

C.I. TAKIRON Group

Integrated Report 2021



C.I. TAKIRON

Revision of the C.I. TAKIRON Group Corporate Philosophy as the Foundation

The C.I. TAKIRON Group has established
a new Group Corporate Philosophy with the hope of
becoming a necessary corporate conglomerate always trusted by society.
As the world encounters more serious social issues,
our Group will contribute to the realization of a sustainable society
by pursuing the potential of tomorrow.

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 sustainability concepts and specific initiatives of the C.I. TAKIRON Group.

Reporting Period

FY2020 (April 1, 2020 to March 31, 2021)

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

Reporting Organizations

C.I. TAKIRON Corporation and its Group Companies

Publication Date

October 31, 2021

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
SDG Compass



GRI (Global Reporting Initiative)
Sustainability Reporting Standards

Introduction of Communication Tools

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

Corporate Information

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



Annual Report (IR Information):

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



Inquiries regarding this report:

Corporate Planning Department
Corporate Communication Group

Tel: +81-3-6711-3718

Group Corporate Philosophy

Mission

Creating a people- and earth-friendly future

That is to say, we will carry on fulfilling our responsibility and role in people's lives and the global environment. And to do so, we will tap into the various business resources we have built over the years.

Since our founding in 1919, the C.I. Takiron Group has been supporting people's daily lives and creating a better tomorrow, and we will continue to be a corporate group that provides peace of mind and comfort for the future.

Aspired Corporate Culture

Pride in our accumulated value and the courage to transform

These are things that are important for us to have in order to achieve our Mission.

While remaining proud of the fact that we have refined our technology and built up trust over the past 100 years, we will continue to nurture a corporate culture that never settles for the status quo, is willing to transform, and always has the courage to boldly take on new challenges.

Sustainability Vision

Corporate Message

Supporting Today, Changing Tomorrow

The C.I. TAKIRON Group supports the lives of people today and always works to build a better future for people and the environment with the courage to change toward more prosperous, comfortable lifestyles of tomorrow.

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| Governance

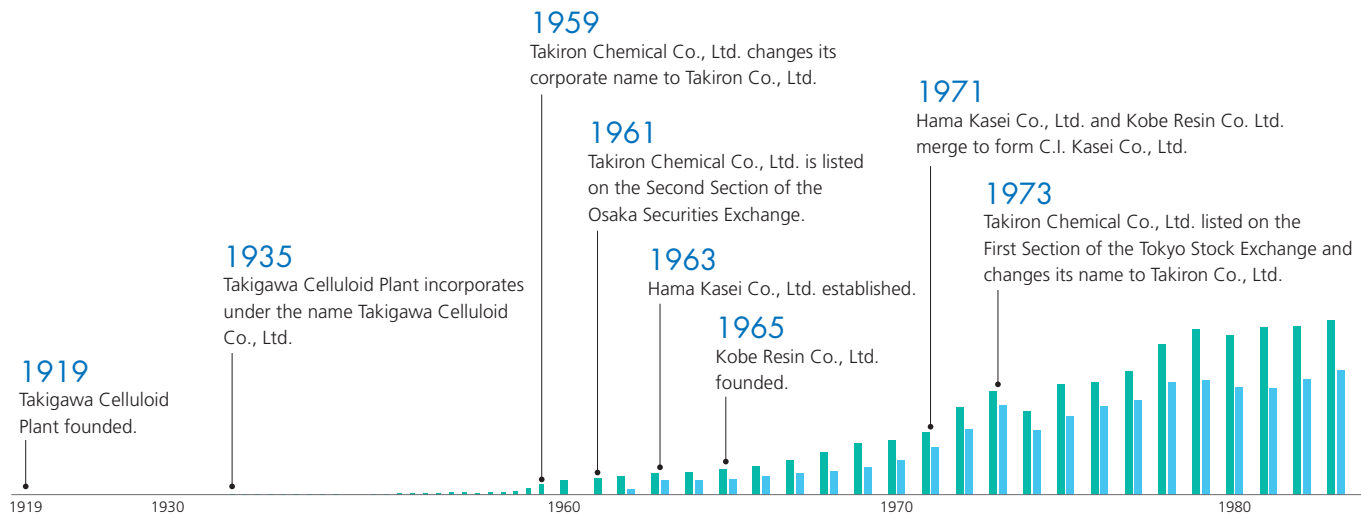
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Social Issues and History of C.I. Takiron's Challenges



History of Challenge

Our company has confronted a variety of challenges without fear to resolve social issues and address customer needs since its founding in 1919 by clearly understanding the changes in each generation.

1919

Launch of Remanufactured Celluloid

Recycling

Remanufactured celluloid is made by making recycled celluloid sheets from the waste celluloid produced when processing new celluloid sheets (average of 20% of waste celluloid is generated). Orders from processors boomed for these recycled celluloid sheets after the recycled product was praised for having almost the same high-quality as new celluloid sheets.



Celluloid Sheet

1978

Launch of Sky 8

Drip, Dust, and Mist Prevention

Mist inside of greenhouses causes diseases in crops. We set out to prevent fog and mist in greenhouses from around 1976 in light of feedback from farmers about mist forcing them to wear rain gear during work and other such concerns. After three years of testing, our research discovered a way to mitigate mist by applying a special silicone to change the disposition of wet film surfaces. This led to the acquisition of a patent and the start of Sky 8 sales in 1978.



Without mist prevention

With mist prevention (Sky 8)

1955

Launch of Rigid Vinyl Chloride Sheet Sales

Shift toward Materials that Meet Market Needs

Our research into vinyl chloride resin as flame-retardant materials began in 1948 to overcome the shortcomings of celluloids. TAKIRON Plate started sales in 1955 as a rigid vinyl chloride sheet. We began to manufacture rain gutters in 1957, rigid vinyl chloride corrugated sheet with extrusion processing in 1958, and polycarbonate plate in 1961. We also transitioned metal products (galvanized iron sheet/tin rain gutters) to light plastics which does not rust.



Product Prototype and Research Group

1982

Launch of Vynon Aqua ATR (Current Vynon Hydrotite) Hydrophilic Water Sealing Material

Water-sealing/Waterproofing Panels and Shields

A specialized production method succeeded in blending and molding composite and water-absorbing resins. These panels and shields swell in water to obstruct the penetration of ground water. The product is used as segment sealant in underground tunnels and waterproofing for concrete joints. Today, water sealing materials are used in subway construction throughout Asia.

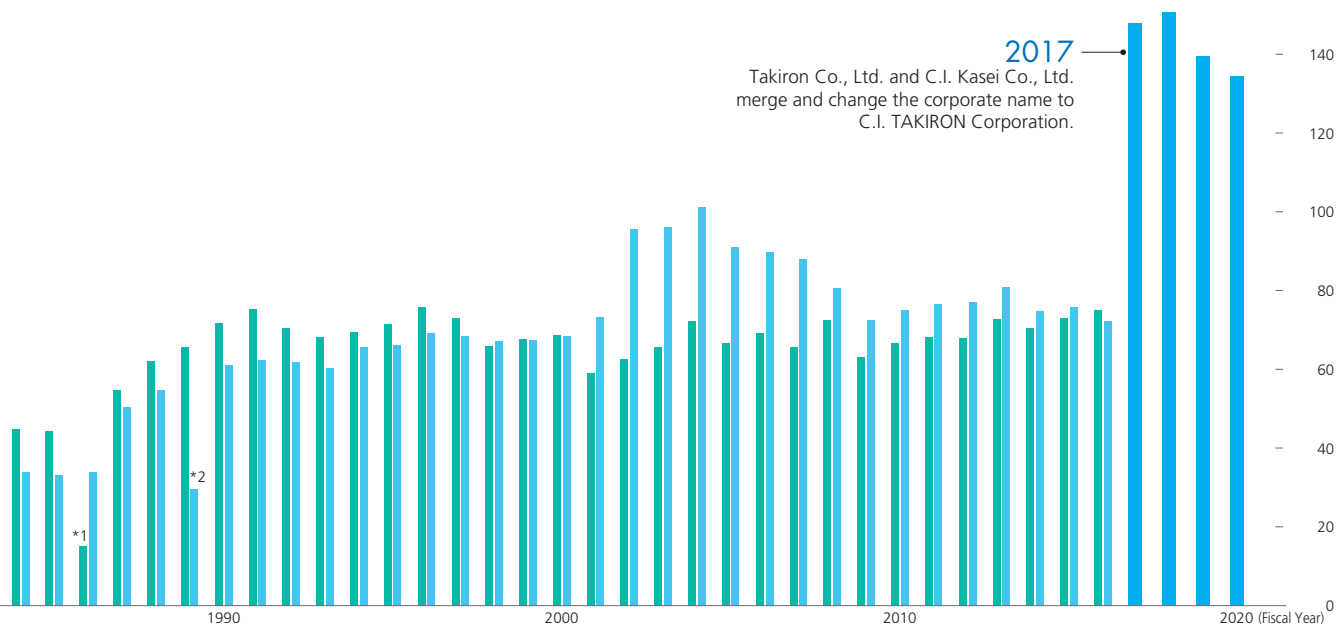


Vynon Hydrotite

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

*Net Sales 1935 to 1986: Non-consolidated; 1987 to 2020: Consolidated

Net Sales
(Billion Yen)
— 160



*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

1995

PVC Stair Treads with Sound Absorption and Slip Resistant Function Safe Even Under Outdoor Rainy Condition



TAKISTEP

Inspired by customers' potential requests for more safe stepping on slippery steel/metal staircases, TAKISTEP – sound absorption and slip resistant PVC stair tread was developed and launched in 1995.

Indeed that happened often for a first-ever product, TAKISTEP also led problems/complaints in the initial phase, however, we have tenaciously addressed solutions for problems. These our efforts improve TAKISTEP as a stable and safe product, and create the unique installation procedure.

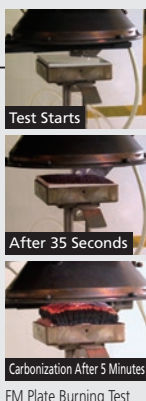
We also have continued to revamp quality of materials, product design, procedure of nosing form by trial productions over and over. After all these trials and errors, the unique features of TAKISTEP are recognized widely in indoor and outdoor flooring sector.

1999

Launch of Flame-retardant Plastic Sales Contributions to Fire Safety

We developed and started sales of the FM Plate product, which conformed to the FM4910* flame-retardant property standard enacted after a large-scale fire at an overseas semiconductor plant. FM Plate forms a carbon layer that acts as an oxygen shield against a fire heat source. This enhances safety against fire by preventing the spread of fire and smoke.

* The FM4910 is a flame-retardant standard for materials used in semiconductor plants and other clean rooms established by the FM Global insurance company in the United States to prevent fires.



2007

Launch of Lume Carbo Large Polycarbonate Plastic Double-layer Panel

Lightweight and Highly Rigid with High Heat Insulation

The Lume series provides a lineup of products to drive energy savings by letting plenty of natural light into buildings while dramatically reducing the heat lost from openings. Applications include Lume Wall and Lume Roof.



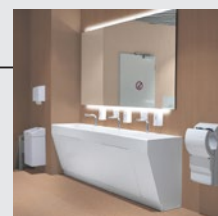
Lume Wall

2021

Release of Belbien (Fireproof Decorative Adhesive Film) and Neo Clean (Flooring Material) Anti- bacterial/Anti-virus Materials

Anti-bacteria/Anti-virus

These products have an antibacterial activity value of 2.0 or higher and reduce at least 99% of viruses. This inhibits the growth of bacteria and viruses which in turn contributes to maintaining more hygienic environments.



Walls: Belbien
Flooring: Neo Clean

Business Overview

The 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 its technology and expertise accumulated over more than a century.

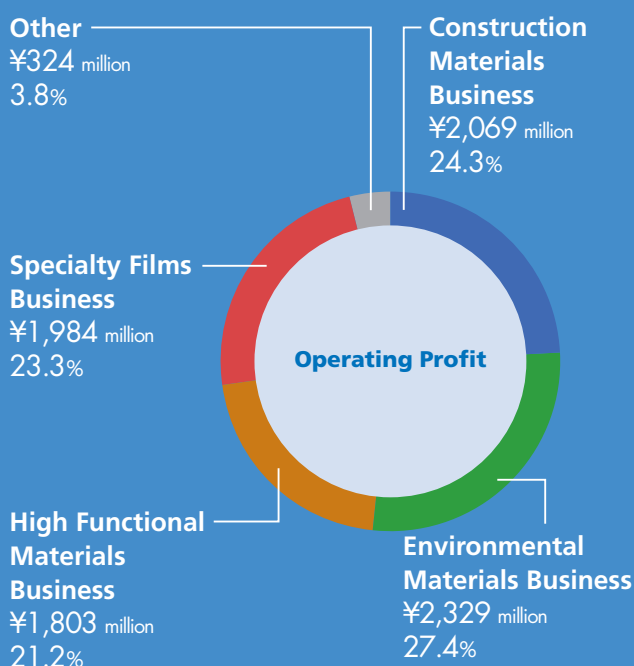
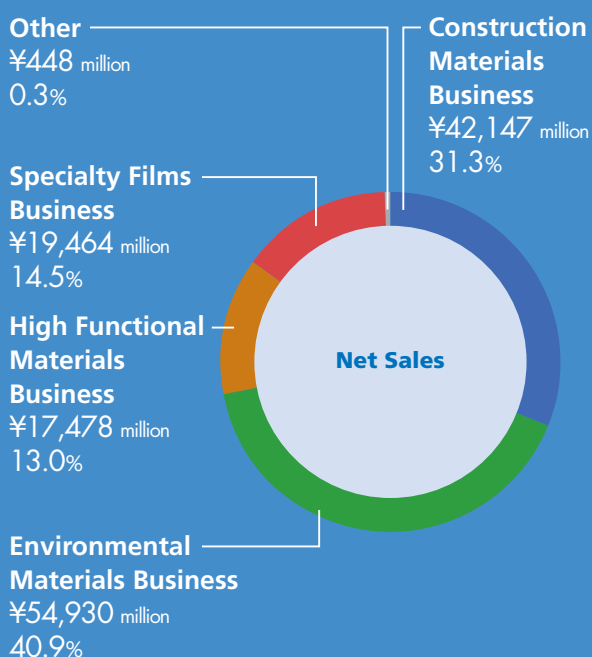
FY2020

Net Sales
consolidated **¥134,470** million

Year-on-year Rate Down **3.6** %

Operating Profit
¥8,511 million

Up **15.4** %



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.



