant: "Although it's my first time working at a factory and it's only been less than a month, it seemed strange that I had worked in an unconscious manner for the past 30 years. Dangers are also present in everyday life, and I wanted to raise my level sensibility so that I could always be aware of them."

Employee from the Okayama Plant: "By experiencing it for myself, I was able to feel the fear firsthand again. I will keep in mind that it is important for me to always work with the feeling of being a beginner without being overconfident."

In Harmony with the Global Environment

C.I. TAKIRON Group has formulated a new environmental policy for the purpose of conserving the global environment. We strive to reduce the environmental impact across all of our business activities, such as improving production processes, developing environmentally-friendly products and providing services, in line with this policy. The Group will strengthen its environmental management system while advancing environmental conservation efforts throughout the entire organization, such as measures to address the problem of climate change and other social issues.

Environmental Philosophy

“We will strive to manufacture products that take into consideration the people, earth, and future while always keeping the conservation of our planet in mind.”

Basic Environmental Policy

1. We will fully comply with laws and regulations related to the environment and strive to maintain harmony with society.
2. We will establish rules and systems for environmental conservation activities and promote environmental conservation as a continuous cycle.
3. We will make efforts to reduce the environmental impact by reducing emissions of harmful substances, reducing waste, and conserving energy and resources in all of our corporate activities.
4. We will always keep the environment and safety in mind when providing products and services and developing technologies.
5. We will promote communication with society through active environmental information disclosure, while making efforts to increase awareness of environmental conservation among our employees.



Environmental Management System

C.I. TAKIRON states that it will always try to protect the global environment in its management philosophy and formulates environmental management rules and environmental diagnostic rules in order to comply with environmental regulations, reduce the environmental impact, supply environmentally-friendly products, save resources and energy, and reduce waste. In addition, our environmental management system, of which the Chief Operating Officer of the Corporate Planning Division (executive responsible for environmental matters) is in charge, has been built to promote environmental management throughout the Group. It serves as a system to periodically review the progress of environmental protection activities of each Group site and related issues.

Environmental Management System

▲ Environmental Management Regulations



▲ Environmental Management Regulations



Environmental Conservation Activities and Results

C.I. TAKIRON conducts environmental conservation activities based on the environmental management system, etc. of each Group site. Our activities and the results of a self-assessment for fiscal 2019 are outlined below.

FY 2019 Activities and Results

Target	Item	Progress of Activities	Self-Assessment
(1) Promote activities to reduce the environmental impact	Reduce waste	● Improved manufacturing yield and sorted waste	■
	Save energy	● Saved energy (introduced/implemented energy-saving equipment and devices, etc.)	■
(2) Manage and reduce chemical substances	Comply with laws and regulations	● Complied with laws and regulations, including the Law Concerning the Examination and Regulation of Manufacture, etc. of Chemical Substances, the Law concerning Pollutant Release and Transfer Register, and the Industrial Safety and Health Act.	○
	Reduced emissions and transfer of PRTR-listed substances	● Conducted activities to reduce the use of listed substances	○
(3) Publicly release environmental activities	Environmental Report	● Reviewed the status of the environmental activities listed above ● Published information publicly through our Integrated Report and on our homepage	◎
(4) Evaluate activities through environmental accounting	Environmental Accounting	● Aggregated environmental accounting in accordance with Ministry of the Environment Guidelines to serve as activity management evaluation indicator data	○
		● Performed environmental management evaluation via internal analysis	

(Self-Assessment (Achievement Level) More than 90% : ◎ 70% to 90% : ○ Less than 70% : ■)

Environmental Index

C.I. TAKIRON Group collects and analyzes yearly data for each environmental index at Group production sites as part of its initiatives to reduce the environmental impact.

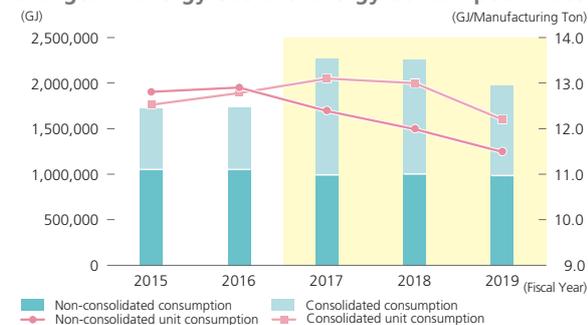
We also further the reduction of our environmental impact by evaluating the efforts to reduce the environmental impact of each Group site as well as the results of those efforts to improve activities in the following fiscal year.

Energy and Resources Saving Initiatives

The energy use, energy consumption rate, CO₂ emissions, and unit CO₂ emissions of both C.I. TAKIRON (non-consolidated) and Group companies in fiscal 2019 were lower than in fiscal 2018.

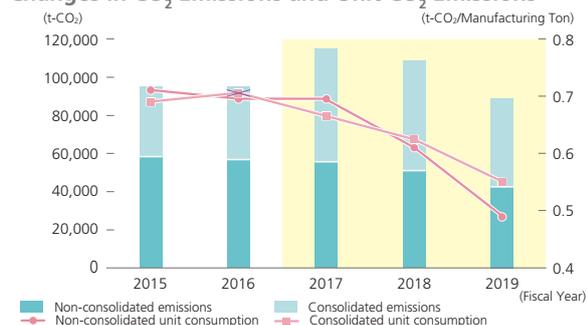
Although this was partially resulted due to decreased production throughout the Group, we were able to improve our energy consumption rate and unit CO₂ emissions through energy savings and manufacturing yield improvement activities at each Group site. We will also continue to promote these activities in fiscal 2020.

Changes in Energy Use and Energy Consumption Rate



*Data includes former C.I. Kasei Group Companies from fiscal 2017.

Changes in CO₂ Emissions and Unit CO₂ Emissions



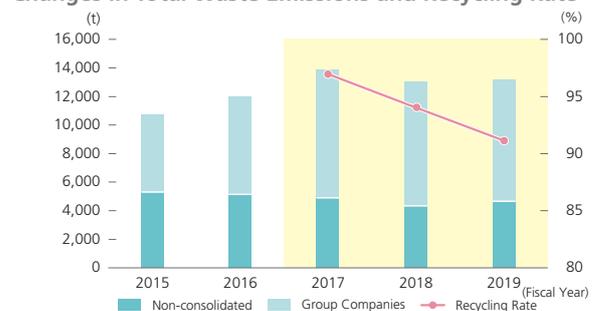
*Data includes former C.I. Kasei Group Companies from fiscal 2017.

Initiatives to Reduce Emissions

C.I. TAKIRON defines the total weight of waste, waste valuables, and exclusive waste recyclables as total waste emissions, and defines the value obtained by dividing total waste emissions by warehouse product volume as unit total waste emissions.

In fiscal 2019, we reduced the non-consolidated unit total waste emissions of C.I. TAKIRON by 1.9% compared to fiscal 2018, achieving our target. This was the result of activities aimed at reducing unit total waste emissions by 1% during the period. From fiscal 2020, we will expand these efforts to include Group production sites and promote initiatives.

Changes in Total Waste Emissions and Recycling Rate



*Data collection to understand the recycling rate began from fiscal 2017.

*Data includes former C.I. Kasei overseas Group Companies from fiscal 2017.

Definitions

Waste emissions: Waste, waste valuables and exclusive waste recyclables emitted from plants

Exclusive waste recyclables: Paper, paper fibers and scarp iron

Waste valuables: Items collected from waste emissions which can be sold

Waste: Anything other than exclusive waste recyclables and waste valuables contained in waste emissions

Total waste emissions: Weight of waste emissions (total weight of exclusive waste recyclables, waste valuables and waste)

$$\text{Recycling rate} = \left(1 - \frac{\text{Weight of waste without any recycling}}{\text{total waste emissions}} \right) \times 100$$



Chemical Substance Management and Reduction Initiatives

The C.I. TAKIRON Group strives to reduce the use of PRTR-listed substances, which have a large environmental impact.

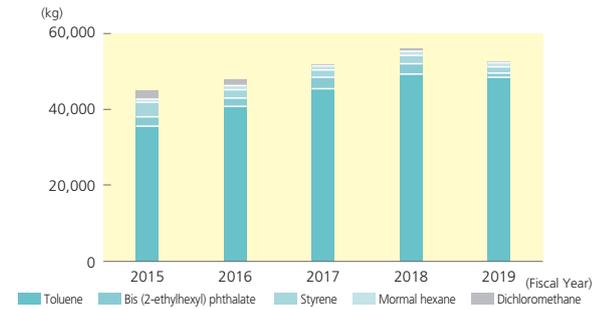
The emissions of PRTR-listed substances in fiscal 2019 were lower than in fiscal 2018. However, the amount of transfer increased during the same period.

Initiatives to Effectively Use Water Resources

C.I. TAKIRON Group calculates the amount of its water consumption and waste water for production sites throughout the entire Group to effectively use limited water resources.

While furthering measures such as the recycling of waste water as cooling water in production process and the adoption of water-saving equipment, we performed repair work on pipes as a measure to prevent water leakage. This resulted in a decrease in waste water in fiscal 2019 compared to fiscal 2018. We will continue to employ efforts toward water consumption and waste water reduction.

Changes in PRTR-listed Chemical Substance Emissions



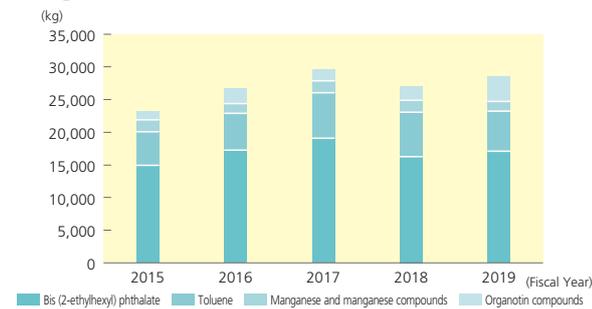
*Data includes former C.I. Kasei Group Companies from fiscal 2015.

Changes in Water Consumption



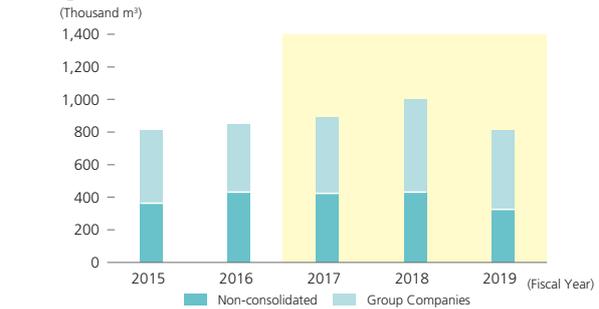
*Data includes former C.I. Kasei Group Companies from fiscal 2017.

Changes in PRTR-listed Chemical Substance Transfers



*Data includes former C.I. Kasei Group Companies from fiscal 2015.

Changes in Waste Water



*Data includes former C.I. Kasei Group Companies from fiscal 2017.

Disclosure of Scope 3 Data

C.I. TAKIRON has begun calculating and publishing non-consolidated Scope 3 data for its supply chain as of fiscal 2018 in order to grasp the amount of CO₂ emissions throughout the entire supply chain, which is more important than ever before. We are now publishing data about Category 1: Purchased Goods and Services in addition to seven other categories.

As a result of verifying the state of our emissions, we discovered that Category 1: Purchased Goods and Services makes up a large portion of our emissions in fiscal 2019 as it did in fiscal 2018.

We will continue to further our efforts to reduce emissions throughout the entire supply chain by advancing considerations since FY2020, such as the ongoing calculation and disclosure of Group business establishments in Japan and enhancements to the calculation accuracy about categories published in this report.