Flooring for Apartment Corridors



Small-scale Rainwater Storage and Filtration Tanks



Fireproof Decorative Films with Adhesive



High Heat Insulating Honeycomb structured Polycarbonate Panels

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, plant stakes and irrigation tubes. We also offer materials that support the functionality and safety of social infrastructure according to the various applications and purposes.



High Stiffness Polyethylene Pipe (Civil Drainage Pipe)



Waterproof Geomembranes (Industrial Waste Disposal Facilities)



Pipe Rehabilitation Work (Sewer Pipes)



Agricultural Plastic Film/Resin-coated Steel Pipe

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 high demanding semiconductor and liquid crystal manufacturing to the high reliability needs of cameras and RC servos.



Industrial Plastic Plates (Semiconductor Manufacturing Equipment)



Micro Motors



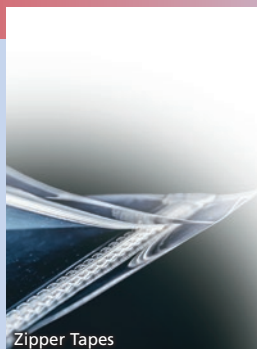
Static Dissipative Plastic Plates (Clean Room Partitions)

Specialty Films Business

BONSET Business/ SANZIP Business

We offer heat-shrinkable films and a wide array of high-precision zippers for eco-friendly products and other customer needs.

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



Zipper Tapes



Heat Shrinkable Films



Financial/Non-financial Highlights

Net Sales (Millions of Yen)



139,432	134,470
FY2019	FY2020

Point

We have executed measures to maximize Group-wide synergy and growth capabilities as well as strengthen earning power in the final year of our Good Chemistry Good Growth 2020 Medium-term Management Plan. In addition to the impact of the COVID-19 pandemic, the declining number of new housing construction projects and dissipation of special demand due to wind damage in the previous year, our year-on-year income fell 3.6%.

Ordinary Profit (Millions of Yen)



7,611	8,807
FY2019	FY2020

Point

The C.I. TAKIRON Group was also impacted by a decline in net sales, but year-on-year profit increased 15.7% due to a decrease in the cost of sales as well as selling and administration expenses.

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

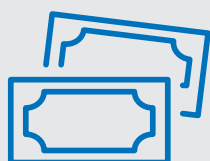


13,091	5,332
FY2019	FY2020

Point

Net income attributable declined 59.3% year-on-year due to the transfer of fixed assets at a consolidated subsidiary in the previous fiscal year.

Current Net Income Per Share (in yen)

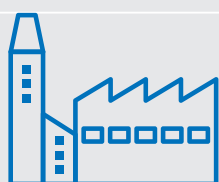


134.47	54.77
FY2019	FY2020

Point

Current net income per share declined by 79.7 yen year-on-year due to a decrease in net income attributable to the owners of parent.

Capital Investment (Millions of Yen)



12,388	5,149
FY2019	FY2020

Point

We continued to invest in improving major product production in each business segment. The amount of capital investment was 41.5% of the previous fiscal year due to the completion of planned capital investments.



Energy Consumption Rate (GJ/Manufacturing Ton)

12.2

FY2019

12.6

FY2020

Point

We have been promoting energy-saving activities throughout the entire C.I. TAKIRON Group. However, consolidated and non-consolidated energy consumption rates increased due to the large drop in production volume resulting from the COVID-19 pandemic. (+4.9% compared to FY2019)



Unit CO₂ Emissions (t-CO₂/Manufacturing Ton)

0.55

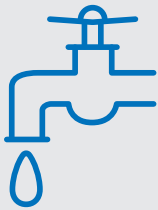
FY2019

0.52

FY2020

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 FY2019. (-4.4% compared to FY2019)



Water Consumption (Thousand m³)

1,053

FY2019

1,000

FY2020

Point

Water consumption decreased due to identifying area where leakage was occurring and carrying out necessary repairs or replacing pipes. (-5.0% compared to FY2019)



New Female Graduate Employment Ratio (%)*

54.5

FY2019

30.8

FY2020

Point

We hired 13 new graduates (including four females) in contrast with our employment plan in which we planned to hire 15 new graduates (five females), and our female employment ratio decreased compared to fiscal 2019.



Rate of Paid Leave Taken by Employees (%)*

91.2

FY2019

88.2

FY2020

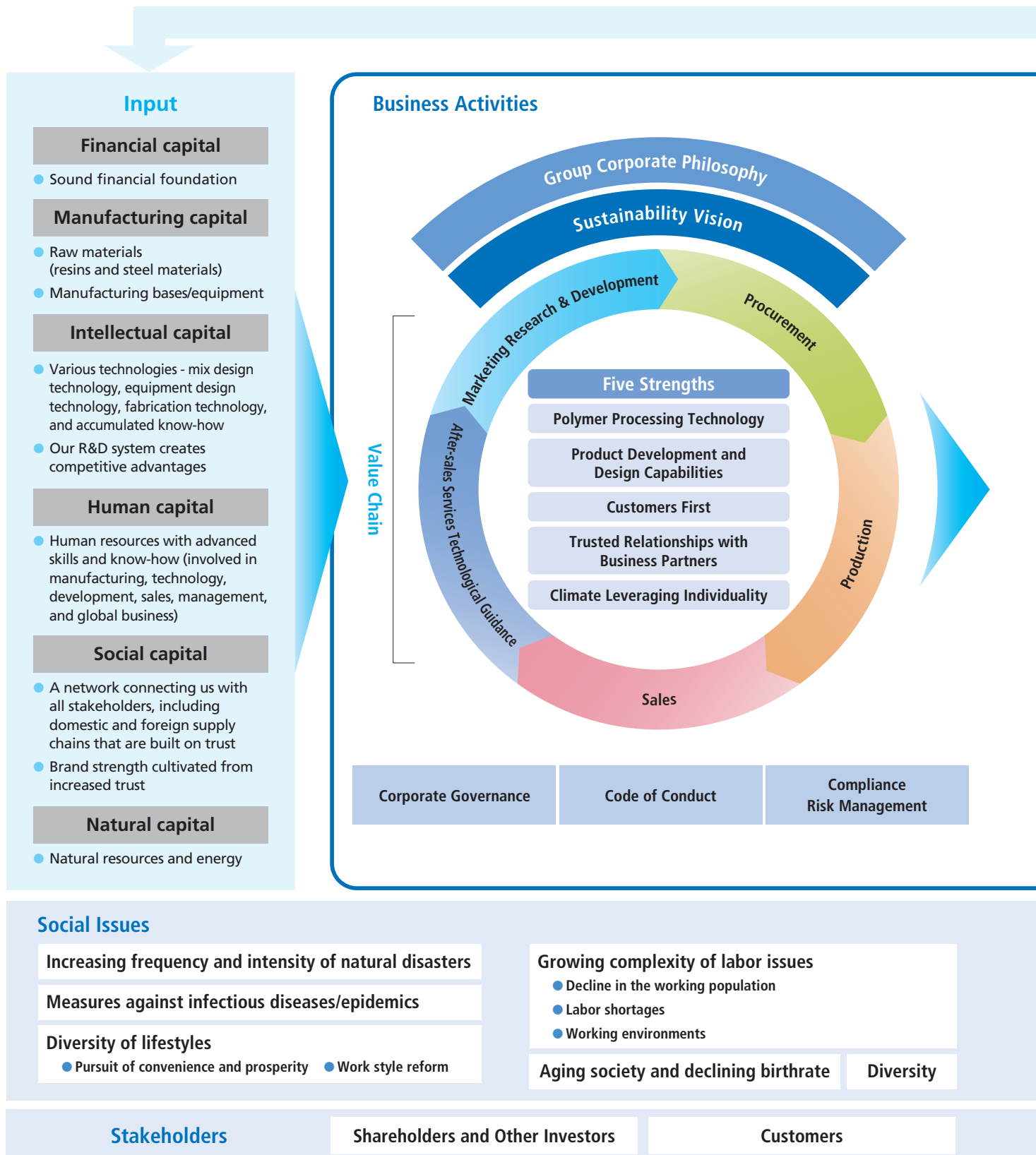
Point

Our target for the rate of paid leave taken by employees was 80% or above. Therefore, we introduced a financial incentive program to encourage employees to take paid leave and strategically encouraged employees to take paid leave. (-3.0% compared to FY2019)

* Non-consolidated figure for C.I. TAKIRON

Value Creation Process

The 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.



Materiality

Source of Corporate Growth

- Cultivation of a corporate climate supporting value creation
- Advancement of Polymer Processing Technology

Respect of Individuality

- Promotion of diversity
- Management Commitment on Enriching Lives

Responsibilities to Society

- Handling of marine plastic pollution
- CSR procurement
- Reduction of environmental impact
- Expansion of environment-friendly products

Management Platform

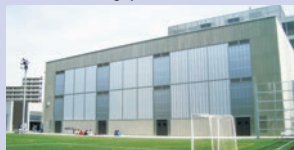
- Comprehensive compliance and risk management response
- Enhancement of corporate governance

Medium-term Management Plan
Commit to Transformation CX2023

Output

Construction Materials Business

Polycarbonate building materials, housing materials, piping and plumbing equipment, flooring materials, decorative materials, water damage prevention materials, etc.



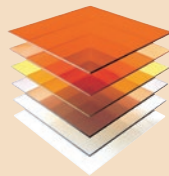
Environmental Materials Business

Agricultural materials, binding materials, infrastructure materials, civil engineering products, liquid chemical tanks, etc.



High Functional Materials Business

Plastic Sheets, machining materials, micro motors, etc.



Specialty Films Business

Heat-shrinkable films, zippers, etc.



Outcome

- Sound, prosperous development of national lands
- Realization of a rich living environment
- Enhancement of lifestyle convenience
- Prevention and mitigation of disasters
- Revitalization and enhancement of social infrastructure
- Coexisting with society and the environment
- Enhancement of agricultural productivity
- Resource and energy savings
- Decarbonization
- Reduction of waste

Safety and Security

Comfort and Peace of Mind

Resilience*

Environment

* The ability to recover from and address social challenges and crises, such as natural disasters and damage to social infrastructure.

Deterioration of the global environment

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

SUSTAINABLE DEVELOPMENT GOALS



SDGs (Sustainable Development Goals)

The 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

Top Message



To Realize a Sustainable Society

The C.I. TAKIRON Group has entered a new stage striving to reach new heights and will further solidify its presence even in the sustainability field.

Representative Director President

A stylized Japanese calligraphic signature of Kazuya Saito, consisting of the characters 齋藤 (Saito) and 一也 (Ichigo).

Kazuya Saito

To Become a Corporate Enterprise Solving Social Issues through Business

Review of the Medium-term Management Plan and Changes in the Business Environment

Good Chemistry Good Growth 2020 was the initial C.I. TAKIRON Group medium-term management plan. At the beginning of this medium-term plan, the C.I. TAKIRON Group started out strong in a relatively robust economic environment worldwide right after the management integration. However, the COVID-19 pandemic struck in the second half of the year constricting social and economic activities, dramatically changing the business environment, and causing stagnation over the medium term.

Although this did negatively influence our business activities in many ways, I believe that we are lucky the impact overall was negligible. In fact, this economic environment did also have some positive impact on our Group. The COVID-19 crisis generated new demand. For example, we were able to create new value many times over by responding to market needs from our partitions to prevent slashing to construction materials with anti-bacteria and anti-virus performance. Our work to build a strong management foundation also benefited. We learned that our Group crisis management system was on the right track and found opportunities to accelerate new work-style programs, such as telework and an open office which had been in the trial phase.

The C.I. TAKIRON Group had set challenging goals in the previous medium-term management plan expecting to greatly capitalize on integration synergy. However, the COVID-19 pandemic hit all of society in many major ways, and we were unfortunately unable to attain our quantitative targets. Nevertheless, the C.I. TAKIRON Group did sufficiently advance growth investments and various reformations for the future.

In particular, the system integration completed as one basis for our transformation has proven very successful at measuring the efficiency and profitability of each business based on the same set of standard criteria. Even outside of this system integration, our Group has achieved almost all of our qualitative goals for the last four years from consolidating our production bases for polycarbonate plate and restructuring plant and research sites to optimizing sales systems and reinforcing production facilities worldwide. Investments in new sectors and the creation of core businesses for the future are the only qualitative challenges left to tackle. The new Commit to Transformation: CX2023 Medium-term Management Plan picks up where the previous medium-term plan left off. The C.I. TAKIRON Group will successfully complete its original plans for transformation drafted during the management integration.

We will always recognize our duty to drive forward clear growth and enhance corporate value regardless of the ever-changing business environment by reflecting on issues faced in the past and capitalizing on those experiences.



To Encourage a New Mindset in All Corporate Officers and Employees via a Revised Corporate Philosophy

The success in reaching the qualitative targets laid out by the initial medium-term management plan after the management integration means the C.I. TAKIRON Group has entered the next stage to ramp up efforts.

We started drafting a long-term vision linked to the new medium-term management plan that begin in fiscal 2021 while at the same time revising our Corporate Philosophy. I think fiscal 2020 was a splendid opportunity to align the vector of all of our corporate officers and employees as the new start from our 101st year in business. We found solutions to immediate challenges, such restructuring and optimizing functions and organizations, confronting major change in the social economy due to the COVID-19 pandemic, and work towards carbon neutrality and other sustainability issues with a major ten-year milestone in 2030.

The true essence of a corporate philosophy is to provide grounded principles for employees to overcome difficulties and concerns and for the company to reflect on many times as the business environment undergoes even further change.

The new Group Corporate Philosophy consists of "Mission" and "Aspired Corporate Culture."

Our message sets out a mission of creating a people- and earth-friendly future, which inherits many values from our former slogan of creating a people- and earth-friendly future through plastics technology. Our original mission has been simplified while holding dear

to the core beliefs as a way to better clarify our approach as a corporate group which solves social issues in order to contribute to society in many different walks of life. Moreover, our Aspired Corporate Culture has been reborn to advocate pride in our accumulated value and the courage to transform. Polished technologies and the ability to always earn the trust of both our customers and society are the reason C.I. TAKIRON has been in business over a century. This is not only a point of pride but also demonstrates an approach to cultivate a corporate culture that always transforms itself never content with today.

Concurrently, the C.I. TAKIRON 2030 Vision—the first long-term Group vision—lays out what we must strive to do to become a corporate group that delivers peace of mind and comfort to the future of our plant through a creative evolution, illustrating where we want to be 10 years from now in 2030. In order for this Aspired Corporate Culture to become more than just words, we have set specific numerical targets as long-term goals. The C.I. TAKIRON Group will aim to achieve net sales of 200 billion yen, operating profit of 20 billion yen, and an operating profit margin of 10% by 2030.

Launched at the beginning of 2021, the Commit to Transformation: CX2023 Medium-term Management Plan is the first step toward achieving those long-term targets for 2030 and to another century in business. By revising the Group Corporate Philosophy at this time, I think we have provided a foundation to unify the Group in goals to realize our mission and achieve these long-term targets. In the future, C.I. TAKIRON will fully raise awareness about this Group Corporate Philosophy throughout the organization. This will ensure each and every employee takes action by recognizing this philosophy, which will broadly share the value offered by the C.I. TAKIRON Group.

New Commit to Transformation 2023 Medium-term Management Plan

I would like to take a moment to touch on three points about the Commit to Transformation 2023 (CX2023) Medium-term Management Plan launched in April 2021.

The first point is that this new plan is based on a long-term perspective. Phase 1 acts as the first three years of three stages backcast from the long-term vision and targets. The medium-term management plan sets specific targets to tackle as a Group during this first phase. Although we must adapt to changes in the short-term business environment, our vision will act as an unwavering long-term axis for corporate activities.

The second point is transformation. The X in the CX2023 stands for reform and a crossover (to go beyond) alongside and through the Group Corporate Philosophy embodied by the simple word Transformation. The Commit to Transformation theme incorporates the values that we truly want all of our employees to embrace. All of us will take on each job while keeping in mind a corporate culture that strives to always transform itself never content with today.

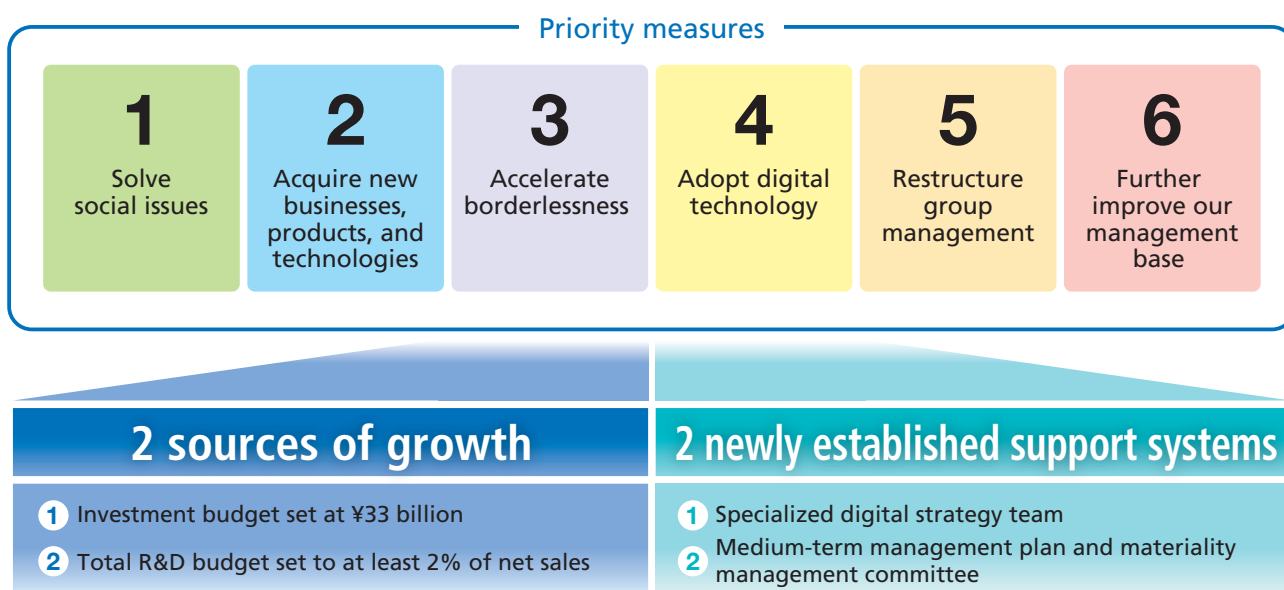
The third point is undertaking effective measures. We have set Key Performance Indicators (KPI) and six priority actions as well as 2 sources of growth capital and 2 newly established support systems to help lead us to success. Even though the previous medium-term management plan did solve many challenges that our Group faced, there were quantitative targets that we did not reach. The new medium-term management plan reflects on these unattained targets to fully recognize the need to fulfill the new Group goals. At the same time, our approach will flexibly revise targets that have been set according to the changing social environment to properly respond as occasion may demand. We will closely watch where the C.I. TAKIRON Group is on the road map toward our targets to make sure we are on the right path. I believe making the right decisions according to circumstance is extremely important.

The C.I. TAKIRON Group has been a company proposing solutions to social issues through business since its founding, which is basis of the medium-term management plan. To continue to take action as a corporate enterprise addressing social issues in the future, our Group must continue to transform together with the times.

The social landscape always changes rapidly, ever accelerating the broadening diversification of values among people. As a corporate conglomerate, we must never settle for today and always work to learn the techniques and skills that can resolve challenges unlike those faced before by opening avenues to new business sectors, developing new technologies, and engaging in other such efforts. Whether accepting diverse values or being willing to engage in collaborations with companies in other industries when necessary, the C.I. TAKIRON Group has to efficiently take advantage of all internal and external strengths.

The clear advancement of a digital transformation and carbon neutral initiatives are essential as the C.I. TAKIRON Group. We have begun building a system to formulate a strategic trajectory by setting up a special department that goes beyond simple technological or practical implementation to transform business models.

The restructuring of Group management is a priority theme. Investors have indicated the importance of consolidated financial results in modern corporate management. I believe the C.I. TAKIRON Group will be unable to respond to the changes coming in society without unifying all of our strengths. The first step to strengthening Group management is establishing a resilient management foundation. I know human resources are key to our Group management foundation. As a Group advocating the Management Commitment on Enriching Lives as management policy, we are working to put in place work-style programs and build an even better working environment to improve the lives of employees.



To Enhance Sustainability

Why sustainability now?

The C.I. TAKIRON Group formulated the Supporting Today, Change Tomorrow Group Sustainability Vision in September 2021 as the guiding principle to its sustainability activities.

Now is the time for us to revise the Group Corporate Philosophy and take action with the goal of fostering subsequent growth according to the new long-term vision and medium-term management plan. That is why I believe this is also a time to review our approach to sustainability which has stood for a company committed to solving social issues and the reason the Sustainability Vision has been positioned as our top priority.

Our belief that long-term and sustainable growth of C.I. TAKIRON connects directly to sustainability for society at large is the core principle of the Sustainability Vision. I am certain contributions to the realization of a sustainable society through business founded in our corporate mission are the essential quality of Group sustainability activities. While always staying true to this vision, we will support the lifestyle of people every day to bring an even higher level of comfort to the lifestyles of tomorrow with the aim to continue building a people- and earth-friendly future. Looking back, I feel the corporate message which the Group has used for so long already has exemplified our passion about sustainability.

This is also true of each and every one of our sustainability activities. Almost all of the initiatives that we have undertaken and promoted thus far can be seen as sustainability activities. The promotion of ESG management that I touch on later is at the core of all of this. One very distinct example is our work-style reform initiatives founded in the Management Commitment on Enriching Lives launched in fiscal 2018.

I think the efforts founded in this declaration over the last three years have achieved great success and almost put in place a system to give employees an even enriching life. In the future, we need to raise employee awareness about the various programs and step up measures even further so that each employee can take full advantage of each program based on their own life plan. C.I. TAKIRON launched the Management Commitment on Enriching Lives Committee under my direct supervision as President in fiscal 2020 to more efficiently cultivate employee awareness and plan to expand activities even closer to the lives of every employee.

The particular points of emphasis in our sustainability activities are the respect for human rights and diversity throughout the entire value chain. Henceforth, C.I. TAKIRON requires a system that can expand the range of initiatives from the Group throughout the value chain and strictly monitor progress at all times. We must also expand our view to the issue of conflict minerals by taking into account the minerals used as raw materials by the C.I. TAKIRON Group. Accordingly, we need to make greater considerations about human rights during procurement and strengthen diversity. Further reviews of suppliers from the perspective of CSR procurement in fiscal 2020 and the CSR Procurement Policy in line with human rights and diversity create a new system to achieve this. In the future, we will take initiative to create a new organization dedicated to sustainability and the development of human resources in addition to our work to make active sustainability investments.

Practice and Sophistication of ESG Management

The most pressing social issues before us has been overcoming the spread of the novel COVID-19 infection worldwide since the pandemic began, but humanity must tackle the average temperature clearly rising on a global scale as well as the risks of climate change thought to be causing more frequent severe weather conditions in recent years.

We have set various goals, including our target to reduce CO₂ emissions from our businesses 30% compared to fiscal 2018 by fiscal 2030, as specific initiatives to do our part to help solve the climate change issue. We aim to acquire the Science Based Targets certification for the new reduction target during 2022 as a means to certify both inside and outside of the company the feasibility of these science-based targets.

In May 2021, C.I. TAKIRON also became a TCFD supporter committed to proper financial disclosure. We will conduct medium- to long-term scenario analyses in the future while referring to the IEA scenarios advocated by the TCFD to identify our climate change risks and opportunities and strengthen corporate governance as an organization.

We will also promote CO₂ emission reductions as much as possible by defining specific measure to accomplish our targets and strengthening various energy-saving efforts in the short-term focusing on manufacturing plants. In the long term, C.I. TAKIRON will focus on decarbonization. The Group will not only install solar panels but also gradually transition to procurement power derived from renewable energy sources. In addition, I believe building an efficient recycling loop is an important measure because we can reduce CO₂ emissions produced during the waste disposal process by recycling things that are currently disposed of as waste.

To further CO₂ emission reductions in accordance with the SBT certification and as a TCFD supporter, the C.I. TAKIRON Group must pay careful attention to not only its own CO₂ reductions and decarbonization trends but also those throughout the entire value chain. The Group has focused on environment-friendly business activities so far, but our procurement activities will now accelerate the procurement of raw materials with an even lower environmental impact using the CSR Procurement Policy launched in fiscal 2020 as a launching point.

Shifting our attention back to Japan, the Tokyo Stock Exchange will restructure its market segments in April 2022. This restructuring plans to reorganize companies currently listed in the First Section of the Tokyo Stock Exchange mainly into the Prime market and Standard Market. The Prime Market is oriented to companies which center their business on constructive dialogue with global investors and keep a higher quality of corporate governance.

I believe C.I. TAKIRON must remain listed in the Prime Market to enhance sustainable corporate value, and we have even begun to strengthen corporate governance according to the standards for companies listed in the Prime Market. This work does not just simply adopt all of the provisions in the corporate governance code but rather intends to make substantive enhancements to our corporate governance. We will strive to build a corporate governance system appropriate for the C.I. TAKIRON Group while incorporating Japan's Corporate Governance Code.