(Unit: Thousand Tons)

Category	Emissions	
	FY 2018	FY 2019
1. Purchased Goods and Services	214	177
2. Capital Goods	15	24
3. Energy-related Activities Excluded in Scope 1 and 2	7	13
4. Upstream Transportation and Distribution	22	25
5. Waste Generated in Operations	1	1
6. Business Travel	2	3
7. Employee Commuting	0.3	0.4
8. Upstream Leased Assets	Outside Scope	Outside Scope

Calculation method: The calculation uses the emissions factor included in the emissions unit value database to calculate greenhouse gas emission of an organization throughout the supply chain according to the Basic Guidelines on Accounting for Greenhouse Gas Emissions Throughout the Supply Chain Ver. 2.3 issued by the Ministry of the Environment and the Ministry of Economy, Trade and Industry.

Logistics Initiatives

C.I. TAKIRON is a specified shipper for more than 30 million ton kilometers annually. We have been submitting rationalization plans and regular reports to competent authorities while striving to improve load efficiency and switch to using large vehicles for transport to achieve those plans.

In fiscal 2019, we actively transitioned to trailer trucks on our main routes to factories and distribution bases. However, since sizes that could be delivered in small lots were reduced, products that could not be delivered in small lots had to be delivered by rental vehicles despite their poor load efficiency. As a result, unit ratio improvement was minimal.

In fiscal 2020, we will further promote our transition to trailer trucks on main routes. In addition, C.I. TAKIRON aims to further improve load efficiency by streamlining measures such as bundled orders from customers.

Changes in Freight Traffic



Effectiveness of FY 2019 EcoShip and Modal Shifts

	Results	Unit
Quantity of CO ₂ reductions	188	t-CO ₂ /year
Rate of CO ₂ reductions	42.2	% (reduction)



EcoShip Logo

Environmental Accounting

C.I. TAKIRON Group has implemented environmental accounting for the purpose of accurately understanding and analyzing the costs and cost effectiveness of environmental protection activities to promote more efficient environmental conservation activities.

Therein, we are calculating the amount of investment and costs for environmental measures, energy and resource saving measures in addition to resource saving through production improvement activities and cost reductions through recycling.

Environmental Conservation Costs

In fiscal 2019, investment costs for environmental conservation decreased compared to fiscal 2018. This was due to a temporary increase in investment in fiscal 2018 due to large-scale capital investment as an energy-savings measure.

(Unit: Millions of Yen)

Category	FY 2018		FY 2019	
	Cost	Investment	Cost	Investment
(1) Business area costs	315	486	314	250
(1)-1 Pollution control costs	26	94	32	21
Break-down (1)-2 Global environmental protection costs	137	344	104	144
(1)-3 Resource recycling costs	152	48	177	85
(2) Upstream/downstream costs	137	0	143	0
(3) Management activity costs	84	6	86	51
(4) Research and development costs	1	4	1	1
(5) Outside activity costs	22	5	14	0
(6) Environmental compensation costs	0	0	0	0
Total	560	501	558	302

Environmental Conservation Effect (Effect in Business Areas)

In fiscal 2019, we reduced the amount of energy consumption through the promotion of energy-saving activities and other efforts in addition to reducing carbon dioxide emissions.

We also reduced the amount of waste water from plants through efforts such as recycling waste water as cooling water in production process, adoption of water-saving equipment, and repairing pipes for leaks.

Total waste emission increased as a result of plant relocations, expansions, etc. The recycling rate decreased due to factors such as the waste import control regulations in each country.

Item	FY 2018	FY 2019
1. Power consumption (thousand kWh)	208,812	191,411
2. Carbon dioxide emissions (t-CO ₂)	109,077	89,037
3. Waste water from plants (thousand m ³)	1,004	809
4. Total waste emissions (t)	13,083	13,210
5. Recycling Rate	94.0	91.1

Economic Effect of Environmental Conservation

In fiscal 2019, figures for all items related to economic effect of environmental conservation decreased compared to fiscal 2018 due to factors such as the waste import control regulations in each country.

(Unit: Millions of Yen)

Effect Item		FY2018	FY2019
Income	from sale of valuables	117	66
Cost reductions	Energy cost reductions from energy savings	44	17
	Cost reductions from resource savings and recycling	261	177

Together with Stakeholders

The C.I. TAKIRON Group aims to build trusting relationships and create a people- and earth-friendly future through diverse communication with all of its stakeholders. We will deepen cooperation with our stakeholders and foster mutual understanding to not only share our values and continue to be a trusted enterprise but also contribute to the sustainable development of society through our business activities.

Together with Shareholders and Other Investors

By practicing IR activities based on the C.I. TAKIRON Group Corporate Code of Conduct, the C.I. TAKIRON Group strives to formulate appropriate evaluations and aims to achieve lasting growth by building trusting relationships with all of its shareholders and other stakeholders.

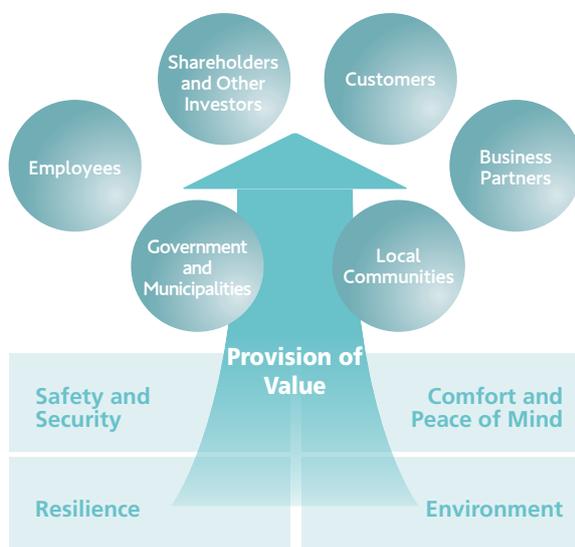
Dissemination of Information

The C.I. TAKIRON Group complies with the Financial Instruments and Exchange Act, timely corporate disclosure regulations of the Tokyo Stock Exchange as well as other laws and regulations to properly and fairly provide accurate corporate information to shareholders and other investors. In regards to informational disclosure, C.I. TAKIRON releases important information through the Company Announcements Disclosure Service (TDnet) provided by the Tokyo Stock Exchange in addition to publishing information on the corporate website quickly after it is released.

Engagement with Stakeholders

We have put in place the policies below to establish systems and initiatives to encourage constructive communication with shareholders and all other stakeholders, including analysts and institutional investors.

- (1) The Chief Operating Officer of the Corporate Planning Division will oversee matters related to communication with all shareholders.
- (2) Relevant internal departments will ensure active and close cooperation to share information with other relevant departments in order to support communication with all shareholders.
- (3) C.I. TAKIRON will properly conduct investor briefings as well as surveys and other dialogues with shareholders.
- (4) C.I. TAKIRON will regularly report feedback from all the shareholders earned through the initiatives in (3) at the Board of Directors meeting and the Management Committee. Furthermore, the Board of Directors will review the voting results and reflect the feedback from shareholders in management.
- (5) C.I. TAKIRON must never disclose material facts not yet officially disclosed in communications with shareholders and managers will thoroughly adhere to regulations on insider trading.



Stakeholders	C.I. TAKIRON Group Responsibilities	Department	Communication Tools	Frequency of Communication
Shareholders and Other Investors	In order to meet the expectations of our shareholders, we will strive to increase corporate value through high capital efficiency, fair and impartial information disclosure, proper return of profits, and sustainable growth.	Planning Department	General Shareholders' Meeting	Once a year
			Integrated Report and Annual Report	Once a year
			Notice to Our Shareholders report for shareholders	Twice a year
		IR Department	Corporate governance reports	Occasionally
			Shareholder surveys	Occasionally
			Financial results briefings	Twice a year
Customers	We listen sincerely to our customers, provide products and services that continue to be nominated with outstanding technology and quality, and strive to build long-term relationships of trust with our customers.	CSR Department	News releases	Occasionally
			ESG rating agency survey responses	Occasionally
		PR Department	Website and advertisements	Occasionally
			Sales Department	Sales activities and social media
		Quality Control Department	Exhibition spaces, expos, and events	Occasionally
			Quality certificates	Daily basis
Customer Support Department	Inspection reports	Daily basis		
	Delivery specifications			
Business Partners	When procuring materials, we base our actions on openness, fairness and impartiality, legal compliance, mutual trust, and consideration for the environment, striving for coexistence and mutual prosperity by deepening partnerships and through impartial transactions. We will also work to promote CSR and compliance with the cooperation of our business partners.	PR Department	Website and advertisements	Occasionally
			Compliance Department	Consultation and Report Desk
		Purchasing Department	Material procurement activities	Daily basis
			Supplier briefing sessions	Regularly
			CSR procurement surveys	Once a year
Local Communities	We contribute to the development of local communities through our business, coexist with them, and emphasize environmental conservation. We consider and implement measures that meet the needs of each region and promote trusted business activities.	PR Department	News releases	Occasionally
		CSR Department	Employee-based volunteer activities	Regularly
			Dialogues with NPOs and NGOs	Occasionally
		Plants and offices	Exchange in local communities, study support, and plant tours	Regularly
Government and Municipalities	We comply with laws and regulations and strive to disclose information in a timely and appropriate manner. In addition, we support disaster recovery and reconstruction through various efforts in cooperation with the government and municipalities.	CSR Department	Employee-based volunteer activities	Occasionally
		Plants and offices	Coordination with relevant government organizations	Regularly/ Occasionally
Employees	We support the challenging spirit possessed by our employees and promote the creation of a rewarding workplace where each and every one of us stands out and diverse human resources play an active role.	Planning Department	Messages from the Chairman and President	Occasionally
			Various employee surveys (Implementation of surveys published in-house, for each category of job training, etc.)	Occasionally
		PR Department	Intranet	Occasionally
			In-house bulletin	Four times a year
		Compliance Department	Internal reporting system	Occasionally
			Counseling with occupational physicians	Regularly/ Occasionally
		Human Resource Department	Health and Safety Committees	Regularly
			Labor-management consultations	Regularly/ Occasionally
Each department	Personal interviews with superiors/subordinates	Regularly		

Together with Customers

Quality Assurance Initiatives

C.I. TAKIRON promotes quality assurance activities to fulfill the needs of customers and ensure quality at every stage from the planning and development of products to the production and after sales services to provide a quality able to satisfy our customers under the motto to be the best of the best. We have given our Basic Quality Policy the meaning of “We build and strengthen trustful relationships with our customers and improve customer satisfaction in all our business activities,” which serves as the core of our Quality Management System (QMS).

As for specific quality assurance activities, at first we have facilitated contact points as a means of communication with our customers such as a contact form on our homepage and a toll-free telephone number to our customer service center in order to improve customer satisfaction by responding faster and more accurately to customer inquiries and requests. We are building a system to improve our products and services by utilizing customer feedback that is provided through these contact points.

Each product site has acquired and operates the ISO 9001 as a basic system for our quality assurance activities, which functions as an important pillar of the QMS that we have built (please refer to Framework of the Quality Management System).

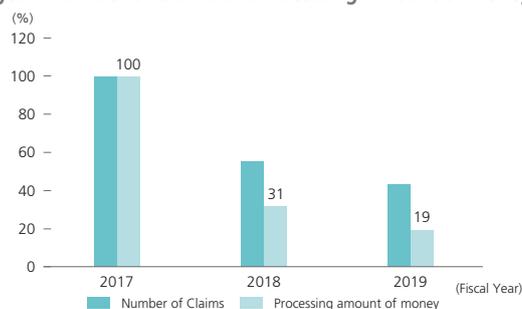
We have prepared a framework to objectively verify the operational progress of this quality management system through internal audits by each production site and audits by the head office.

Furthermore, a database consisting of product claim information is created so that the cause of claims, improvement progress status, and details of recurrence prevention measures can be grasped in real time throughout the company. We are attempting to utilize the information as design verification data when making product improvements and during new product development (please refer to Changes in Number of Claims and Claims Requiring Processing amount of money).