In August 2021, C.I. TAKIRON established a new Governance Committee with Outside Directors acting as core committee members. The Committee will spearhead initiatives to tackle priority governance issues in the future.

Sustainability Advertising

The C.I. TAKIRON Group has not really had the opportunity to broadly publicize its sustainability initiatives, which is a consequence of being a corporate conglomerate focused mainly on B-to-B business. Therefore, we have started "Question from Earth" and "Mission to Provide Solutions Through Materials" corporate advertising campaign for the purpose of raising awareness about our sustainability initiatives in fiscal 2020 and generating appeal for products that help solve social issues. In the future, C.I. TAKIRON will continue to use this advertising as a venue to actively publicize its sustainability initiatives from a wide range of standpoints.

To All of Our Stakeholders

C.I. TAKIRON is revising its Group Corporate Philosophy committed to a continued evolution from the previous medium-term management plan to the current medium-term management plan while integrating the ideas of all of our employees. I believe the C.I. TAKIRON Group has entered a new stage aiming to elevate itself with renewed conviction to not only heighten our presence in business but also in the areas of sustainability and ESG.

The diversification of values and rapid changes coming to society will surely happen at an even faster pace. The C.I. TAKIRON Group will contribute to the realization of a sustainable society as a corporate conglomerate committed to solving social issues while continually evolving itself.

I would like to thank all of our stakeholders for their continued support. I would also like to ask for candid feedback as well as support of our sustainability initiatives.





Vision and Strategies



1 FY2021-FY2023 Medium-term Management Plan

(Commit to Transformation: CX2023)



2 Sustainability Vision



3 Materiality

1

FY2021-FY2023 Medium-term Management Plan

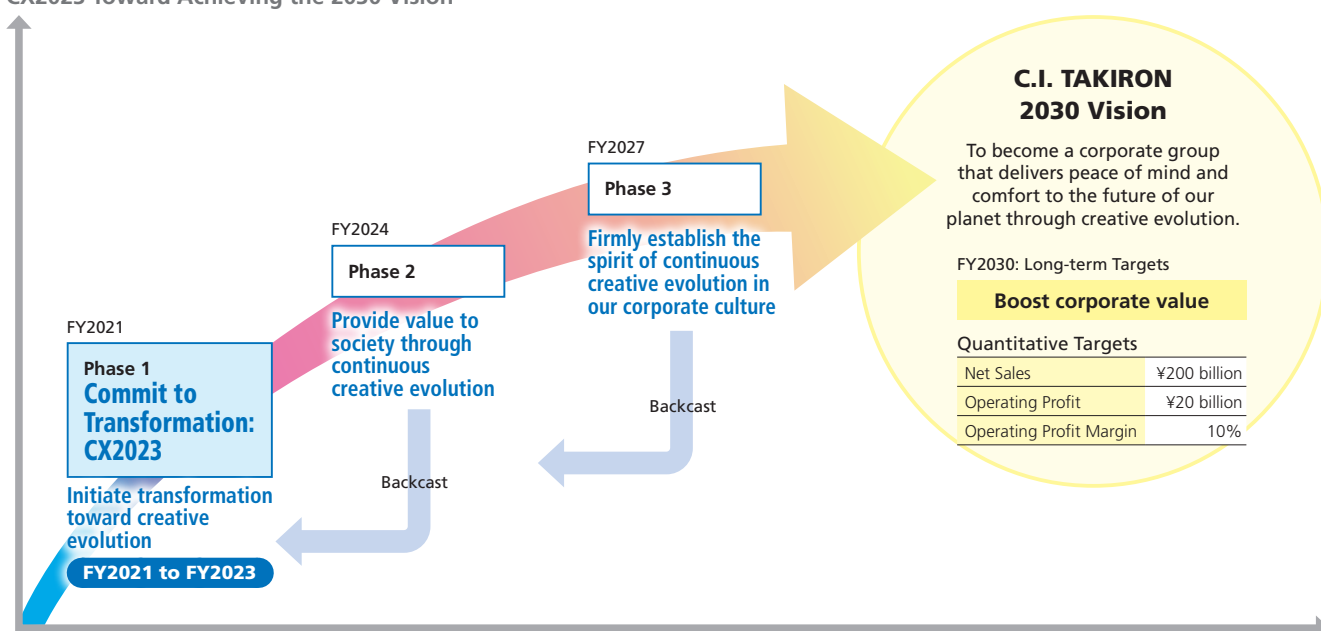
Commit to Transformation:
CX2023



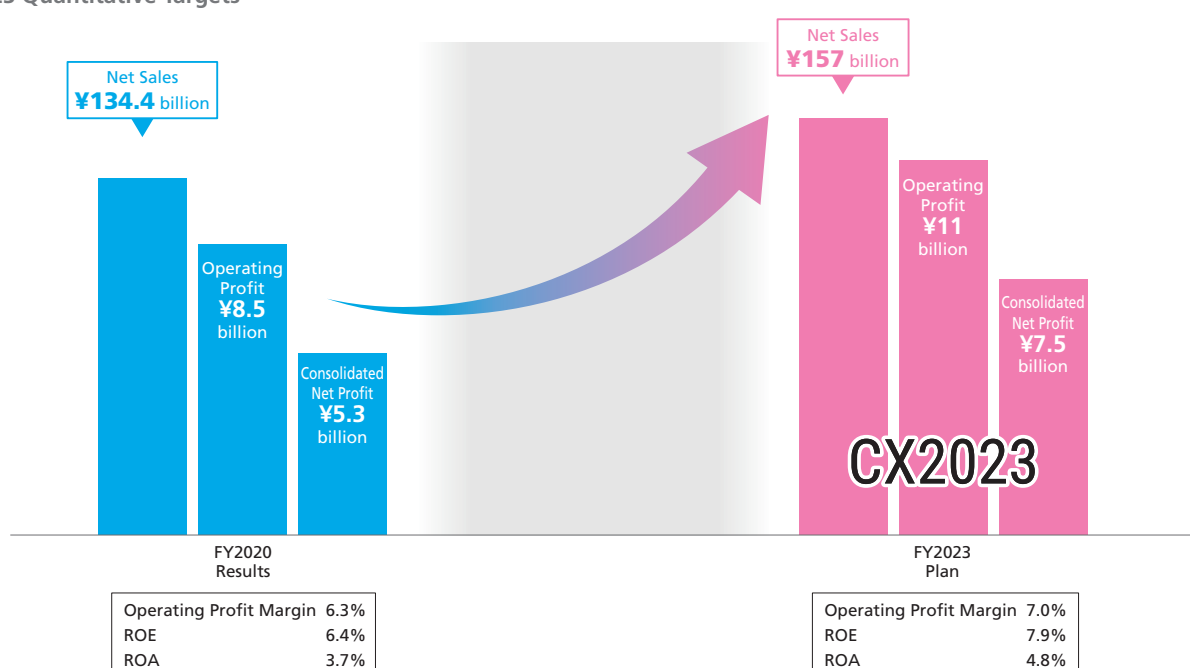
We gave the Medium-term Management Plan launched in 2021 the title Commit to Transformation 2023 (CX2023). "Transform" is our keyword for enhancing corporate value.

This plan aligns focus for all group officers and employees of the C.I. TAKIRON Group and shares where we want to be 10 years from now as a medium- to long-term goal. We have divided and backcast our ideal form in ten years into three phases. The first three-year phase is the Commit to Transformation: CX2023 Medium-term Management Plan.

CX2023 Toward Achieving the 2030 Vision



CX2023 Quantitative Targets



Six priority measures

We have set six priority measures as specific measures to achieve the medium-term management plan. The C.I. TAKIRON Group promotes greater action in ESG management and materiality. We are very aware of building a sustainable society and have made solve social issues our first priority action. Our second priority action will address the ongoing challenge to create new business and develop new products, which were the main reasons C.I. TAKIRON was unable to accomplish the previous medium-term management plan. We will also place emphasis on the introduction of adopt digital technology by recognizing the potential brought by the advent of a new normal after the COVID-19 to promote a digital transformation.

Priority measures

1 Solve social issues

We will contribute to solving specific social issues by being conscious of social sustainability and steadily implementing business activities and materiality based on the SDGs.

FY2023 Targets

- Number of environmentally friendly product development themes
 - » 15 per year
- CO₂ emissions reduction rate (compared to FY2018)
 - » 13% reduction
- Number of waterside clean aid activity participants (annual total after 3 years)
 - » Over 1,000 people

2 Acquire new businesses, products, and technologies

With an eye on future changes and demands, we will take on the challenge of creating new businesses, products, and technologies that will lead the next generation.

FY2023 Targets

- Sales from new business areas
 - » ¥6 billion or more
- New product sales composition (non-consolidated)
 - » 20% or more
- Number of new technologies created (number of patent filings)
 - » At least 50 applications/year

3 Accelerate borderlessness

We will enhance corporate value and pursue business growth from a “borderless” perspective, including global expansion of sales and production bases, marketing based on new value standards, and achieving diversity (gender, race, nationality, religion, and age) in the organization and corporate culture.

FY2023 Targets

- Overseas sales composition
 - » 20% or more
- Ratio of women in leadership positions*¹ (as of April 1, 2024)
 - » 5% or more
- Ratio of female employees in career-track positions (as of April 1, 2024)
 - » 20% or more

4 Adopt digital technology

We will explore the use of cutting-edge technology in all business processes to pursue results such as improved work efficiency, labor savings, and cost reductions. We will promote the use of digital technology to create new added value in our sales activities and create a new business model.

FY2023 Targets

- Digital maturity score*²
 - » 2.5 or higher

5 Restructure group management

We will create value as a consolidated entity by maximizing the efficiency of complex business collaboration and investment.

FY2023 Targets

- Consolidated operating profit margin
 - » 7%
- Businesses/companies running at a loss*³
 - » Zero

6 Further improve our management base

We will further improve our program design with a focus on work-life balance and carry out the commitments made in the Management Commitment on Enriching Lives for all employees. We will also strive to create a safe and secure workplace by re-evaluating our work environment and daily communication to ensure no accidents and harassment takes place.

FY2023 Targets

- Employee work engagement score*⁴
 - » 3.0 or higher
- Employee loyalty score*⁵
 - » 3.0 or higher
- Critical compliance violations*⁶
 - » 0 violations

*¹ Leadership positions are career-track positions (including managerial positions) in the level of “performing duties while leading members of the organization in the tasks, objectives, and issues assigned” or higher, as defined in the company's personnel system (grade system).

*² The digital maturity score consists of five domains including Management Strategy, Personnel and Training, Processes, Solutions, and Governance, and the average of the total is used as our KPI (our score in 2020 was 1.4).

*³ Excludes businesses and operating companies that have been newly established within the last five years and businesses and operating companies for which the Board of Directors has resolved to withdraw from.

*⁴ Employee engagement score: A score on a scale of 1 to 4 based on the results of a questionnaire designed to measure employees' energy, enthusiasm, and level of immersion in their work.

*⁵ Employee loyalty score: A score on a scale of 1 to 4 based on the results of a survey designed to measure employees' satisfaction with the company and their expectations for the future.

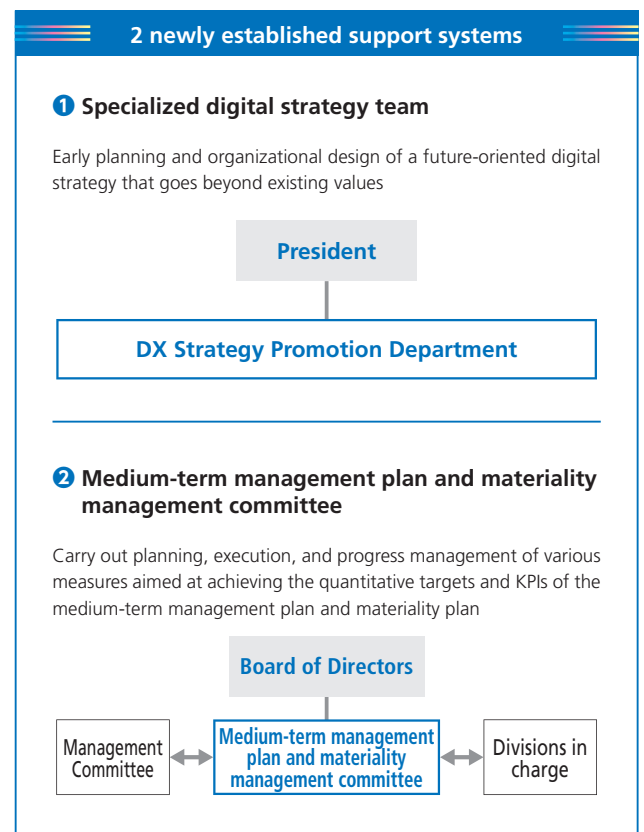
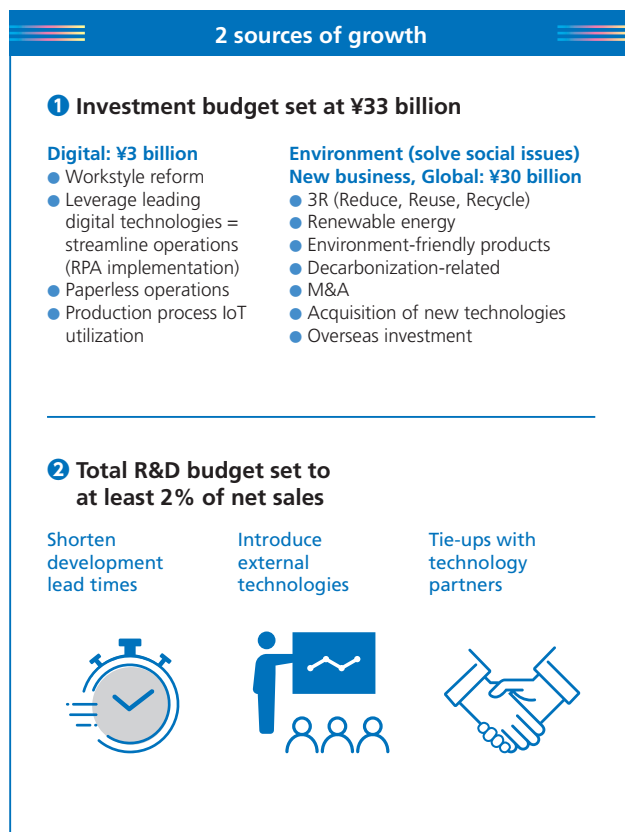
*⁶ Number of violations that fall under our internal definition of a major compliance violation and that are disclosed externally in light of their social impact.

2 sources of growth and 2 newly established support systems

C.I. TAKIRON has defined 2 sources of growth and 2 newly established support systems as part of its six priority measures.

As sources of growth, we have set a goal to inject 33 billion yen in investments to the environment, new and global businesses, and the digital technologies outlined in the first four priority measures. Furthermore, C.I. TAKIRON will secure sufficient research and development funds to encourage new product development.

As support systems, we set up DX Strategy Promotion Department (as of October 1, 2021) to quickly formulate and draft digital strategies. In light of our failure to achieve the previous medium-term management plan, we have also established a Medium-term management plan and materiality management committee to plan and execute various measures, advance plans, and revise targets as necessary.



Toshio Tamaki
Managing Executive Officer
Chief Operating Officer
of the Corporate Planning
Div. and Recycling Adaptive
Materials Promotion
Supervisor

Ideas Incorporated into the Commit to Transformation: CX2023 Medium-term Management Plan

Commit to Transformation: CX2023 came to fruition through an extensive discussion between executive officers over 16 different review meetings throughout the year. C.I. TAKIRON also formed a Junior Board (simulated executive board meeting consisting of junior employees) convened by junior members at the front lines of each business and site from all of the divisions as well as the R&D Department. These junior employees open and candidly debated the ideal form of the C.I. TAKIRON Group in the future. Management fully embodied those ideas in the formulation of the medium-term management plan. Our Outside Directors also provided advice on ideal corporate governance and cultivating a corporate culture leading to innovation.

As outlined above, this completely new approach incorporated the strong commitment of the C.I. TAKIRON Group to transform in the CX2023 medium-term management plan. Now, we will strive to realize the transformation of the C.I. TAKIRON Group through the clear execution of this medium-term management plan.

2 Sustainability Vision

C.I. TAKIRON Group Sustainability Vision

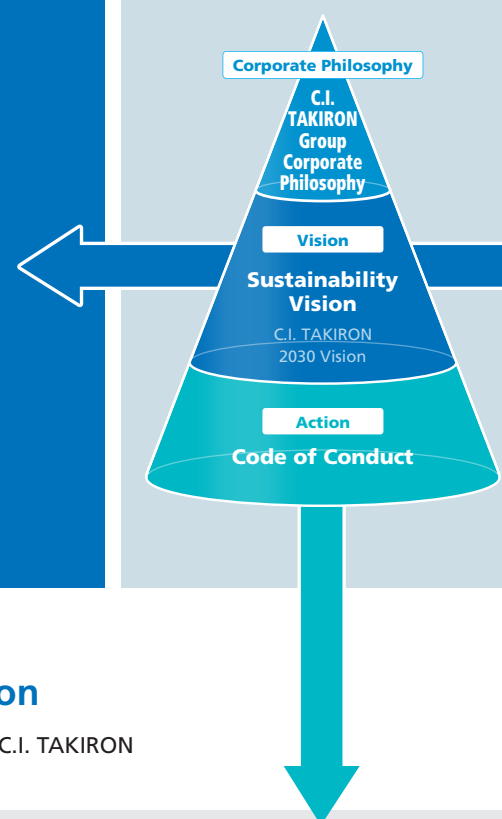
The C.I. TAKIRON Group formulated the Sustainability Vision as the core principle of the corporate message "Supporting Today, Changing Tomorrow."

Sustainability Vision

Supporting Today, Changing Tomorrow

The C.I. TAKIRON Group supports the lives of people today and always works to build a better future for people and the environment with the courage to change toward more prosperous, comfortable lifestyles in tomorrow.

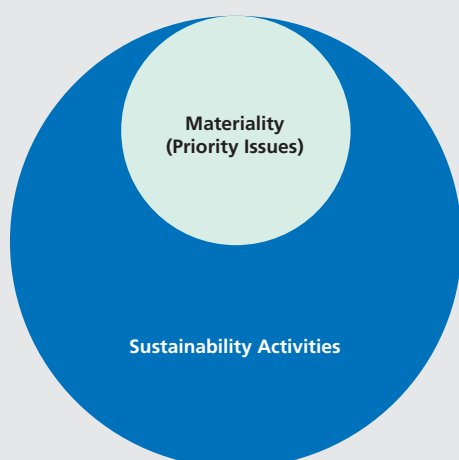
Sustainability Philosophy Framework



Specific Initiatives Centered on the Sustainability Vision

Our businesses will promote materiality and other sustainability activities to achieve the C.I. TAKIRON Group Sustainability Vision.

Overall View of Specific Initiatives Centered on the Sustainability Vision



Description of Specific Sustainability Initiatives (Conforming to GRI Standards)

High Priority Item	Medium Priority Item	GRI
Overall sustainability Communication	Basic	101
	General disclosure items	102
	Management methods	103
Economy (management foundation) Governance (partial)*	Economic performance	201
	Presence in local economy	202
	Indirect economic impact	203
	Procurement practices	204
	Corruption prevention	205
	Anticompetitive practices	206
	Taxes	207
Environment	Raw materials	301
	Energy	302
	Water	303
	Biodiversity	304
	Atmospheric emissions	305
	Waste	306
	Environmental compliance	307
	Environmental assessments of suppliers	308
Social	Employment	401
	Management-labor relations	402
	Workplace Health and Safety	403
	Diversity and equal opportunities	405
	Nondiscrimination	406
	Social assessments of suppliers	414
	Social economic compliance	419

Items related to materiality

Outcome-oriented Sustainability Design

The C.I. TAKIRON Group has integrated the SDGs into its businesses based on the value provided to society (outcomes).

Safety and Security

Ideal Form of C.I. TAKIRON

A corporate group always providing a stable supply of safe and trusted products and services to support today by offering peace of mind to people in their daily life

Relevant Sustainable Development Goals (SDGs)



Comfort and Peace of Mind

Ideal Form of C.I. TAKIRON

A corporate group stepping up to the challenge of creating products and services that meet contemporary needs by using technologies and ideas to offer prosperity and comfort to people in their daily lives tomorrow

Relevant Sustainable Development Goals (SDGs)



Resilience

Ideal Form of C.I. TAKIRON

Corporate group always transforming itself to flexibly adapt to the various changes of the social environment and circumstances

Relevant Sustainable Development Goals (SDGs)



Environment

Ideal Form of C.I. TAKIRON

A corporate group manufacturing products that take into consideration the people, earth, and future while always keeping the conservation of our planet in mind.

Relevant Sustainable Development Goals (SDGs)



Sustainability Advertising

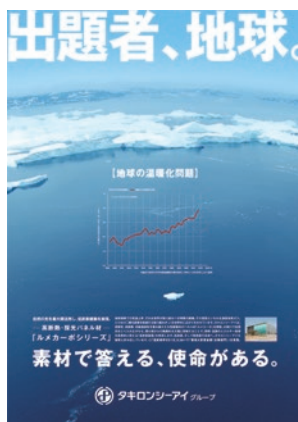
The C.I. TAKIRON Group advertises a strong message about its commitment to addressing (resolving) social issues faced on a global scale through its products.



Striving to Overcome Starvation Worldwide!

Bringing Water and Hope for the Future.

[High Stiffness Piping] Daipha Hawer Pipe



Striving to Decarbonize and Combat Climate Change

Maximize Use of Natural Light to Achieve Low-carbon Construction

[Highly Insulation Lighting Panel Material] Lume Carbo Series



Striving to Overcome More Frequent Flood Damage

Material to Hold and Control Water Essential to Flood Control Facilities

[Water Sealing Material] Binon Hydrotite

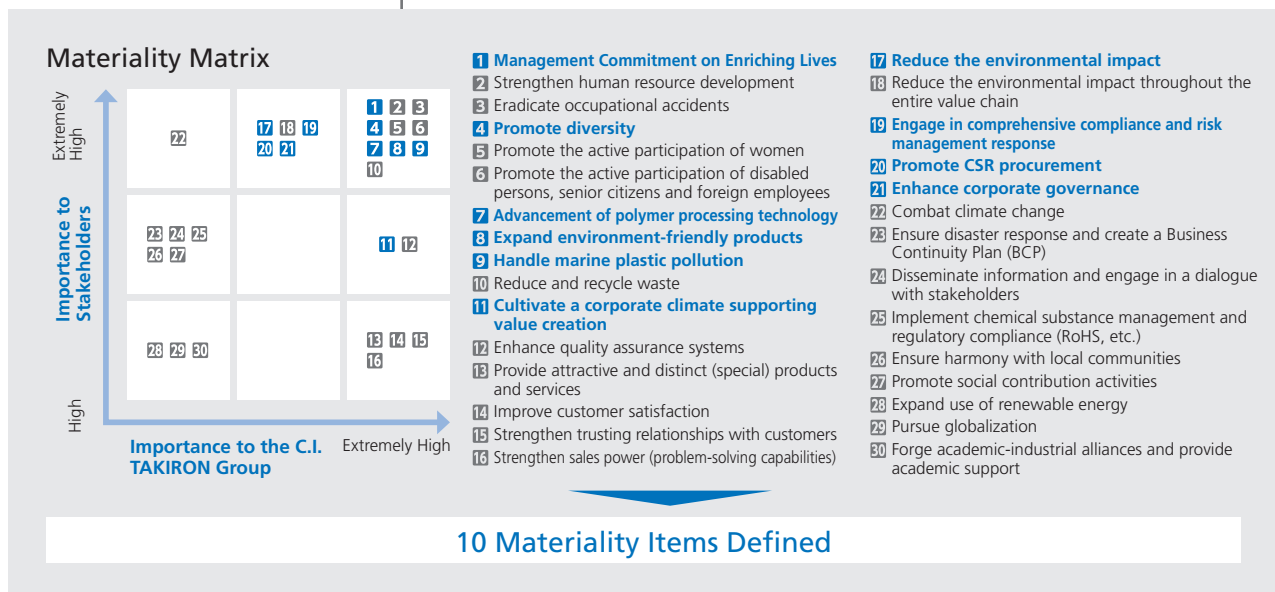
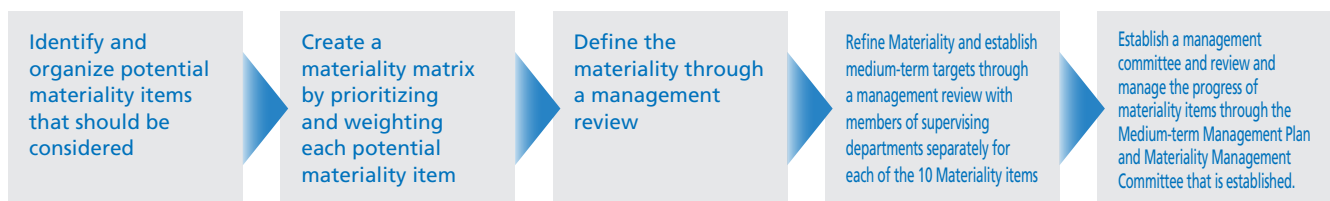
3

Materiality


Priority Issues

The C.I.TAKIRON Group identified ten material subjects (priority sustainability issues) to prioritize our efforts in fiscal 2019 based on changes in social issues, such as SDGs as well as environmental, social, and corporate governance (ESG) issues. In fiscal 2020, we determined new KPI and fiscal targets with reference to the feedback from external experts and reflected those goals into the new medium-term management plan, which began in fiscal 2021. In addition, C.I. TAKIRON launched the Medium-term Management Plan and Materiality Management Committee to review and manage the progress of materiality items as a management body to achieve its materiality targets. Our Group uses its synergy to further accelerate each initiative toward achieving our future fiscal targets in the pursuit of accomplishing every outcome.