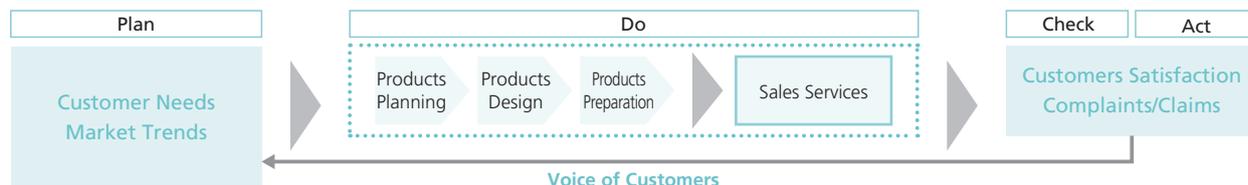
In fiscal 2019, we responded to the recent spread of quality issues as a risk measure. As one of our corporate risks, for products subject to third-party verifications, authorizations, and foreign laws where it was determined that quality was misrepresented resulting in high impact on customers, after conducting an independent risk assessment based on how often issues occur and the monetary impact at the time of occurrence, an internal audit by the Quality Assurance Department for high-risk products. As a result, no defects were detected.

In the future, we will build a system which will allow us to regularly perform audits such as this one at each production site.

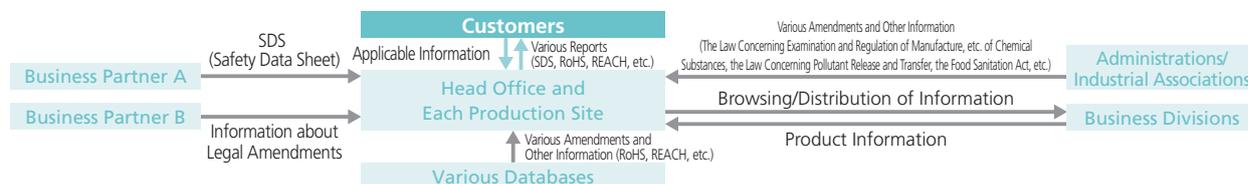
Changes in Number of Claims and Processing Amount of money



Framework of the Quality Management System



Handling Framework for Substances Contained in Products



Safety Initiatives

Handling Chemical Substances Contained in Products

We have not registered with the EU REACH Chemical Compliance Services because more than half of the products at C.I. TAKIRON are molded products. However, C.I. TAKIRON will communicate information to customers and appropriately handle chemical substances based on the 209 chemical substances, including the four substances publicly announced on June 25, 2020, as well as substances of very high concern (SVHC) that will be added in the future from our position as an intermediate in the supply chain.

We also share the proper information with our customers based on the flow for handling procedure even for chemical substances contained in other products.

In the same way, C.I. TAKIRON will also properly handle various chemical substances in accordance with the amended Food Sanitation Act enacted on June 1, 2020 in addition to the various other laws and regulations.

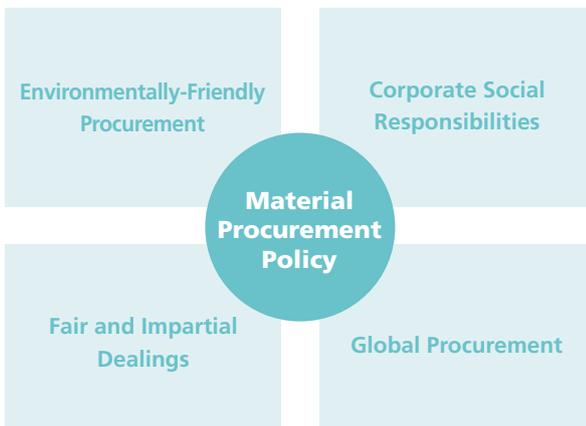
Together with Business Partners

Material Procurement Policy

Our mission is to find harmony with the environment and provide people-friendly products to society in all of our activities founded in plastic materials and material processing technologies.

We pursue partners able to persevere in product development through material procurement with us by exploring a broad range of materials and technologies such as materials related to plastics, metal materials for plastic composite materials as well as processed products.

In addition, aiming for the sustainable development of society, we will formulate a CSR procurement policy and promote CSR procurement throughout the supply chain.



Environmentally-Friendly Procurement

We aim to realize a sustainable, recycling-oriented society. As a means to this end, we will prioritize the selection of companies with ambitious environmental conservation activities, specifically business partners emphasizing the development of plant-based and biodegradable resins as well as technological development for recycling while promoting procurement of resources with a low environmental impact. C.I. TAKIRON focuses on evaluations from an environmental viewpoint as well as the conventional perspectives of quality, cost, and delivery to further green procurement.

Fair and Impartial Dealings

We will build fair and impartial business relationships founded on the principle of competition open to all regardless of affiliation, the size of the company, business track record or other such factors without relying on conventional business practices. We also aim for mutual growth while always keeping in mind the need to build trusting relationship of respect with business partners from the stand point of both parties.

Corporate Social Responsibilities

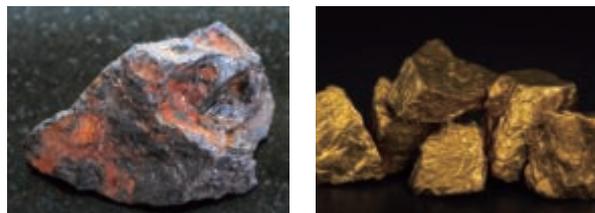
C.I. TAKIRON will conduct material procurement in accordance with its corporate social responsibilities. We will fulfill these social responsibilities to respect human rights, ensure occupational health and safety, comply with laws and regulations, reduce the environmental impact and eliminate any and all relations with anti-social forces through cooperation with our business partners.

Global Procurement

C.I. TAKIRON strives to explore materials and technologies that are able to quickly satisfy the needs of customers broadly pursued worldwide without restricting material suppliers to Japan. We always keep an eye on raw material market conditions in Japan and overseas to realize stable procurement and optimal costs.

Addressing the Issue of Conflict Minerals

Specified materials (tin, tantalum, tungsten, and four types of gold) from the Democratic Republic of the Congo and surrounding regions with ongoing conflicts are referred to as "conflict minerals" seen as a problem because these specified minerals are the financial sources of armed insurgents. The C.I. TAKIRON Group recognizes conflict minerals as a priority CSR issue and will further inspections of the supply chain with the cooperation of its business partners to foster its corporate presence in the international society.



Together with Local Communities and Society

C.I. TAKIRON Group hopes to be a good neighbor to the local citizens of each community in regions worldwide where each business establishment and production site are located. With this hope, we engage in a wide range of efforts, including participation in various community activities and the provision of support to afflicted areas. In addition, as a member of the community entrusted with society, we actively work to support sports promotion as well as research institutes, organizations of the United Nations, and other bodies.

Coexisting with Communities in Areas Around Business and Production Sites

C.I. TAKIRON Group has a proven track record of major activities in fiscal 2019 that includes its active participation in environmental conservation and beautification activities in local communities as well as local events, offering occupational trainings to students in neighboring schools, reception of internships as well as its engagement in volunteer and donation activities in disaster afflicted areas and local community directed contribution activities. As a new initiative, we have started participating in volunteer waterfront cleaning activities as one of the activities to reduce the amount of marine plastic pollution.

Progress of Activities



Cleaning Activities Around the Plant (Tochigi Plant)



Participating in Sano City Disaster Volunteer Center activity (Sano Plant, Head Office)



Resource Collection Activity (TAKIRON POLYMER CO., LTD.)



Black Edamame Planting Activity (Support for Recovery from the Great East Japan Earthquake) (NIPPON POLYESTER CO., LTD)



Lake Biwa Clean Campaign (DAIPLA CORPORATION)



Participation in the Cosmos Festival (Ibogawa Plant)



Dinner with Elderly Living Alone (Yasutomi Plant)



Cleaning Activities Around the Plant (TAKIRON TECH CO.,LTD)



Sagamigawa River conditions check, cleaning, and planting activity (Hiratsuka Plant)

We will continue these efforts in support activities in the future to contribute to each region and assist afflicted areas.

Main Activity Results (FY 2019)

Activity	No.	Activity	No.
Local community beautification activity	24	Volunteer activities for community welfare	6
Participation in community events and activities	10	Volunteer activities for marine plastic pollution cleanup	2
Provision of resources to community events and activities	8	Volunteer activities in disaster afflicted areas	1
Donations to local communities	25	Monetary donations to afflicted areas	3
Resource collection	4	Blood drive/paramedic/fire-fighting activities	5
Planting activities	2	Occupational trainings/internship offerings	2
		Total	92

Social Contribution Activities Aimed at Preventing COVID-19 Infection

With the spread of COVID-19, in April, we donated clear partitions made of PC (polycarbonate) designed to prevent drop-let-based infection to Irie Hospital (Himeji City, Hyogo Prefecture) in April as an effort to support medical workers. In May, we donated 1,000 PC face shields, an aerosol box currently under development, and partitions design to collect particle samples to Tatsuno Municipal Hospital in Tatsuno City, Hyogo Prefecture, and 1,000PC face shields to Osaka City Public Health Bureau (Osaka Prefecture).

In addition, we donated PC clear partitions for use at 11 reception desks in Tatsuno City Hall (Hyogo Prefecture) and also donated 500 face shields to Tatsuno City elementary and junior high school teachers through the Tatsuno City Board of Education and other organizations.

We will continue to actively promote social contribution activities in the local community through the utilization of our own products.



Clear partitions



Face shield



Aerosol box

Promotion and Development of Sports

C.I. TAKIRON concluded an official Japan swimming team sponsorship agreement with the Japan Swimming Federation (JASF) in fiscal 2015 as a way to cheer on the Japan swimming team (TO-BIUO Japan).

As a provider of non-slip flooring for poolside safety and security, TAKIRON MATEX CO., LTD. also sponsors swimming tournaments held by the Japan Swimming Federation as well as provides broad support of activities to promote swimming as an official sponsor of the Japanese Para-Swimming Federation.

Handle marine plastic pollution

Plastics are economical, offer excellent moldability, and have enriched people's lives due to many characteristics such as lightness, corrosion resistance, and beneficial hygienic properties. In recent years, plastics have contributed to solving social issues, such as improving energy efficiency and reducing food loss through advancement of its functions. However, the current situation shows that proper disposal after use has not progressed worldwide and it is estimated that 8 million tons of plastic waste is washed away into the sea every year (Ref: The New Plastics Economy - Ellen MacArthur Foundation), making the marine plastics problem a serious social issue. C.I. TAKIRON has identified responding to the marine plastic issue as one of its material issues and is working on countermeasures. We have launched the Waterside Clean Aid activity as a countermeasure in which employees and their families participate in volunteer activities to clean up coastlines, rivers, lakes, etc. which are carried out in each region. We will continue and promote this activity so that more employees and their families can participate so that they can experience pollution conditions near bodies of water and address the marine plastics issue seriously.



Arakawa Clean Aid



Minoh Mountain Great Clean Up Campaign

Featured Section Panel Discussion with Outside Directors

Corporate Governance and Value Creation



Mune Iwamoto
Outside Director



Kenichi Hatano
Outside Director



Yoshiko Kosaka
Outside Director

Our team of outside directors now consists of three people, with Yoshiko Kosaka joining this year as the company's first female director.

We held a panel discussion with outside directors Mune Iwamoto, Kenichi Hatano, and Yoshiko Kosaka to exchange opinions and make suggestions on the roles of outside directors, our corporate governance system, and the value that our business creates for society.

(Panel discussion held on July 20, 2020. Hironori Kikuchi, Executive Officer and Chief Operating Officer of the Corporate Planning Division, served as panel discussion facilitator.)