Process to Define Materiality/Establishment of Management System



Medium-term Plan for Materiality

Category	Materiality Subject	Evaluation Standards (KPI)	Medium-term Roadmap		Relevant Sustainable Development Goals (SDGs)	Relevant Page
			2021	2023		
Source of Corporate Growth	1 Cultivate a Corporate Climate Supporting Value Creation	<ul style="list-style-type: none"> Number of Challenge Promotion Measures Implemented During the Period Survey-based Evaluation of the Extent the Corporate Culture Where Employees Take on Challenges has Permeated^{*1} 	3	4	 	—
	2 Advancement of Polymer Processing Technology	<ul style="list-style-type: none"> New Product Net Sales Ratio (%) ^{*1} Number of New Technologies Created (Number of Patent Filings) 	15%	20%	   	P.34
Respect of Individuality	3 Promote Diversity^{*2}	<ul style="list-style-type: none"> Rate of Participation In In-house Training Classes Related to Diversity & Inclusion Level of Understanding Regarding Diversity & Inclusion Identified Through Surveys Conducted After Training Ratio of Women in Leadership Positions Ratio of Female Employees in Career-track Positions Ratio of Employees Who Return To Work After Leave 	100%	100%	  	P.44
	4 Management Commitment on Enriching Lives^{*3}	<ul style="list-style-type: none"> Employee Work Engagement Score Employee Loyalty Score Recognition Status as an Excellent Corporation for Health Management 	—	At least 3.0		P.42
Responsibility to Society	5 Handle Marine Plastic Pollution	<ul style="list-style-type: none"> Number of Waterside Clean Aid Activity Participants (Total number of participants for the period) Number of Marine Plastic Related Events and Seminars Held (Total number of seminars and events held for the period) 	300	1,000		P.53
	6 CSR Procurement	<ul style="list-style-type: none"> Request Rate for CSR Procurement Policy by Important Domestic Business Partners (% of purchase base) Request Rate for CSR Procurement Policy by Important Domestic Business Partners in Overseas Group Companies (% of purchase base) Level of Agreement with CSR Procurement Policy (Based on business partner survey) 	100%	—	 	P.51
	7 Reduce the Environmental Impact	<ul style="list-style-type: none"> CO₂ Emissions Reduction Rate (compared to FY2018) 	8% reduction	13% reduction	  	P.38
	8 Expand Environment-friendly Products	<ul style="list-style-type: none"> Environment-friendly Products (Number of development themes) Environment Related Awards 	10	15	        	P.26 to P.35
		Implementation of Business Partner Survey (Grasping the current level of business partner agreement with CSR guidelines)		Level of Agreement: 100%		
Management Platform	9 Comprehensive Compliance and Risk Management	<ul style="list-style-type: none"> Compliance Related Enlightenment and Education Implementation (% of companies) Number of Critical Compliance Violations Rate of Completion of Response to Important Risk Issues Within Period (%) Regular Important Risk Reviews 	100%	100%	 	P.58
	10 Enhance Corporate Governance	<ul style="list-style-type: none"> Board of Directors Attendance Rate Formulation of Corporate Governance Guidelines Number of Times Explanatory Meetings Were Held for Shareholders/Investors 	85% or above	85% or above		P.54
		Financial Results Briefings	2	2	 	P.48
		Meetings with Individuals	At least three times a year	At least three times a year		
		Small-sized Meetings	—	At least once a year		

^{*1} The survey-based evaluation of the extent the corporate culture where employees take on challenges has permeated and new product net sales ratio (%) are two item figures updated in the medium-term roadmap.

^{*2} Ratio of new female graduate employees (main career track), ratio of female employees in management positions, and employment ratio of persons with disabilities have been removed while the ratio of women in leadership roles and the ratio of women in general roles have been added.

^{*3} Three employee survey results items (ratio of employees who feel that there is a workplace environment and systems established that make it easy to work/ratio of employees who answered that they work actively, and the level of system understanding) have been removed while the employee work engagement score and employee loyalty score have been added.

Construction Materials Division

Long-term Vision and Growth Strategies

The Construction Materials Division provides construction materials to customers to help build comfortable living and urban spaces around all of us. This division strives to undertake new themes from environment-friendly products to those responding to disasters founded in greater safety and peace of mind. The integration of market in and product out is advocated as a way to accomplish these types of products. The Construction Materials Division will not only improve technologies to save energy, recycle, and introduce raw bio-based materials into production but also promptly adapt to customer needs in the market in order to support rapidly advancing SDG trends.

We will also expand overseas development of interior products even further centered upon production sites not only in Japan but also in Europe to establish business models adapting to environmental issues from a global perspective.



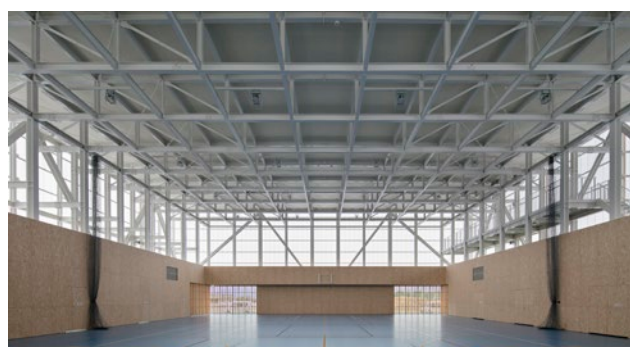
Akihiro Ueda
Director Senior Managing
Executive Officer
Chief Operating Officer of the
Construction Materials Div.

Business Review

Business Description

The Housing Materials Business handles rain gutters, drainage, and other water processing products essential to housing construction as well as construction materials widely used in housing and non-residential properties for natural light, such as the Lume Wall high heat insulating honeycomb structured polycarbonate panels that contribute to a decarbonized society.

In the Flooring and Decorative Materials Business, we provide 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 and buildings look attractive.



Main Business Strengths

The main strengths of the Construction Materials Division are the diverse technology and development capabilities for polycarbonate plastic and vinyl chloride plastic products.

Strengths

- Polycarbonate fabrication technology
- Number one in Japan for our polycarbonate building material manufacturing capabilities
- Polycarbonate building materials and slip-resistant vinyl flooring which possesses a top market share
- Comprehensive development capabilities offering functionality to construction materials
- Global expansion through overseas production sites (BLX)

Market Environment

The Housing Materials Business is facing a surge in raw material prices and logistics costs recently due to a decrease in new housing construction as the population declines in Japan and concerns about life after the COVID-19 pandemic and the impact of a lumber shortage. Reducing costs and product price pass-through also makes improving profitability a pressing issue. At the same time, there is demand for environment-friendly products, such as those with measures toward decarbonization and climate change.

The Flooring and Decorative Materials Business has seen ever higher requirements for not only beauty but also long-lasting flooring in both housing complex renovation and new construction markets. Proposals for decorative materials which match new needs are also expected to grow in order to adapt spaces to the changing living environment of people since the COVID-19 pandemic.

Initiative Results for FY2020

The Housing Materials Business will continue to optimize Group production systems for polycarbonate products while enhancing product proposals and sales efficiency. C.I. Takiron Plus Co., Ltd. established in April 2021 integrates systems for the distribution of construction materials and sales to hardware stores for the purpose of strengthening market competitiveness.

The Flooring and Decorative Materials Business strove to develop new versions of conventional Belbien fireproof decorative films with adhesive for indoor applications and NeoClean slip-resistant vinyl flooring sheets with anti-bacteria and anti-virus performance, which released in April 2021.

(Unit: Millions of Yen)

	FY2019 Results	FY2020 Results	Compared to FY2019
Net Sales	46,310	42,147	Down 9.0%
Operating Profit	3,338	2,069	Down 38.0%

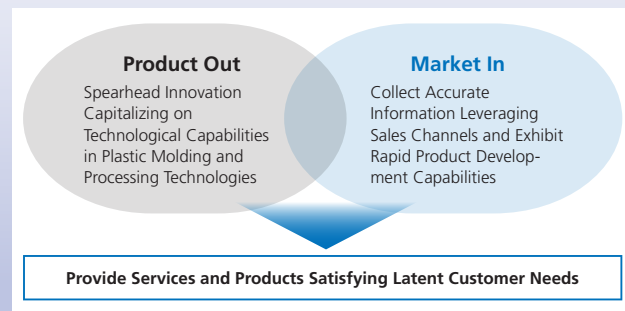
Areas of Emphasis in the New Medium-term Management Plan

The Housing Materials Business maximizes existing business by increasing the share of key products while enhancing competitiveness through stronger Group management and the introduction of digital technologies. As an initiative to address decarbonization, the Housing Materials Business is also further strengthening design proposals and product development of Lume Wall high heat insulating honeycomb structured polycarbonate panels and other environment-friendly products.

The Flooring and Decorative Materials Business pursues de facto standards embodying safety and security as basic concepts while fully distinguishing itself in the overall condominium market. In addition, this business sector is realizing an accelerated transition to business beyond borders through an overseas shift and stronger overseas bases in Europe, North America, and China.

The Flooring and Decorative Materials Business has defined and will fully take action on its challenge to enhance upstream and downstream

added value and maximize earnings in existing ventures as a main theme followed by the challenge to integrate product out and market in as a common secondary theme.



Contributions to Solve Social Issues through Business

The Flooring and Decorative Materials Business will bolster environment-friendly, lower carbon products which help reduce the effects of natural disasters, such as those with measures toward decarbonization and climate change.

Contribution (1) Development of a Decarbonized Society

Lume Wall high heat insulating honeycomb structured polycarbonate panels take advantage of unique resin properties and proprietary Group processing technologies to mitigate heat loss from openings while letting in natural light. Lume Wall also realizes low-carbon construction which effectively limits the energy burden of lights and ventilation and contributes to measures to combat global warming as well as the establishment of a decarbonized society.

Contribution (2) Anti-bacteria/Anti-virus

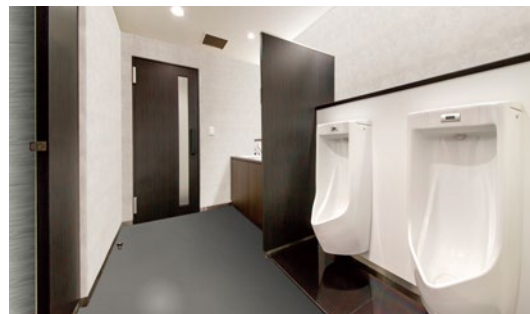
Belbien fireproof decorative films with adhesive provide an interior material with superior design versatile enough for both retail shops and offices, durability, and water resistance. Neo Clean offers slip-resistant vinyl flooring sheets to use in restrooms and indoor spaces to repel dirt and make cleaning easy. Both of these unique products deliver hygienic spaces thanks to new anti-bacteria and anti-virus performance.

Contribution (3) Recycling

Bonlex Europe S.r.l., a C.I. TAKIRON manufacturing Group company in Italy, developed BONLEX decorative resin laminate sheets for interior applications with PET laminated sheets using recycled raw material to achieve the provision of a sustainable product. BONLEX gradually expanded its supply coverage in Europe before continuing to expand into other regions.

Contribution (4) Flood Protection

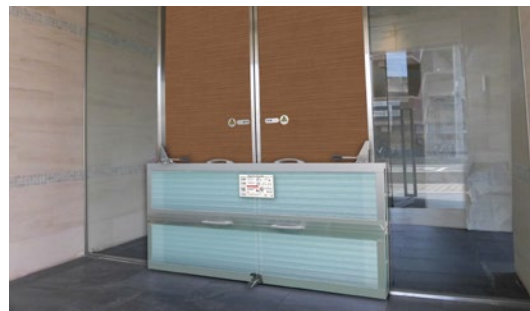
Flood Safe Light detachable waterproofing panels take advantage of light, high-rigidity polycarbonate plastic panels to offer excellent workability and cut-off performance and protect assets from flood damage due to more frequent guerrilla rainstorms, typhoons and other disasters.



Example of Neo Clean Flooring Installation



Example of BONLEX Installation



Example of Flood Safe Light

Environmental Materials Division

Long-term Vision and Growth Strategies

The Environmental Materials Business handles agricultural and civil engineering materials which capitalize on strengths from a high industry share and brand power to customer support up through installation. This sector is advancing its transformation into a business with sustainable growth even in mature domestic markets, such as maintenance, renovations, and recycling. Even overseas, the Environmental Materials Business is furthering its expansion through product development tailored to local markets. The Environmental Materials Business Division fulfills a particularly large role as a Group company through the value it provides as it continues to strengthen links with Group companies to cover everything from manufacturing to sales and installation, while expanding the value chain through product development, sales power and other comprehensive consolidated Group capabilities.

Moreover, the product planning and development will focus on high quality, high functionality, safety and peace of mind as well as environmental considerations with the aim of fostering business growth by always responding to customer needs.



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

Business Review

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 safe and secure social environment.

The Agricultural Materials Business contributes to agricultural development by expanding a product lineup centered on high-performance agricultural films that are able to realize the optimal environments to grow vegetables and fruit satisfying customer needs. The Infrastructure Material Business supports social infrastructure by developing water-proof/impermeable sheets, high-density polyethylene pipes, and other related materials increasing the lifespan and emergency readiness of facilities through redevelopment and renovations of social infrastructure.



Main Business Strengths

The strengths of the Infrastructure Material Business are the Group-wide collaboration system which achieves a total value in one place for each process from development and production to sales and installation aligned with market needs.

Strengths

- Industry share and brand strength
- Production technology capabilities
- Sales system and customer support capabilities
- Support capabilities from manufacturing and sales to the design, processing, and construction stages

Market Environment

In the agricultural market, we predict that the scale of producers will increase, added value will be provided by crops, and trends will aim to increase yield of agricultural goods and improve productivity. In the civil engineering market, on the other hand, we predict the needs for the renewal and maintenance of freeways, tunnels, sewage systems and other such infrastructure to increase.