1 The Roles Required of Outside Officers

Kikuchi: This year, C.I. TAKIRON formed a three-person outside director team. Please tell us how you perceive the roles of outside directors.

Iwamoto: The basic principles of the Corporate Governance Code established by the Tokyo Stock Exchange consist of the responsibilities of the board of directors ("The board of directors of a listed company promotes sustainable growth of the company and improvement of corporate value over the medium-to-long term, based on trustee responsibility and accountability to shareholders, and aims to improve profitability and capital efficiency."), and clearly indicates specific roles to be "Setting the broad direction of corporate strategy, etc.," "Establishing an environment where appropriate risk-taking by the senior management is supported," and "carrying out effective oversight of directors and the management from an independent and objective standpoint." In accordance with these basic principles, outside directors are required for companies in Japan and around the world serving as members of boards of directors (supervisory bodies) who are "independent and objective" as they do not perform direct business duties as executives who are concerned with "people, goods, and money." From this perspective, the outside directors of this company also participate in meetings for reviewing the next medium-term strategy where I join them in making suggestions and providing my opinions as general ideas. In this way, we can say that we have properly created an environment in which outside directors can fulfill their roles.

In regard to specific supervisory issues, I also don't hesitate to participate in discussions on execution so that I can better understand business content. If one doesn't understand the details of their business, they will not be able to

participate in discussions only having the appearance of serving as a supervisor. This company has a Nomination and Remuneration Committee, more than half of which is made up of outside directors, who participate in the evaluation of executives through supervisory work. Regarding the effectiveness of the Board of Directors, the Board of Directors itself becomes more effective in its duties by responding to the opinions and questions of us outside directors as non-executive directors. Since this will strengthen discussions held by the Board of Directors, I expect that its effectiveness in improving corporate value will increase.

Hatano: Regarding the roles of outside directors, I recognize that we have the roles of providing, from an external objective standpoint, advice that is useful for sound management-based decision making and supervision so that governance issues do not occur. Although it has only been two years since I was appointed as an outside director, I have gained a wide range of experience from the standpoints of both labor and management during my active career. I want to use this experience and knowledge acquired to contribute to the continuous development of the C.I. TAKIRON Group and improving corporate value.

As corporate governance serves as the core of management, I think that we have been continuously enhancing and strengthening our corporate governance system since the management integration through actions such as becoming a company with a board of directors and audit & supervisory board, establishing the Nomination and Remuneration Committee, and increasing the number of outside directors.

Outside directors are given prior explanations regarding the operation of the Board of Directors so that they can participate in discussions. During Board of Directors meetings, lively discussions take place from various angles, and I think that the final decisions are made after thorough discussions on particularly important management matters.

This year, Ms. Kosaka was appointed as an Outside Director, resulting in the formation of an outside director team composed of three members. In addition, Ms. Osuna and Mr. Araki have been appointed as Audit & Supervisory Board Members. I recognize that people expect the Board of Directors to carry out lively discussions based on the broader knowledge it now possesses. I would like to exchange opinions with Board of Directors member from time to time so that we can strive to fulfill each other's roles and responsibilities.

Kikuchi: Ms. Kosaka...you were newly appointed as an Outside Director this year and have an objective view of things as a lawyer. What are your initial impressions so far?

Kosaka: Although I have not actually participated in Board of Directors meetings yet, after seeing the results of the questionnaire and hearing the opinions of Mr. Iwamoto and Mr. Hatano, I had the impression that the supervisory re-



Photo (Right): Hironori Kikuchi, panel discussion facilitator

Featured Section Panel Discussion with Outside Directors

sponsibilities and duties of the Board of Directors pertaining to business executed by the company are being effectively carried out. In addition, as a result of the management integration, awareness of strengthening corporate governance has increased overall and I feel that it has already been put into practice. Since corporate governance seems to be in place as a system, I think an important matter of focus in the future will be how to maintain and further develop it. When participating as an Outside Director from here on, I will form my own opinions such as the state the Board of Directors should be in based my experience so far, and would like to actively suggest improvements and provide opinions while also taking into account conventional board directionality.

2 Evaluations of Corporate Governance and the Board of Directors

Kikuchi: Please share with us you specific evaluations, impressions, suggestions, etc. regarding the company's corporate governance or the current overall operations of the Board of Directors.

Iwamoto: Regarding my evaluation of the board's effectiveness, as stated in last year's Integrated Report, questionnaire results point to a need to enhance discussions on medium- to long-term strategies. This is one issue. For medium- to long-term strategies, it is necessary to actively make proposals and raise questions focusing on external environmental issues. I think this company can become stronger than ever before if discussions are held looking at a wide range of aspects, such as the general political economy and overseas markets, including environmental issues, markets and businesses in segments different from our company, and future competition when the market is viewed from a broad perspective, to create strategies with a sense of narrative. In particular, future strategies should involve deepening our awareness of the external environment, including becoming more aware of our competitors, so that we can objectively recognize ourselves in the world and Japan. This should pave the way to further increasing corporate value.

Hatano: The effectiveness of the Board of Directors is evaluated annually, and it has been determined that its effectiveness is ensured. Although there are some aspects concerning current business content which nothing can be do about, I think that there is a strong tendency to think inwardly and about matters mainly in Japan. However, we have entered an age of great change with the Japanese market continuing to shrink. Currently, discussions are being held on what the Group wants to become 10 years from now. Once that concept is finalized, a business plan (medium-term plan) will be formulated for its realization. I would like to see the next medium-term plan contain challenges that take into account overseas strategies and changes in the business environment so that all Group employees can work while maintaining aspirations and a sense of fulfillment.

Kikuchi: As you have all indicated, I personally feel that C.I. TAKIRON needs to see things from a larger perspective on a global level. I would like to see the company continue to receive a wide range of opinions to reflect in corporate planning. On the other hand, IR and dialogues with shareholders have raised issues for several years in the effectiveness evaluation. The IR & PR Group was established within the Corporate Planning Department in 2019 and was reorganized to become the Corporate Communication Group in April 2020. The company had been strengthening its IR activities, such as publishing an annual Integrated Report starting in fiscal 2019 as one of the tools for communication with stakeholders. Can you give us your opinions on this?



Iwamoto: The Board of Directors also recognized that the company's investor relations initiatives were insufficient. Institutional investors possess a great deal of information, meaning that good communications with them can greatly benefit our company. Although it may not be necessary to provide too many details, if we tell them what we want to accomplish and deepen their understanding, I think that they will also provide us with useful suggestions. That said, I would really like to proceed with improving communications with them.

Hatano: Well, as Mr. Iwamoto stated, there were quite a few people who said that IR initiatives were insufficient. Meanwhile, our Integrated Report was published for the first time last year. The Integrated Report covers the entire company, including company business conditions, its governance system, and issues that need to be addressed to improve future corporate value, meaning that it provides important information to all stakeholders, including shareholders. I think it is a big step forward. I believe that if we continue to enhance our IR activities, we will be able to obtain useful information for management from institutional investors, deepen their understanding of our company, and receive a greater level of support.

Kikuchi: **By the way, Mr. Iwamoto and Mr. Hatano have been very excited about you being added to the company as an Outside Director. How enthusiastic are you about your new position?**

Kosaka: Being the first female Outside Director for the company, I feel a great deal of responsibility and people's expectations, so I think that I must fulfill my responsibilities sufficiently. Diverse perspectives and values are important for a company to continuously develop and grow. Therefore, I think that my first role is to also reflect a female perspective within the Board of Directors. Although women have different positions and ways of thinking, they cannot be easily grouped together. However, I would like to make use of the interests and perspectives of many women and mothers, such as creating safe environments for homes and schools and protecting the global environment, when looking at our medium- to long-term company vision.

In addition, although it is necessary to secure diverse human resources for the sustainable prosperity of the company, it is difficult for excellent human resources who are female to gather in a company where there are few active women. In this sense as well, I hope that the appointment of a women as an Outside Director will convey that the company is focusing on promoting the active participation of women. I also hope to see this lead to the fostering of a corporate culture that allows women with families, etc. to work actively.

3 The Value Created by the C.I. TAKIRON Group

Kikuchi: **In 2019, the Group established its Value Creation Process and defined safety and security, comfort and peace of mind, resilience, and the environment as the four outcomes of the value that our products and businesses produce. How would you rate the Group's efforts to resolve social issues based on this process?**

Iwamoto: The issue is how to make the current Value Creation Process, which still has some abstract parts C.I. TAKIRON specific. Many of our outcomes contribute to solving social issues, such as sheets that prevent pollutants from penetrating into the ground, sewer pipes, and Lume Carbo (large polycarbonate plastic double-layer panels), and are characterized by their easy-to-understand appearance. This is the biggest reason why the company has, in some form, remained in business for 100 years. In order to continue our business operations in the future, I think it is necessary to consider not only social contribution but also profits and further investigate strategies, examining for example which fields to invest our resources in, what kind of business we will create and who will create it with, and whether we should change the value chain.

Hatano: It is easy to understand the initiatives for realizing our corporate philosophy based on the Value Creation Process. Solving social issues addressed by the five SDGs will contribute to the sustainable development of society. In recent years, while social infrastructure has deteriorated, large-scale disasters, including floods caused by abnormal weather, are occurring one after another. Our infrastructure-related products and technologies are indispensable for the restoration and maintenance of such infrastructure and the building of a strong homeland. I also think that our

Featured Section Panel Discussion with Outside Directors

technology and knowledge, which has been cultivated over many years, can be utilized to solve the waste plastics problem and other issues. In this way, we are a corporate group that can create diverse social value and contribute to the sustainable growth of society. I would like for all our company members to work toward further development with pride and confidence.

Kosaka: Looking at our materiality (important issues), there are many items related to “our responsibilities to society,” and this reflects the characteristics and history of our company. It is necessary and expected for us to continue utilizing the technologies that fulfill “our responsibilities to society” for purposes such as disaster preparation and recovery efforts. I feel that we should more actively disseminate information about the role that we have played to society.

4

Issues Concerning Sustainable Growth

Kikuchi: In regards to efforts for sustainable growth, we have been implementing various measures, such as the Better Life Management Declaration which was established in fiscal 2018 from a human resource development standpoint. Please share your opinions on what is necessary and important for sustainable growth as we head toward the future.

Iwamoto: Sustainable growth is the improvement of corporate value over the long term rather than chasing after immediate profits. It is important to have firm, long-term targets, clarify the corporate strategy of how to make profits, and then identify the businesses capable of making profits that contribute to society. For this, the number one issue is to improve our capability of collecting and processing information, which can be called corporate intelligence, ability to create business strategies, and systematically create and refine a system for increasing/accumulating intellectual property.

Hatano: Specifically, for sustainable growth there is promotion of SDGs management, business globalization, new businesses creation through innovation, shift to an organizational culture where work is challenging, and development of human resources. Since the social and industrial structure is undergoing major changes, it is not possible to respond with a conventional sense of awareness and ideas. It is necessary to create new products and businesses through innovation and provide new value. Therefore, it is important to shift to an organizational culture where work is challenging and develop human resources. In regard to human resource development, I think it is necessary to urgently develop human resources who will be responsible for globalization and digitalization.

Kosaka: C.I. TAKIRON has the image of being a long-standing company that possesses excellent plastic technology, something that I think all employees are proud of. In the future, in addition to preserving that corporate image, the creation of new businesses will be extremely important. During a factory inspection the other day, I saw a whiteboard that can be attached to a wall and written on directly. I thought that this and some other products that I saw could also be utilized for home use. This leads me to believe that conventional products and technologies can be utilized in new ways by changing how we look at them. Also, for sustainable growth, it is important to get employees to want to support the company. From that perspective, I think we should actively consider efforts to disseminate information and provide explanations to the general public.