Medium- to long-term growth is also expected in both markets of developing nations, including ASEAN countries.

Initiative Results for FY2020

The Agricultural Materials Business did have a last-minute surge in demand before price revisions for some greenhouse materials at the end of the year. However, this did not reach a full recovery in demand overall due to the impact of various factors from a reaction to wind damage demand at the end of the last fiscal year, producers limiting purchases in response to the COVID-19 pandemic, and delays and extensions in business properties, which decreased incomes for both agriculture films and greenhouse materials. Operating profit was supported by a decline in costs driven by work-style reforms reducing the number of in-person sales, meetings and events due to the spread of the COVID-19 infection.

The Infrastructure Material Business saw a slight drop in earnings due to the ongoing impact of construction delays resulting from the COVID-19 pandemic and heavy snowfall.

Operating profit increased thanks to a favorable trend in sales of Howell piping to large properties in addition to steady growth in demand for disaster reconstruction and piping renewals.

(Unit: Millions of Yen)

	FY2019 Results	FY2020 Results	Compared to FY2019
Net Sales	55,639	54,930	Down 1.3%
Operating Profit	1,381	2,329	Up 68.7%

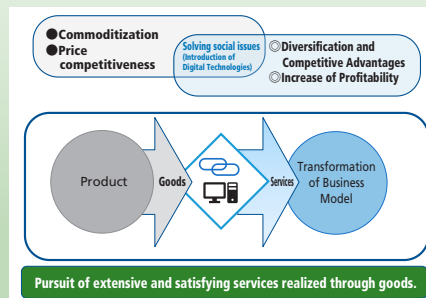
Areas of Emphasis in the New Medium-term Management Plan

The Agricultural Materials Business aims to expand its business sector through stronger collaboration with each Group company as well as greater sales power with the goal of enhancing its adaptability to producer needs, from those who are scaling up operations to needs for higher added value of crops, higher yield, and better productivity. The division is also promoting commercialization of smart agriculture for facility horticulture including high-quality films and greenhouses. C.I. TAKIRON will continue to increase its presence and expand the market for high-performance agricultural films backed by Japanese quality in East Asia where medium- to long-term growth is expected.

The Infrastructure Material Business foresees growing needs for the renewal and maintenance of freeways, tunnels, sewage systems, and other such infrastructure.

In particular, preparedness and recovery from natural disasters in recent years due to climate change have become pressing social issues. This division will continue to focus on disaster recovery and prevention as well as pollution control as its top priorities while strengthening business even in infrastructure renewal fields as well as projects related to the Linear Chuo Shinkansen.

As common themes in both businesses, the challenges in new technologies, products and business development will pursue not only functionality advocating a transition from goods to services but also business models that increase the extensiveness and satisfaction of services realized through goods.



Contributions to Solve Social Issues through Business

Contribution (1) Plastic Resource Recycling

Approaches to plastic resource recycling are coming under even greater scrutiny worldwide with the SDGs, approval of the Ocean Plastics Charter, and the formulation of the Plastics Material Cycle Strategy. In this business climate, the C.I. TAKIRON Group manufactures and sells plastic products from agricultural greenhouses to tunnel covering materials, multi-purpose products, and silage wrapper as essential materials for agricultural production. Therefore, we address these various challenges with the aim of building a complete recycling system for post-use agricultural films as well as promote the development, use, and standardization of materials leveraging biodegradable plastics as a member of the Japan Association to Promote Recycling of Agricultural Film and the Association of Biodegradable-Plastics for Agriculture.

Contribution (2) Disaster Prevention Measures

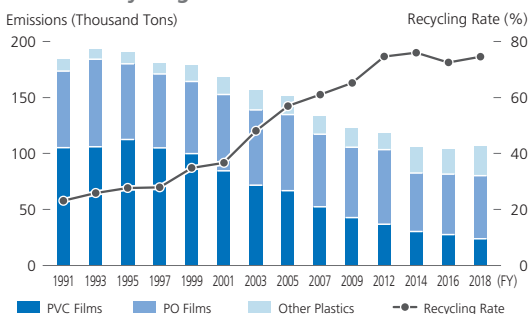
Warming of the earth due to climate change is a major factor causing abnormal weather, such as higher air temperatures, rainfall and rising ocean surface levels. Regions throughout Japan have also been severely damaged by these unusual conditions. As main measures to solve these problems, our Group helps to strengthen preparations for new anti-flood ponds, dam renewals, and other storage facilities in addition to drainage facilities to collect rainfall, and embankments as well as reinforcement businesses while also actively striving to build processing facilities for the waste generated in disasters.

Contribution (3) Measures to Deal with Aging Infrastructures

Most of the roads, bridges, tunnels, water and sewage systems, public utilities and other social capital stock were built in the 1960s and 1970s during the period of high economic growth. After more than 50 years since construction, almost all of this infrastructure needs maintenance and renewal in one fell swoop. This aged infrastructure is either no longer used due to disasters or has resulted in accidents. Japan fears a growing number of these types of incidents in the future.

In response to these challenges, our Group promotes the redevelopment of facilities and the renewal of sewage pipes with emphasis on water and sewage systems.

Change in Agricultural Waste Plastic Emissions and the Recycling Rate



Measure to Prevent River Channel Blockage



River Head Sheet (Sheet)



Sewage Pipe Before Renewal



Sewage Pipe After Renewal



Filtration and Hypochlorous Storage Tank



Filtration and Inclined Plate Settler

High Functional Materials Division

Long-term Vision and Growth Strategies

The High Functional Materials Division utilizes its unique technologies and access to a broad range of industries as a foundation for growth with a product lineup that includes plastic plates, materials for electronic components, machining materials, nanomaterials, and materials for eye-wear. In addition, this division is building strategies for new future technologies and new business sectors by assessing the level of safety and comfort it can deliver in the future as described in the long-term vision for the entire Group while evaluating whether or not it can continually earn the profit necessary to deliver that safety and comfort as criteria to determine value. In particular, material technologies indispensable to a broad range of industries related to semiconductors are always being refined to ensure the proper supply according to market needs while also integrating ever-accelerating environmental measures into existing and new businesses from a long-term perspective.



Takashi Yamasaki
Executive Officer
Chief Operating Officer of the
High Functional Materials Div.

Business Review

Business Description

The High Functional Materials Business Division is made up of the Plate Business that mainly handles PVC, PC, PET and other universal and highly functional plastic plates, the Motor Business that handles micro motors, and Group companies that handle fine particles, engineering plastics, and acetate. Our distinct products are expanding worldwide 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 industrial infrastructure, including semiconductor manufacturing equipment, to those that enrich our lives.



Main Business Strengths

The strengths of the High Functional Materials Business Division are its quality and technology capabilities as a manufacturer with a top market share.

Strengths

- Technological capabilities accumulated from a long history in the industry
- Extensive lineup of highly functional products satisfying customer needs
- A robust sales network
- High quality and brand strength

Market Environment

The semiconductor and flat panel display market consisting of the primary customers for products handled by the High Functional Materials Business Division has seen an increase in the demand for IT devices due to the advancement of telework and a capacity increase in data centers. Due to these factors, we expect the market to become even more active in the future. Moreover, this market is forecast to show a dramatic increase in demand for nanomaterials. As industry at large pursues higher precision and greater power savings, the small motor market will also expand even more.

Initiative Results for FY2020

The Plate Business anticipated a sudden recovery of capital investments in semiconductors and rapidly increased production, especially for its primary industrial plate products, by reinforcing production equipment, enhancing production efficiency through shift changes and other such measures. The recovery in demand for industrial plates starting at the second half of the fiscal year exceeded initial expectations and has continued to stay strong, especially for PET plates and splash prevention panels. Aiming to increase the added value of its products, the Motor Business broadened its lineup of gear heads and advanced the development of motors with encoders. Nanomaterials acted as the driving force cultivating the high demand in telecommunication and data center equipment. On the other hand, polycarbonate sheets for optical applications, machining materials, and materials for eyeglass frames did see some signs of recovery but subsequently had a decline in earnings due to the impact of the COVID-19 pandemic. Operating profit did increase thanks to growing demand primarily for industrial plates. The High Functional Materials Business Division withdrew from unprofitable businesses and consolidated unprofitable products, deciding to concentrate management resources on highly profitable businesses from a perspective of a medium-term business strategy.

(Unit: Millions of Yen)

	FY2019 Results	FY2020 Results	Compared to FY2019
Net Sales	17,267	17,478	Up 1.2%
Operating Profit	1,313	1,803	Up 37.3%

Areas of Emphasis in the New Medium-term Management Plan

The Plate Business is progressing with facility renovations and the adoption of new equipment in an effort to develop new technologies aiming to effectively use and bolster operations at new facilities which began operation this fiscal year to respond to the growing demand at semiconductor manufacturing sites propelled by increased demand for semiconductors worldwide. This business will also expand its overseas sales network. Simultaneous efforts will also promote product development aiming to use environment-friendly plastics and the configuration of an environmental adaptation scheme. The Motor Business will further the development of not only motors but also other products with added functionality to expand use of motors and other products to new applications.

TAKIRON POLYMER and CIK NANOTEK will also strengthen their technologies and optimize equipment to respond to the growing demand related to semiconductors.

In addition, TAKIRON ROWLAND will accelerate the penetration of the TAKIRON brand overseas to promote even greater global expansion.



Contributions to Solve Social Issues through Business

The High Functional Materials Business Division is always aware of the sustainability of society in the products adored by its customers and in new product development in light of greater interest in environmental conservation activities worldwide. This division promotes business activities which work to realize a recycling-oriented society and carbon neutrality in the future.

Contribution (1) Realization of Decarbonization and a Recycling-oriented Society

The High Functional Materials Business Division will kick off the Eco Plastics Project this term while investigating and examining targets for proposals of business processes recognizing environment-friendly product plans and sustainability which no longer rely on conventional business sectors.

Contribution (2) Development of Environment-friendly Products

The High Functional Materials Business Division will consider ways to effectively use bioplastics and recycled plastics from product development through the planning phases, such as the use of bioplastic PET as some of the raw material for ethanol produced using the pomace from sugarcane. We are also working to improve the durability of rigid vinyl chloride sheets derived from natural resource of salt which makes up about 57% of its composition. Going forward, we will research structure that consider post use recyclability during the product design stage to promote environment-friendly product development for the entire product cycle from raw material through use.

Contribution (3) Reduction of CO₂ Emissions

Each production site promotes automation of production processes and implements energy-saving measures by selecting equipment satisfying Top Runner Target Product Standards when updating facilities. TAKIRON POLYMER has set up a system to generate power through solar panels and promotes even more highly efficient production aiming to reduce CO₂ emissions.



Bioplastic PET



TAKIRON POLYMER Solar Panels

Specialty Films Division

Long-term Vision and Growth Strategies

As environmental issues come under even closer scrutiny today, this division sees an urgent need for product development that tackles these environmental problems in packaging. The acceleration of this product development and introduction to the market will support ESG. The SANZIP Business in particular is undertaking Shanghai + one strategies in Asia to create a borderless business. To further reform these businesses though, the introduction of digital technologies is unavoidable. Aligned with the Renovation & Innovation project, this division will encourage greater automation and labor savings to build a robust business by improving productivity. The challenges which need to be overcome are broad, but the High Functional Materials Business Division will increase its speed and execution to live up to expectations.



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

Business Review

Business Description

BONSET is a brand of shrinkable films (heat shrinkable films) first created in Japan and used for labels, cap seals, molded products, and many other various purposes by capitalizing on a variety of material properties. 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, BONSET is working to build an optimal production and sales system for global markets that will maximize each production site through advanced technical cooperation between three locations including BONSET AMERICA (BAC) and BONSET LATIN AMERICA (BLA) (Uruguay) in addition to two SANZIP sites—the Hiratsuka Plant and SHANGHAI SANPLUS PLASTIC. Both the BONSET and SANZIP brands will achieve high quality, short lead times, and quick after-sales services with the aim of capturing an even larger market share to solidify positions as global brands.



Main Business Strengths

Strengths

- Manufacturing process technology and expertise cultivated over many years
- Manufacturing of a variety of products according to application with our unique compounding technologies
- Production bases in Japan (Hiratsuka and Okayama) and overseas (China, US, and Uruguay) which have built globally optimized production and sales (BCP support)
- Comprehensive support of customer needs through mold insourcing (SANZIP)
- Lineup of biodegradable, mono-material, biomass and other eco-friendly products and expansion of product development

Market Environment

Both of these businesses have continued to foster moderate growth up until now, but environmental considerations must be recognized as a top management priority in the future due to the traits of products for temporary use. In accordance, we are reforming material selection, production processes, capital investment plans as well as research and development policies. Furthermore, we will expand products which help solve social issues, services, and business development independent of existing business sectors.

Initiative Results for FY2020

The BONSET Business boosted consolidated financial results though favorable performance of BAC and BLA during fiscal 2020. BAC demonstrated a high level of orders even in the face of plant shutdowns and other circumstances brought on by the COVID-19 pandemic and severe weather. BLA contributed to the high earnings performance through sales to North America, which drastically increased compared to the previous fiscal year. The BONSET Business intends to use fiscal 2021 as a chance to strengthen cooperation between primary business partners which should enhance environmental measures as well as more broadly introduce environment-friendly products to the market.