5 Corporate Culture Reform That Leads to New Value Creation

Kikuchi: We implement initiatives such as “SDGs - My Challenges,” an effort to make all employees more aware of the Sustainable Development Goals. Volunteer cleanup activities such as Waterside Clean Aid and disaster support activities that were started as parts initiatives designed to tackle social issues are carried out as ways to make the SDGs personal responsibilities. What do you think of the impact that these initiatives have on the Group, especially from the perspective of the corporate culture?

Iwamoto: When we ask employees who engaged in the cleanup activities for feedback, we received responses such as “There is really this much garbage out there?!” and “Our products hardly comprise any of the garbage out there.” This made us understand just how important it is for employees to actually experience the garbage problem for themselves. This feeling will build among employees and grow into a facet of corporate culture. Since these are volunteer activities, it is not easy for everyone to participate. However, whoever does will spread the word about the efforts to those around them. In addition to short-term business activities that seek profits, it is important to foster a corporate culture as part of a long-term corporate strategy. Therefore, I think these cleanup activities are very beneficial.

Hatano: I also received feedback from employees who participated in cleanup activities. I think that there are many things that people will notice and problems that they become aware of only after they start participating in the activities. By tackling the social issues addressed by the SDGs on a personal level, I think it will allow us to see what the company should be like 10 years from now, how we should be involved with society, etc. In that sense, I expect that our “SDGs - My Personal Challenges” initiative will be a means of self-reform and corporate transformation. Although I think that we are a company with a conscientious corporate culture, I feel that we are slightly lacking in our willingness to take on challenges. While promoting awareness reforms and a shift to an organizational culture where work is challenging, I think it is important for labor and management to aim and work at holding common values, unifying their intentions, what is needed by society, and what will lead to the provision of new value. I think this will make employees and their families happy.

Kosaka: My first impression of C.I. TAKIRON’s corporate culture was that it was a serious company with a history and technology but that it is a little weak in terms of calling attention to its corporate value. It is important to take on the challenge of creating new businesses while keeping in mind the company’s serious, gentle corporate culture and history. Activities such as Waterside Clean Aid are necessary for that. This is because when one event that has an impact occurs, a new flow of challenges tends to occur in a chain. I expect that the awareness of each participant in the activities will increase and become the driving force for transforming the company into what it will be 10 years from now, leading to the creation of a new corporate culture.

In Conclusion

This panel discussion with Outside Directors was the first attempt of its kind brought about due to the Integrated Report. It allowed us to receive objective and specific opinions and suggestions, and I think it serves as a really meaningful opportunity for exchange of opinions and suggestions. Regarding the management of the Board of Directors and corporate governance, we will promptly start improvements. For management themes that require multifaceted discussions such as SDGs management, value creation, and improvement of corporate culture, we will create opportunities for healthy opinion exchange in the future.



Hironori Kikuchi

Executive Officer and Chief Operating Officer of the Corporate Planning Division

Corporate Governance

C.I. TAKIRON earns the trust of all of its shareholders and other stakeholders by improving the efficiency and transparency of management. Our basic philosophy in corporate governance strives to foster sustainable growth and enhance medium- to long-term corporate value.

We have continued to promote initiatives to enhance corporate governance as one of the most important management challenges. In fiscal 2019, we strengthened our system for dialogue by increasing the ratio of independent Outside Officers, deciding on institutions to ensure the diversity of the Board of Directors, and establishing a department specializing in IR.

Basic Policy

1. We will strive to rapidly disseminate information to ensure the highest level of shareholder equality as well as build an environment to guarantee every shareholder has and can properly exercise their rights.
2. We will actively cooperate with all C.I. TAKIRON stakeholders in activities to achieve the targets laid out in the medium-term management plan from the stance of connecting success to the profit of every stakeholder.
3. We will disclose the information in accordance with statutory compliance as well as other information deemed necessary for stakeholders in a proper and timely manner through mediums that include the corporate website in order to engage in fair and highly transparent management.
4. We will define the ideal direction for the C.I. TAKIRON Group internally and externally by setting the medium-term management plan as a core of management strategies of the entire Group to build a consensus toward accomplishing the corporate goals. In addition, C.I. TAKIRON has adopted an executive officer system to clearly separate auditing and business execution functions in governance while the Board of Directors conducts highly effective supervision of director and executive officer performance as well as business execution.
5. We will actively engage in a dialogue with shareholders to reflect their ideas and hopes in management. In addition, C.I. TAKIRON also actively addresses questions from shareholders and investors, such as establishing opportunities for a dialogue with shareholders and other investors, to bring understanding about its corporate management strategy and management plan.

Initiatives for Enhancing Corporate Governance

Overview of the Corporate Governance System

Organizational design type	Company with Board of Directors and Audit & Supervisory Board Members (Audit & Supervisory Board)
Number of directors (of which number independent outside directors)	8 (3)
Number of Audit & Supervisory Board Members (of which number independent outside Audit & Supervisory Board Members)	4 (2)
Chairman of the Board of Directors	Representative Director and President (also serves as Executive Officer)
Term of director appointment	1 year
Advisory body to the Board of Directors	Nomination and Remuneration Committee
Adoption of an executive officer system	In place

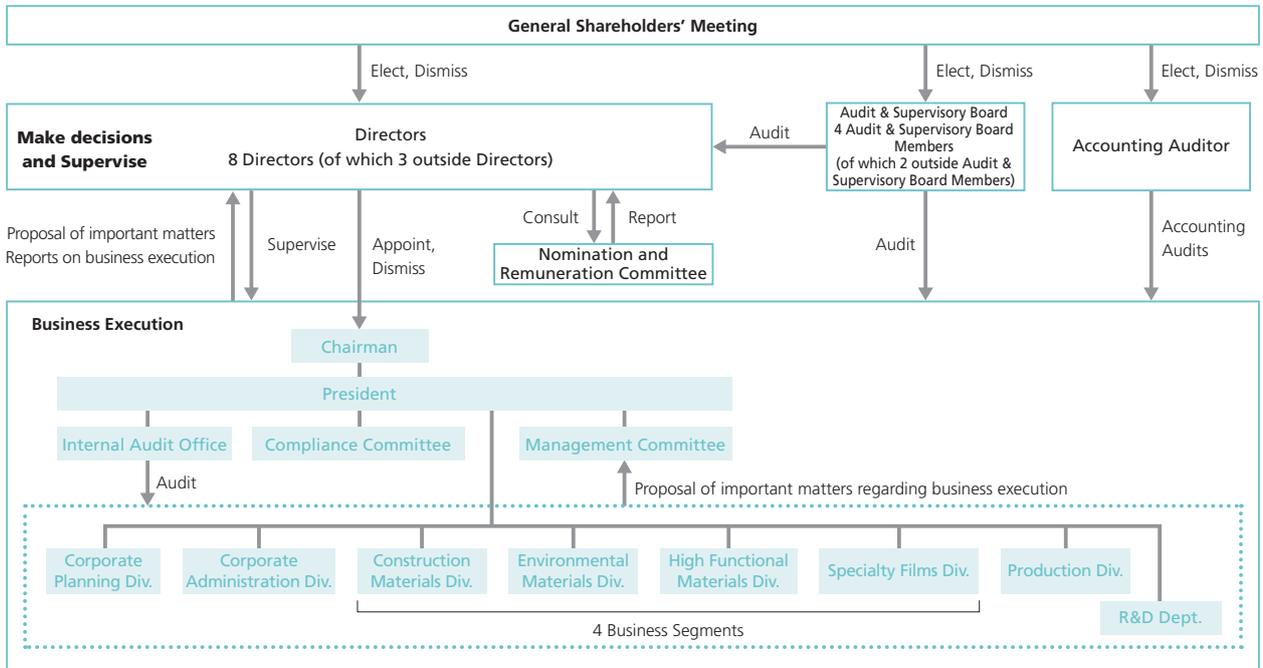
Board of Directors

Composition

In order to further improve management independence, transparency, and fairness, three Outside Directors among the total eight directors were appointed during the June 2020 General Shareholders' Meeting, increasing the ratio of independent outside directors to more than 1/3.

In addition, in order for Board of Directors to effectively fulfill its roles and responsibilities, directors are appointed that possess a wide range of specialized knowledge and wisdom, including knowledge of corporate management, overseas business, product development, research and development, production technology, and corporate legal affairs, so that the Board of Directors is well balanced in terms of knowledge, experience, and abilities. In addition, we are working to ensure diversity, including gender and ethnic diversity. During the June 2020 General Shareholders' Meet-

Corporate Governance Framework



ing, we appointed one female director who possesses a wealth of knowledge about corporate legal affairs.

In addition, streamlining of the Board of Directors and delegation to executive officers facilitates rapid decision making, and the term of appointment has also been set to one year to fully clarify the management responsibilities of directors and executive officers.

Ratio of Independent Outside Directors



Roles of the Board of Directors

The Board of Directors convenes once a month as a general rule in accordance with the Articles of Incorporation and the regulations of Board of Directors to make vital management decisions and monitor the performance of each director.

In addition, the Board of Directors also assigns tasks to the directors and executive officers who report on performance and the progress of business execution at least once every three months to Board of Directors.

The outside directors actively provide advice from an independent standpoint based on their expert knowledge and wealth of

experience, strive to monitor conflicts of interest between Directors and primary shareholders as well as other stakeholders, reflect the feedback from all of the stakeholders at meetings of the Board of Directors, and greatly contributes to proper decision making and supervision of management.

Nominations and Remuneration Committee

C.I. TAKIRON set up the Nominations and Remuneration Committee as an advisory body to the Board of Directors with more than half of the members made up of independent outside officers in order to heighten the independence, objectivity and transparency of the Board of Directors in the nomination of directors, Audit & Supervisory Board Members and executive officers as well as in the remuneration of directors and executive officers. Any important matters related to nomination or remuneration are evaluated under this committee before approval by the Board of Directors.

Composition of the Committee

Independent Outside Directors	50% (2)
Committee Chairperson	
Mune Iwamoto	Independent Outside Director
Members	
Yosuke Minamitani	Director Chairman
Kenichi Hatano	Independent Outside Director
Toshiro Okajima	Audit & Supervisory Board Member



Main Committee Agenda

- Selection criteria for director, Audit & Supervisory Board Members, and executive officer candidates
- Examination of independent election proposals for directors, Audit & Supervisory Board Members, and executive officers
- Matters related to the appointment and dismissal of representative and executive directors
- Remuneration policies for directors and executive officers
- Examination of processes to determine remuneration for directors and executive officers

Progress of Activities in FY2019

Number of times the Nomination and Remuneration Committee convened 3

Main Committee Agenda Description

- Matters related to revisions of the stock remuneration plan for officers
- Matters related to bonuses
- Matters related to executive appointment

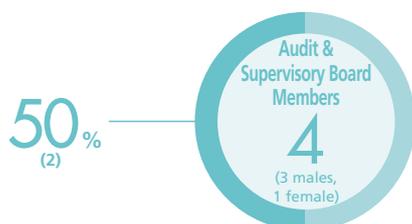
Management Committee

The Management Committee is convened once a month as a general rule to deliberate and determine important matters related to business execution with the Chairman, President, and Chief Operating Officers as core members. Furthermore, the Management Committee reviews matters requiring prior approval from among the items that should be deliberated by the Board of Directors to assist in functions of the Board of Directors and accelerate decision making.

Audit & Supervisory Board Members (Audit & Supervisory Board)

For strengthening the supervisory system and improving diversity, two independent outside Audit & Supervisory Board Members (including one female) were appointed during the June 2020 General Shareholders' Meeting, increasing the ratio of independent outside Audit & Supervisory Board Members to 50%.

The Audit & Supervisory Board Members attend Board of Directors meetings, the Management Committee, and other important meetings according to the auditing criteria for auditors in an effort to understand the vital decision-making process and progress of business execution by hearing the progress of business execution from Directors and other officers and browsing relevant materials. Furthermore, the members regularly meet with the Representative Director President to brainstorm about the progress of business execution.

Ratio of Independent Outside Audit & Supervisory Board Members**Introduction of the Group Executive Officer System**

On April 1, 2020, we introduced the Group Executive Officer System to accelerate our overall group growth strategy as a means for strengthening governance of the Group.

Group Executive Officers are in charge of the management of core operating companies while taking a bird's-eye view of overall Group management in each of the company's business areas, and strive for prompt, appropriate decision making and flexible management.

Group Executive Officers

Name	Position in Affiliate Company
Tomomi Umeda	Representative Director and President of DAIPLA Corporation
Hiroyasu Kawakami	CEO of Bonset America Corporation
Tetsuo Kaneko	Representative Director and President of C.I. MATEX CORPORATION

Effectiveness Evaluation of the Board of Directors

C.I. TAKIRON analyzes and evaluates the effectiveness of the Board of Directors every year and strives to address challenges discovered as a result for the purpose of improving Board of Directors functions.

The effectiveness evaluation conducted in FY2019 is shown below.

Evaluation Method**Step 1 Conduct survey for self-assessment by directors and Audit & Supervisory Board Members**

- Survey implemented and results data collected by an external body
 - ✓ Gather candid feedback by ensuring anonymity
 - ✓ Conduct objective analysis through results aggregation that includes comparisons with data of competitors
- Main survey items
 - ✓ Composition and operation of the Board of Directors
 - ✓ Support system and training for directors and Audit & Supervisory Board Members
 - ✓ Initiatives and system for dialogue with shareholders (investors)
 - ✓ Effectiveness of the Nomination and Remuneration Committee

Step 2 Opinion Exchange with Directors and Audit & Supervisory Board Members

- Conduct opinion exchange based on the analysis of survey results

Step 3 Evaluation at the Board of Directors

- Confirm points that were improved and extract future priority issues based on survey results analysis and content of the opinion exchange with Directors and Audit & Supervisory Board Members

Evaluation Results

1. Improved Items

For improving dialogue with shareholders (investors) and establishing systems for better communications with them, we established a new department specializing in IR and strengthened our IR activities in April 2019.

2. Evaluation Results and Future Initiatives

As a result of the evaluation, generally positive evaluations were obtained, such as how to nominate officers, design of compensation system for management, and efforts to deal with and reduce compliance cases, and the board of directors as a whole functions appropriately and is effective.

Moving forward, we will recognize the following three items as priorities and work to further improve the effectiveness of the Board of Directors.

- (1) Further strengthening of IR activities
- (2) Expansion of discussions on medium- to long-term plans
- (3) Strengthening of the system to improve governance

Executive Remuneration

Framework of Executive Remuneration

Remuneration for directors (excluding non-executive directors) and executive officers is made up of fixed remuneration, bonuses as performance-linked remuneration, and a stock remuneration plan that assigns shares according to position.

This plan clarifies the relationship between director remuneration and the stock price of C.I. TAKIRON to share the benefit and risk of fluctuations in the stock price with both directors and shareholders for the purpose of raising awareness that contributes to improvements in medium- to long-term performance and greater corporate value.

The policy for the payment ratio of performance-linked remuneration (bonuses) and remuneration other than performance-linked remuneration (fixed remuneration/stock remuneration) sets an objective ratio of 25% for performance-linked remuneration and 75% for remuneration other than performance-linked remuneration. Furthermore, non-executive officers and Audit & Supervisory Board Members only receive fixed remuneration. Furthermore, non-executive officers and Audit & Supervisory Board Members only receive fixed remuneration.

Payment Ratio of Remuneration

Performance-linked remuneration (bonuses) Remuneration other than performance-linked remuneration (fixed remuneration/stock remuneration)

25%

75%

Calculation Methods for Each Type of Remuneration

● Fixed Remuneration

Pays an amount according to factors which is calculated and paid as a monthly compensation.

● Performance-linked Remuneration (Bonuses)

Pays an amount calculated by reflecting the consolidated return for the term as well as a qualitative and quantitative assessment of each executive officer once per year.

Index	Current Net Income Attributable to the Owners of Parent
Reason for Selection of Aforementioned Index	For reflecting contribution to business performance in bonuses
Calculation Method	Reflect the qualitative and quantitative evaluation of each officer in the Standard Bonus Amount Standard Bonus Amount = [Monthly remuneration for each officer (fixed remuneration converted to monthly amount)] × [Factor according to Current Net Income Attributable to the Owners of Parent]

Bonus amounts are planned by the Director Chairman by reflecting the qualitative and quantitative evaluation of each officer in the Standard Bonus Amount. The content and processes for determining amounts are verified and deliberated by the Nomination and Remuneration Committee, and the Board of Directors decides on amounts after receiving the report.

● Stock Remuneration

Points are assigned at the end of each business year according to officer position in accordance with regulations on issuing shares. C.I. TAKIRON assigns one share of company stock for each point. These shares are issued upon the retirement of executive officers as a general rule.

History of Enhancements to Corporate Governance

2000	Introduction of an executive officer system Amendment to the number of directors in the Articles of Incorporation (no more than 20 to no more than 12) Changes to the number of directors (17 to 9)
2011	Appointment of an independent outside director (1)
2017	Implementation of an effectiveness Evaluation for the Board of Directors (conducted every year since implementation)
2018	Increase to the number of independent outside directors (1 to 2) Establishment of the Nomination and Remuneration Committee Introduction of a Stock Remuneration Plan
2019	Strengthened Systems for Dialogue with Shareholders (Investors) (established a new department specializing in IR)
2020	Increased the number of independent outside directors (from 2 to 3, comprising more than 1/3 of the Board of Directors) Increases number of independent outside Audit & Supervisory Board Members (from 0 to 2, comprising 50% of the Audit & Supervisory Board Members) Diversification of the Board of Directors and Audit & Supervisory Board Members (Appointed one female director and one female Audit & Supervisory Board Member) Introduction of the Group Executive Officer System

Compliance Risk Management

The C.I. TAKIRON Group is firmly maintaining and strengthening corporate compliance systems, and promoting the optimal operation of risk management systems to provide sound and highly transparent management.

Compliance

Basic Philosophy

C.I. TAKIRON Group is deeply aware of its corporate social responsibilities as a member of society to conduct corporate activities. Our Group complies thoroughly with the relevant laws and regulations as well as with the articles of incorporation for each company in addition to defining the C.I. TAKIRON Group Corporate Code of Conduct for the purpose of taking action deemed suitable by social ethics.

Also, C.I. TAKIRON Group Compliance Program has been completely revised for the purposes of improving and strengthening the compliance system for following the C.I. TAKIRON Group Corporate Code of Conduct. It defines the following four points as a basic policy.

Basic Policy

1. Create a sound organizational culture and climate
2. Establish and maintain a proper system
3. Maintain a high level of awareness about compliance
4. Fair and impartial compliance

Internal Reporting System (Hotline)



Compliance System



Main Activity Results for FY2019

	Results
Preparation of systems and frameworks	<ul style="list-style-type: none"> ● Complete revision of the C.I. TAKIRON Group Compliance Program ● Establishment and dissemination of harassment consultation service manual
Education/Enlightenment	<ul style="list-style-type: none"> ● Held compliance seminars and seminars addressing the issue of workplace-based harassment throughout Japan ● Held compliance seminars for affiliated companies ● Provided education about compliance cases that occurred within the Group ● Provided compliance information through our in-house bulletin ● Distribute the Compliance Handbook to all employees to raise compliance awareness
Overseas Base Surveys	<ul style="list-style-type: none"> ● Conducted labor assessment of Chinese affiliated companies through a local legal firm

Violations of laws and regulations in the socio-economic sector

There are no such violations in FY2019.

Violations of environmental laws and regulations

There are no such violations in FY2019.

Risk Management

Risk Management System

We have put in place a risk management system and formulated Risk Management Regulations for the purpose of reducing and preventing losses as well as enhancing corporate value through the organizational management of risk throughout the Group.

The Corporate Planning Department acts as the risk management secretariat and operates the risk management process each fiscal year by placing a risk manager at C.I. TAKIRON as well as each affiliate company.

Occupation	Person in charge
Person responsible for risk management	C.I. TAKIRON: Chief Operating Officer of each division Affiliate Companies: President of each company
Departments supervising risk assessment	Divisions designated by the risk management secretariat, such as each C.I. TAKIRON business planning department, plant management departments, purchasing departments, finance and accounting departments, quality assurance departments, legal affairs departments, intellectual property departments, business support departments, human resource departments, human resource departments, and risk management departments.
Risk management secretariat	C.I. TAKIRON Corporate Planning Department
Departments supervising the handling of risk	Each division of C.I TAKIRON designated by the risk management secretariat and affiliate companies

Risk Management Operations

C.I. TAKIRON has a system to address the intrinsic risks of the Group through ongoing reduction efforts in accordance with the risk management regulations. The Management Committee determines measures against risk through risk identification and evaluation results for the entire Group. The risk management secretariat operates risk management each fiscal year based on the selection and handling processes for critical risks defined below.

Risk Management Process (Target: C.I. TAKIRON Group)



FY2020 Selection of Critical Risk Management Items

Risk Management Items	Risk Category	Supervising Department	Risk Items	Assessment Department
Mass Infection/Pandemic	Corporate	Corporate Planning Department	1. Risk of inconsistencies in mass infection/pandemic response manuals and insufficient awareness 2. Risk of plant production activity stoppages 3. Legal risk faced by the company	Human Resource Department
Climate change	Corporate	Corporate Planning Department	1. Risk stemming from inadequately analyzing how much of an effect climate change will have on the Group 2. Business continuity risk due to the effects of climate change 3. Risk to company reputation due to level of environmental and biodiversity response	Meeting to Promote Environmental Conservation
IT Security (Continued from the previous fiscal year)	Operational	Business Support Department	1. Risks of informational leaks 2. Risks of suspended operations due to system stoppages 3. Risks of a decrease in credit	—
Compliance and Human Rights	Operational	Legal Compliance Department	1. Risk of compliance violations 2. Risk of human rights and harassment related issues 3. Human rights and harassment related legal risk	—

Selection and Handling Process of Critical Risks

1. Surveys for risk managers (generally once every three years)

Assess the level of impact and likelihood based on a common list of risks created by the risk management secretariat according to the social landscape and risk examples.

2. Analysis/evaluation

Collect and analyze survey results and other information about risk via the risk management secretariat and select critical risk candidates.

3. Identification of critical risks

Identify critical risks (corporate risks or operational risks) at management workshops made up of C.I. TAKIRON executive officers.

4. Formulation/approval of measures against risks

Departments supervising the handling of risks plan and propose measures against risks for the next fiscal year through discussions with the risk management secretariat, and then the risk management secretariat seeks approval from the C.I. TAKIRON Management Committee.

5. Execution of measures against risks

Departments supervising the handling of risk handle risks based on the measures against risks. For corporate risks, departments supervising risk assessment monitor the progress of those measures against risks.

6. Review of the results from measures against risks

The risk management secretariat reports to the C.I. TAKIRON Management Committee based on the results of the measures against risks for the current fiscal year.

Directors, Audit & Supervisory Board Members, and Executive Officers (As of June 25, 2020)

Directors

(biographical information reduced)

Director Chairman **Yosuke Minamitani**

1974 Joined ITOCHU Corporation
2008 Representative Director and Vice President of TAKIRON
2020 Director Chairman of C.I. TAKIRON (current position)



Reasons for nomination C.I. TAKIRON appointed Yosuke Minamitani as the Representative Director and Vice President in 2008, Representative Director and President in 2017, and Director Chairman in April 2020 after serving as Representative Director Chairman & CEO in 2019 based on his many years of service to the ITOCHU Corporation in the chemicals department as well as in managements. Yosuke Minamitani currently acts as Chairman to expand business and promote greater profitability while driving the realization of sustained and enhanced corporate value throughout the entire Group. C.I. TAKIRON nominated Yosuke Minamitani because it can expect him to continue to execute the decision making and supervision of management based on his wealth of experience and high-level of expertise.

Representative Director President **Kazuya Saito**

1981 Joined ITOCHU Corporation
2014 Executive Officer of TAKIRON
2020 Representative Director President of C.I. TAKIRON (current position)



Reasons for nomination C.I. TAKIRON appointed Kazuya Saito as the Representative Director President in April 2020 after serving as the Representative Director President & COO in 2019 based on his many years of service to the ITOCHU Corporation in the chemicals department and after his appointment as Director, Chief Operating Officer of the High Functional Materials Business, and Chief Operating Officer of the Environmental Materials Business in 2015. C.I. TAKIRON nominated Kazuya Saito because it can expect him to further the expansion of business and greater profitability as the highest authority in management business execution currently and for his continued execution of decision making and supervision of management based on his wealth of experience and expertise in overall business, including the overseas fields of the company.

Director Senior Managing Executive Officer **Takahisa Miyake** Chief Operating Officer of the Environmental Materials Div.

1984 Joined TAKIRON
2017 Director Senior Managing Executive Officer of C.I. TAKIRON (current position)



Reasons for nomination Takahisa Miyake was appointed Director in 2016 and Chief Operating Officer of the Corporate Planning Division in 2017 after working as the General Manager of the purchasing, flooring and corporate planning departments. He has been serving as the Chief Operating Officer of the Environmental Materials Division since 2019. C.I. TAKIRON nominated Takahisa Miyake because it can expect him to continue to execute the decision making and supervision of management based on his wealth of experience and expertise in management and the overall business operations of the company.

Director Senior Managing Executive Officer **Akihiro Ueda** Chief Operating Officer of the Construction Materials Div.

1982 Joined ITOCHU Corporation
2019 Director Senior Managing Executive Officer of C.I. TAKIRON (current position)



Reasons for nomination Akihiro Ueda was appointed Managing Executive Officer of C.I. TAKIRON in 2015, and Direct Senior Managing Executive Officer in April 2019 and in the same year started serving as Chief Operating Officer of the Construction Materials Div. after his many years of service at the ITOCHU Corporation in the chemicals department. C.I. TAKIRON nominated Akihiro Ueda because it can expect him to continue to execute the decision making and supervision of management based on his wealth of experience and expertise in the chemical products field, including management experience at multiple overseas companies.

Director Managing Executive Officer **Hideharu Iwasaki** Chief Operating Officer of the Production Div.

1983 Joined TAKIRON
2019 Director Managing Executive Officer of C.I. TAKIRON (current position)



Reasons for nomination Hideharu Iwasaki was appointed Director in 2013 and currently serves as Chief Operating Officer of the Production Division after serving as Chief Operating Officer of the Construction Materials Division and Chief Operating Officer of the Corporate Planning Division. C.I. TAKIRON nominated Takahisa Miyake because it can expect him to continue to execute the decision making and supervision of management based on his wealth of experience and expertise in management, business, and various fields in production.

Director*1 **Mune Iwamoto**

1976 Joined Mitsui Toatsu Chemicals (current Mitsui Chemicals)
2014 Director of TAKIRON (current position)
2016 Outside Director of Toyo Tanso (current position)



Reasons for nomination C.I. TAKIRON appointed Mune Iwamoto as Director because it expects him to utilize his wealth of experience and expertise cultivated in research and development, such as the functional resin field during his long tenure at a comprehensive chemical manufacturer, and multiple posts in management at companies. He has actively provided guidance from an independent standpoint since his appointment as outside Director of the company in 2014, and it expects him to continue to execute the proper decision making and supervision of management.

Director*1 **Kenichi Hatano**

1966 Joined Sumitomo Chemical Industry Company Limited (current Sumitomo Chemical)
2018 Director of C.I. TAKIRON (current position)



Reasons for nomination C.I. TAKIRON appointed Kenichi Hatano as Director because it expects him to utilize his wealth of experience and expertise cultivated through his involvement in management of a comprehensive chemicals manufacturer in the management of the company. In addition, Kenichi Hatano has actively provided advice from an independent standpoint since his appointment as outside Director of the company in 2018, and the company expects him to continue to execute the proper decision making and supervision of management as an outside Director of the company.

Director*1 **Yoshiko Kosaka**

2003 Became registered attorney
2016 Joined Irokawa Law Office (current Irokawa Legal Professional Corporation) (current position)
2020 Director of C.I. TAKIRON (current position)



Reasons for nomination C.I. TAKIRON appointed Yoshiko Kosaka because of her high level of expertise as an attorney and wealth of knowledge related to corporate law, and expects her to execute the proper decision making and supervision of management as an Outside Director of the company. Although Ms. Kosaka has not been directly involved in company management in the past, we believe that she will be able to properly carry out her duties as an Outside Director for the reasons stated above.

*1 Outside Director

Audit & Supervisory Board Members

Audit & Supervisory Board Member Toshiro Okajima

1988 Joined TAKIRON
2020 Audit & Supervisory Board Member of C.I. TAKIRON (current position)



Reasons for nomination After serving as Head of the Equipment Technology Department, General Manager of the Ibogawa Plant, and General Manager of the Aboshi Plant, C.I. TAKIRON appointed Toshiro Okajima as an Executive Officer in 2015. He also served as Deputy Chief Operating Officer of the Production Division starting in 2017. Since he possesses a wealth of experience and knowledge in business and general production, the company expects him to provide the suitable advice and checks to ensure the appropriateness of decisions made by the Board of Directors

Audit & Supervisory Board Member Kenji Takai

1990 Joined ITOCHU Corporation
2019 Audit & Supervisory Board Member of ITOCHU ENEX (current position)
2019 Audit & Supervisory Board Member of C.I. TAKIRON (current position)



Reasons for nomination Kenji Takai is the CFO of the ITOCHU Energy & Chemicals Company and has been involved with accounting and finance departments over his many years at the company. C.I. TAKIRON appointed him because it expects him to provide the suitable advice and checks to ensure the appropriateness of decisions made by the Board of Directors through his practical experience and knowledge in corporate management at ITOCHU Energy & Chemicals Company based on his expert knowledge in the accounting and finance fields.

*2 Outside Audit & Supervisory Board Member

Audit & Supervisory Board Member*2 Masako Osuna

1979 Joined JETRO (Japan External Trade Organization)
2014 Professor, Kanazawa Institute of Technology (current position)
2015 Director (Outside), Audit and Supervisory Committee Member of The HOKKOKU Bank (current position)
2019 Outside Director of Hibiya Engineering, Ltd. (current position)
2020 Audit & Supervisory Board Member of C.I. TAKIRON (current position)



Reasons for nomination Ms. Osuna has been working for the Japan External Trade Organization (JETRO) for many years and is currently a professor, Kanazawa Institute of Technology. Since she possesses a wealth of experience and knowledge and high level of expertise centered on the international economy, the company expects her to provide the suitable advice and checks to ensure the appropriateness of decisions made by the Board of Directors. Although Ms. Osuna has not been directly involved in company management in a capacity other than an outside officer, we believe that she will be able to properly carry out her duties as an Outside Director for the reasons stated above.

Audit & Supervisory Board Member*2 Takashi Araki

1997 Became Certified Public Accountant
2013 Head of Takashi Araki Accounting Office (current position)
2014 Corporate Auditor (Outside) of Nippon Ski Resort Development, Co., Ltd. (current position)
Representative Director of Transaction Support Co., Ltd.
2015 Became licensed tax accountant
Head of Takashi Araki Tax Accounting Office (current position)
2020 Audit & Supervisory Board Member of C.I. TAKIRON (current position)



Reasons for nomination For many years, Takashi Araki has been engaged in auditing work, initial public offering support work, financial and accounting consulting work at an audit corporation, and also established a financial advisory company, and focused on activities centering on due diligence, stock valuation/business valuation, M&A advisory functions, and corporate revitalization support. Since he possesses a wealth of experience and knowledge and high level of expertise related to finance and accounting as a certified public accountant and tax accountant, the company expects him to provide the suitable advice and checks to ensure the appropriateness of decisions made by the Board of Directors.

Executive Officers

Managing Executive Officer Chief Operating Officer of the High Functional Materials Div.	Toshio Tamaki
Managing Executive Officer Chief Operating Officer of the Corporate Administration Div.	Yukihiro Iwata
Executive Officer Chief Operating Officer of the Corporate Planning Div.	Hironori Kikuchi
Executive Officer Chief Operating Officer of the Specialty Films Div.	Hidehiro Shima
Executive Officer General Manager of the Housing Materials Dept.	Hiroji Kimura
Executive Officer General Manager of the Finance & Accounting Dept.	Toshiya Okubo
Executive Officer General Manager of the Business Support Dept.	Tsutoshi Miki

Executive Officer General Manager of the Infrastructure Material Dept.	Takashi Harada
Executive Officer General Manager of the Flooring & Decorative Materials Dept.	Kenji Matsui
Executive Officer Deputy Chief Operating Officer of the Production Div.	Kenji Watanabe
Executive Officer General Manager of the Yasutomi Plant	Yukio Hiraiwa
Executive Officer Deputy Chief Operating Officer of the Corporate Administration Div.	Ryojiro Ogawa
Executive Officer General Manager of the R&D Dept.	Akihiko Shiraishi

Main Financial/Non-financial Data (Quinquennial Data)

Financial Data

Unit: Millions of Yen

	FY2015*1	FY2016*1	FY2017	FY2018	FY2019
Management Performance					
Net Sales	72,958	75,118	147,805	150,650	139,432
Operating Profit	3,793	4,339	8,363	9,080	7,372
Ordinary Profit	3,946	4,519	8,204	9,200	7,611
Current Net Income Attributable to the Owners of Parent	2,746	2,695	6,579	6,391	13,091
Depreciation	3,090	3,201	4,896	4,533	4,682
Capital Investment	3,486	2,609	3,969	7,430	12,388
Research & Development Expenses	841	686	1,288	1,109	1,165
Financial Status					
Total Assets	88,087	88,997	141,116	138,251	144,956
Net Assets	46,461	49,435	69,909	74,310	82,840
Equity Capital	45,755	48,678	68,332	72,680	81,362
Interest-bearing Liabilities	2,696	2,031	11,729	4,911	5,085
Accumulated Surplus	21,489	23,190	22,031	26,571	36,738
Cash Flow					
Cash Flow from Business Activities	5,773	6,579	9,328	9,805	11,017
Cash Flow from Investment Activities	△ 2,860	△ 2,537	△ 1,575	△ 9,620	△ 5,922
Cash Flow from Financial Activities	△ 2,828	△ 1,749	△ 9,160	△ 9,160	△ 3,115
Free Cash Flow	2,912	4,042	7,752	184	5,095
Balance of Cash and Cash Equivalents (End of Term)	13,760	16,046	15,800	6,835	8,746
Stock Information					
Total Number of Issued Shares (Thousand Shares)	78,698	78,698	97,500	97,500	97,500
Dividends (Yen)	14	14	18	26	37
Payout Ratio (%)	36.2	36.9	26.7	39.6	27.5
Information about One Share of Company Stock					
Current Net Income Attributable to the Owners of Parent (Yen)	38.66	37.95	67.49	65.62	134.47
Net Assets (Yen)	644.22	685.44	700.99	746.42	835.82

	FY2015*1	FY2016*1	FY2017	FY2018	FY2019
Management Index					
ROA (%)	3.2	3.0	4.7	4.6	9.2
ROIC (%)	5.1	5.7	7.3	8.1	16.0
ROE (%)	5.9	5.7	9.6	8.8	17.0
Debt-to-Equity Ratio (D/E Ratio)	0.05	0.04	0.17	0.07	0.06
Operating Profit on Sales (%)	5.2	5.8	5.7	6.0	5.3
Capital-to-Asset Ratio (%)	51.9	54.7	48.4	52.6	56.1
Overseas Net Sales Ratio (%)	4.4	4.5	15.9	15.5	15.8

Non-financial Data

	FY2015*1	FY2016*1	FY2017	FY2018	FY2019
Social Indicators					
Number of Consolidated Employees (Persons)	1,871	1,889	3,369	3,412	3,369
New Female Graduate Employment Ratio (%)**2	25	27	33.3	28.6	54.5
Acquisition Rate of Childcare Leave for Male Employees (%)**2	0.0	5.0	0.0	31.0	90.6
Rate of Paid Leave Taken by Employees (%)**2	57.7	61.3	55.4	62.4	91.2
Environmental Index					
Energy Consumption Rate (GJ/Manufacturing Ton)	12.5	12.8	13.1	13.0	12.2
Unit CO ₂ Emissions (t-CO ₂ /Manufacturing Ton)	0.69	0.71	0.67	0.63	0.55
Total Waste Emissions (t)	10,693	12,034	13,428	13,083	13,210
Water Consumption (Thousand m ³)	1,091	1,114	1,174	1,176	1,053
Waste Water (thousand m ³)	813	851	897	1,004	809

*1 Former Takiron Group

*2 Non-consolidated data for C.I. TAKIRON (former Takiron Group non-consolidated data used for FY2015 and FY2016)

Corporate Profile and Stock Information (As of March 31, 2020)

Corporate Profile

Trade Name	C.I. TAKIRON Corporation
Established	October 10, 1919
Incorporated	December 20, 1935
Head Office Address	3-1-3 Umeda, Kita-ku, Osaka 530-0001, Japan (North Gate Building)
TEL	+81 (6)-6453-3700
Website	https://www.takiron-ci.co.jp
Capital	¥15,189 million
Number of Employees (Consolidated)	3,369

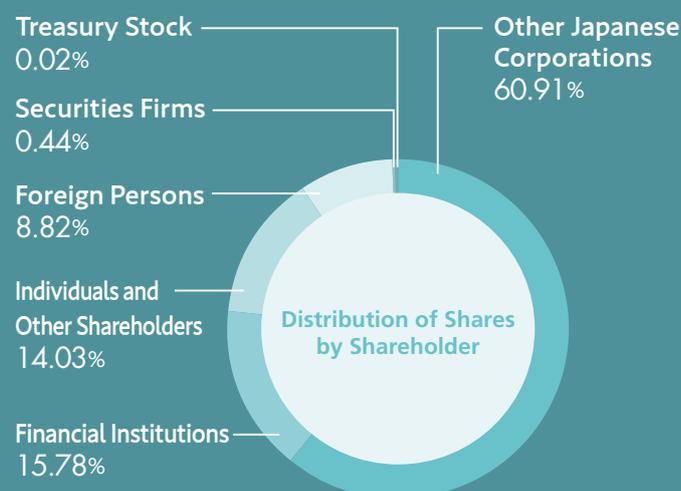
Stock Information

Securities Code	4215
Total Number of Issued Shares	97,500,000
Number of Shareholders	7,230
Stock listing	First Section of Tokyo Stock Exchange
Share Unit	100
Administrator of Shareholder Registry	Sumitomo Mitsui Trust Bank, Limited
Accounting Auditor	Deloitte Touche Tohmatsu LLC

Major Shareholders (Top 10)

Name of Shareholder	Ratio of Share Holding (%)
ITOCHU Corporation	51.15
Japan Trustee Services Bank, Ltd. (trust fund)	3.19
C.I. Takiron Kyowa-Kai	3.12
The Master Trust Bank of Japan, Ltd. (trust fund)	2.83
Sekisui Jushi Corporation	1.48
Nippon Life Insurance Company	1.42
Kaneka Corporation	1.35
GOVERNMENT OF NORWAY	1.28
DFA INTL SMALL CAP VALUE PORTFOLIO	1.15
Tosoh Corporation	1.10

Note: The ratio of share holdings is calculated by excluding treasury stock.



Main Affiliations (As of May 31, 2020)

InteriorFloor Industrial Association	Japan Association of Corporate Executives	JAPAN PLASTIC SHEET ASSOCIATION
Kansai Chemical Industry Association	JA Packaging & Horticulture Materials Association	— Hard Vinyl Chloride Sheet Committee
Kansai Economic Federation	Japan Vinyl Goods Manufacturer's Association	— Polycarbonate Sheet Committee
CLOMA*	The Japan Plastics Industry Federation	NOUGYOUYOUFILM RECYCLE ACCELERATION COUNCIL

* CLOMA: Japan Clean Ocean Material Alliance

List of C.I. TAKIRON Business Establishments

Head Office

- Head Office 3-1-3 Umeda, Kita-ku, Osaka
- Tokyo Head Office 2-15-1 Konan Minato-ku, Tokyo

Branches/Sales Offices

- Sapporo Sales Office
- Tohoku Branch
- Tokyo Branch
- Chubu Branch
- Osaka Branch
- Chugoku/Shikoku Branch
- Kyushu Branch
- Kagoshima Sales Office

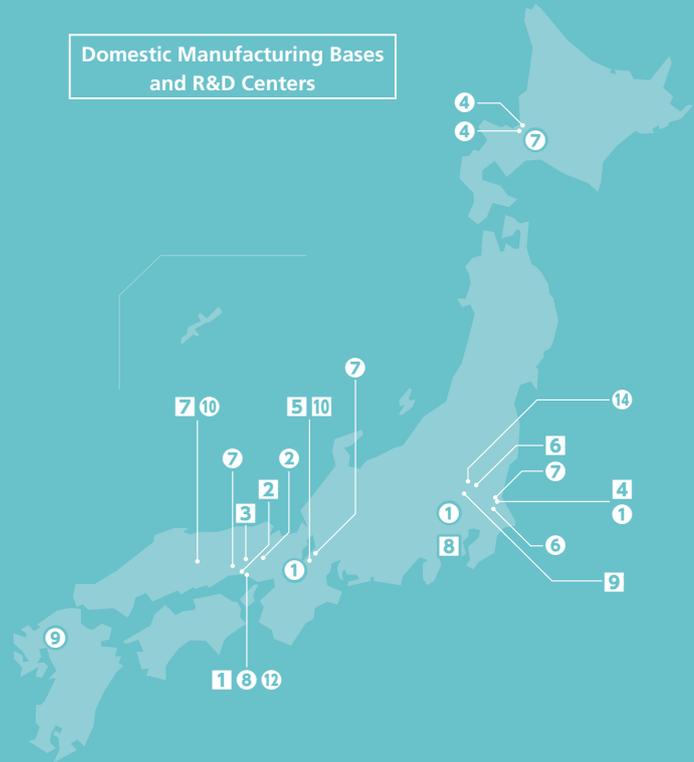
Manufacturing Bases

- 1 Aboshi Plant
- 2 Ibogawa Plant
- 3 Yasutomi Plant
- 4 Tokyo Plant
- 5 Shiga Plant
- 6 Tochigi Plant
- 7 Okayama Plant
- 8 Hiratsuka Plant
- 9 Sano Plant

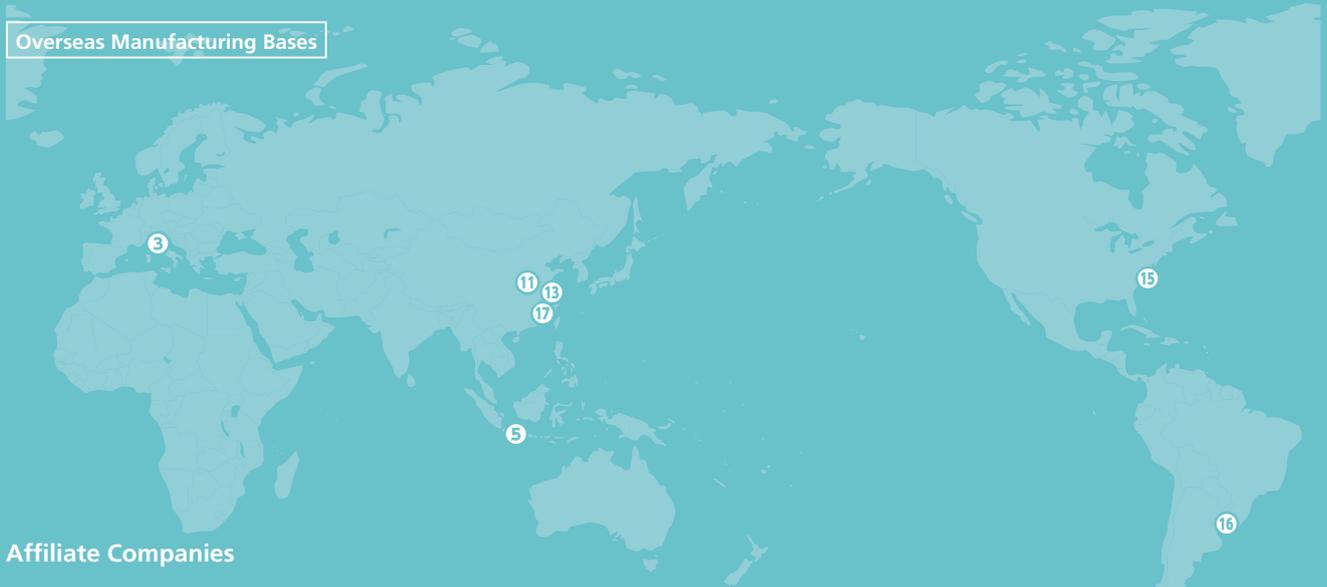
R&D Centers

- 10 R&D Center

Domestic Manufacturing Bases and R&D Centers



Business Sites (As of June 30, 2020)



Affiliate Companies

Construction Materials Business

- 1 SANWA SIGNWORKS CO., LTD.
- 2 TAKIRON KC HOME IMPROVEMENT CO., LTD.
- 3 NIPPON POLYESTER CO., LTD.
- 4 BONLEX EUROPE S.R.L. [Italy]
- 5 TAKIRON MATEX CO., LTD.

Environmental Materials Business

- 6 HOKKAIDO SANPLUS CO., LTD.
- 7 YOKOBI CO., LTD.
- 8 C.I. AGRO CO., LTD.
- 9 C.I. MATEX CORPORATION
- 10 SHANGHAI C.I. KASEI TRADING COMPANY LTD. [China]
- 11 PT. TAKIRON INDONESIA [Indonesia]
- 12 DAILITE CO., LTD.
- 13 DAIPLA CORPORATION
- 14 TAKIRON ENGINEERING CO., LTD.

High Functional Materials Business

- 15 TAKIRON ROWLAND LIMITED
- 16 TAKIRON POLYMER CO., LTD.
- 17 CIK NANOTEK CORPORATION
- 18 TAKIRON PLASTICS (CHANGZHOU) CO., LTD. [China]
- 19 TAKIRON TECH CO., LTD.
- 20 SHANGHAI CIK ELECTRONICS CO., LTD. [China]

Specialty Films Business

- 21 BONPACK CO., LTD.
- 22 BONSET AMERICA CORPORATION [United States]
- 23 BONSET LATIN AMERICA S.A. [Uruguay]
- 24 SHANGHAI SANPLUS PLASTIC CO., LTD. [China]

Other Affiliate Companies

- 25 C.I. TAKIRON LOGISTICS CO., LTD.
- 26 DAIPLA WINTES CO., LTD.



Head Office

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