The SANZIP Business found traction with zipper tape sales mainly overseas due to concentrated demand resulting from the COVID-19 pandemic in fiscal 2020. The SANZIP Business plans to use fiscal 2021 as a chance to strengthen production systems in order to respond to the high customer demand overseas.

(Unit: Millions of Yen)

	FY2019 Results	FY2020 Results	Compared to FY2019
Net Sales	19,684	19,465	Down 1.1%
Operating Profit	1,155	1,984	Up 71.7%

Areas of Emphasis in the New Medium-term Management Plan

Many BONSET products are used as one-way plastics. The new medium-term management plan commits to solving social issues as a material subject fully recognizing the social responsibility to take immediate action. The C.I. TAKIRON Group cannot tackle these issues all on its own. Therefore, this division will further strengthen cooperation with raw material suppliers, users, and other partners to introduce environment-friendly products to global markets and enhance the sustainability of the business itself.

The SANZIP Business has a two-pronged production system consisting of the Hiratsuka Plant in Japan and the SHANGHAI SANPLUS PLASTIC in China, but even stronger production capabilities are necessary to respond to high demand from customers overseas. Concurrently, the SANZIP business will look into launching production sites in Asian countries besides China as a sales strategy to maximize North America as the largest market because the trade war between the United States and China is not a problem which can be solved in the short term. The

Hiratsuka Plant will not only bolster its production capabilities but also enhance product supply capabilities to drive brand value in developing nations.



Contributions to Solve Social Issues through Business

Contribution (1) Development of Environment-friendly Products

The Specialty Films Division has designated the reduction of the environmental impact and the expansion of environment-friendly products as priority issues which aim to realize the C.I. TAKIRON mission to create a people- and earth-friendly future and will work to advance product development.

● BONSET Business

The BONSET Business has completed development of botanical PS shrink films using plant-derived materials, which will contribute to the reduction of CO₂ emissions by reducing the amount of petroleum-derived plastics used.

This business will also start sales of products taking into account the ease of PET bottle recycling in North American and further its adoption by major beverage companies.

● SANZIP Business

The SANZIP Business has fully released mono-material zippers in overseas markets and operates under a policy to reduce the environmental impact through reductions in the domestic market. This business is also currently developing Japan's first zipper made from a cellulose compound. The use of a paper-based material achieves a balance between rigidity and flexibility. This product is expected to start sales during fiscal 2021. An icon indicating the certification of the final product as paper may also be displayed to identify it as paper on containers.

● Biomass Plastic Identifiers

Biomass plastic products developed by C.I. TAKIRON have acquired certifications from the Japan BioPlastics Association (JBPA) and Japan Organics Recycling Association. The SANZIP Business developed a product with a 25% usage ratio of bioplastic certified by both of these associations (Logo 1 and 2).

The BONSET Business has developed a product with a 10% usage ratio certified by the Japan Organics Recycling Association. The botanical PS shrink film above is a product which has acquired this certification (Logo 3).



Botanical Film



Cellulose Zipper



Logo 1



Logo 2



Logo 3

Biomass Plastic Identifiers

Contribution (2) Higher Efficiency and Optimization of Production Sites

As a mother plant, the Hiratsuka Plant has improved its production capabilities through consistent success in production enhancement efforts over the last several years. However, this plant will execute a Renovation & Innovation project to actively incorporate a digital transformation in anticipation of population decline in the future. In order to respond to the high customer demand overseas, the Specialty Films Division will consider new production sites to build a system facilitating optimized production and sales.



R&D Department

Creating New Businesses, Products and Technologies for the Next Generation

Important Strategies

C.I. TAKIRON will develop new technologies that contribute to not only the SDGs but sustainability overall with the aim to fulfill the priority actions in the Medium-term Management Plan “Commit to Transformation 2023 (CX2023)” to resolve social issues and create new businesses, products and technologies. This will contribute to the reduction of the environmental impact of existing products and the development of environmental-friendly products. We will also promote designs which consider environmental impact assessments in new product development.

As the Key Success Factors (KSF) of market change, we have outlined measures that include the standardization of AI and robots 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, housing that offers both economic and environmental benefits to evolve living spaces, and a response to marine plastics and social issues in addition to the SDGs. As the KSFs of technical development, we have defined three core technologies for the design of composite of long-fiber materials and polymer, the design of specialty films and sheets, and the design of composite nanomaterial products. (See the diagram at the top of P35)



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

Research & Development System

The R&D Department contributes to the further expansion of the technologies possessed in each business division through three research and development sites and four groups. We drive forward activities that create new businesses and products which can resolve environmental and social issues, meet customer needs, and adapt to the seeds discovered by integrating in-house and external technologies.

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 Group 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 help reduce CO₂ emissions.

Core Technology

C.I. TAKIRON will develop three core technologies and create new business sectors with the aim of becoming a corporate group delivering future peace of mind and comfort to the world through a creative evolution. Therefore, to create a people- and earth-friendly future, we hope 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.

Therefore, our research and development 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 and development while enhancing the analytic evaluation technologies of the C.I. TAKIRON Group to not only help increase the quality of products but also develop new products.

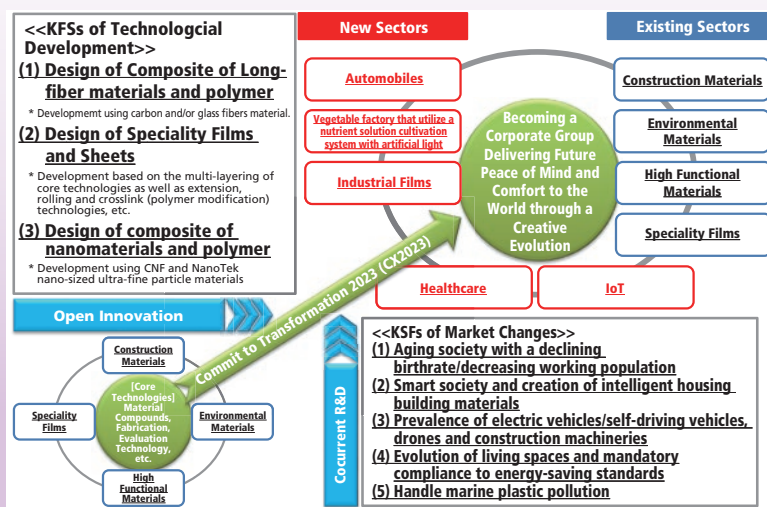
Group-Wide New Product Review Meetings

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.





Investment in Growth

The CX2023 strengthens research and development by investing at least 2% of net sales into research and development.

As global competition in research and development becomes fiercer and the product life cycle shortens, C.I. TAKIRON must actively incorporate outside expertise and technology while also forging partnerships. To accelerate the speed of this development more than ever before, C.I. TAKIRON will nurture junior research outside of our organization.

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 utiliz-

ing 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 Products

Development of Compounds Blended with Cellulose

We are furthering the development of a cellulose compound recognized as a paper in the Containers and Packaging Recycling Law.

A special proprietary kneading method achieves a polyolefin compound containing 51% or more cellulose, a natural fiber, which can be classified as paper.

This material can be used in precision extrusion molding and has practical properties. The cellulose compound can also be designed to satisfy customer requests. A reduction to the volume of petroleum-derived resources used in our plastics contributes to reductions in CO₂ emissions as well.



Development of Elastic Films for Hygiene Products

We focused on physical properties that could not be solved by conventional ways and proceeded with development using polyolefin through making full use of compounding technology we have cultivated to solve these issues.



Topics

High-performance PLASTIC EXPO TOKYO

The R&D Department exhibited at the 9th High-performance PLASTIC EXPO TOKYO held in Makuhari Messe for the first time in December 2020. We displayed ultra-high-molecular-weight polyethylene films, packing films, blast curing sheets used for blasting method, and composite CFRTP materials as composite of long-fiber materials and polymer.

C.I. TAKIRON will accelerate commercialization of these materials based on feedback received at the booth whether the expansion of products from multifaceted perspectives or unprecedented market applications.



Environmental/Decarbonization Initiatives

The C.I. TAKIRON Group has formulated an 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. In addition to setting targets to reduce CO₂ emissions, the Group is further investigating the adoption of renewable energy and has become a TCFD support as an effort to combat climate change. We will also continue to strengthen our internal environmental management system in the future.

Environmental Philosophy Framework

Mission of C.I. TAKIRON

Create a People- and Earth-friendly Future

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

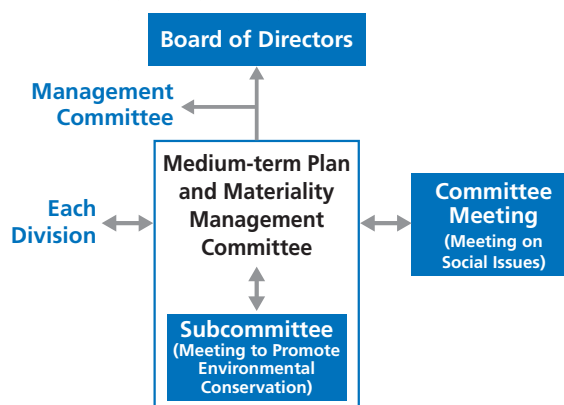
1. Promote decarbonization and reduction of the burden of the environment in all of our corporate activities.
2. Develop and offer environmentally-friendly technologies and products.
3. Proactively communicate with the community.

Management System to Resolve Social Issues

Concerns about decarbonization and climate change measures have grown since the COP21 adopted the Paris Agreement in 2015. The C.I. TAKIRON Group also treats decarbonization and climate change as key priority issues. As of this fiscal year, the Commit to Transformation: CX2023 Medium-term Management Plan makes solving social issues our top priority. We will always keep in mind the sustainability of society, including measure to combat climate change and fully carry out materiality and business activities founded in the SDGs. Moreover, we established the Medium-term Plan and Materiality Management Committee as a body to manage the progress and challenges of each initiative.

The Meeting to Promote Environmental Conservation led by the Chief Operating Officer of the Corporate Planning Division with members selected from production and business divisions regularly reviews the progress and challenges of environmental conservation activities at each business site.

Materiality Management System



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 2020 are outlined in the following table.

Target	Item	Progress of Activities	Self-Assessment
(1) Promote activities to reduce the environmental impact	Reduce waste	● Improve manufacturing yield and sort waste	◎
	Save energy	● Save energy (introduced/implemented energy-saving equipment and devices)	■
(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	● Review the status of the environmental activities in the first half of the year ● 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%: ■

Decarbonization Initiatives

C.I. TAKIRON will carry out initiatives aligning with the Science Based Targets (SBT) Initiative throughout fiscal 2022 to engage in long-term greenhouse gas reductions as a sustainable corporate group committed to the Paris Agreement.

We have set our current greenhouse gas reduction targets to conform with the levels* designated by the Paris Agreement (reduce greenhouse gases compared to fiscal 2018 13% by 2023 and 30% by fiscal 2030), and will strive to achieve those targets through various measures.

However, C.I. TAKIRON will revise future target values in light of the reforms to the recent reduction standards.

The total amount of Scope 1 (combustion of fuel) and Scope 2 (use of electricity) CO₂ emissions throughout the entire C.I. TAKIRON Group is shown in the following table.

CO₂ Emissions Data (Scope 1 + 2)

(Unit: Thousand t-CO₂)

FY2018	FY2019	FY2020
109	89	83

* The goal of the Paris Agreement is to limit global warming to well below 2, preferably to 1.5 degrees Celsius, compared to pre-industrial levels.

Climate Change Initiatives

C.I. TAKIRON recognizes climate change initiatives as a corporate social responsibility because it is a priority issue requiring action from all of society. Therefore, we have pledged our support to the Task Force on Climate-Related Financial Disclosures (TCFD). As a TCFD supporter, C.I. TAKIRON will strive to disclose information in accordance with the four recommended thematic areas that represent core elements of how an organization operates.

Four Recommended Disclosures for TCFD Supporters

Governance	Disclose the organization's governance around climate-related risks and opportunities
Strategies	Disclose the actual and potential impacts of the organization's businesses, strategy, and financial planning
Risks	Disclose how the organization identifies, assesses, and manages climate-related risks
Metrics and Targets	Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities

Environmental Index

The 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.

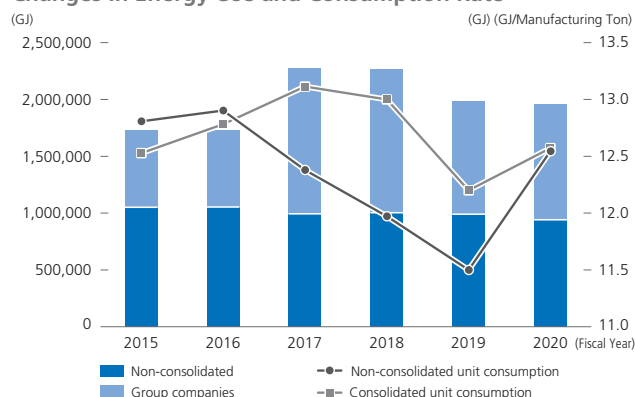
Energy and Resources Saving Initiatives

The energy consumption rate in fiscal 2020 increased compared to fiscal 2019, but the unit CO₂ emissions declined throughout the C.I. TAKIRON Group.

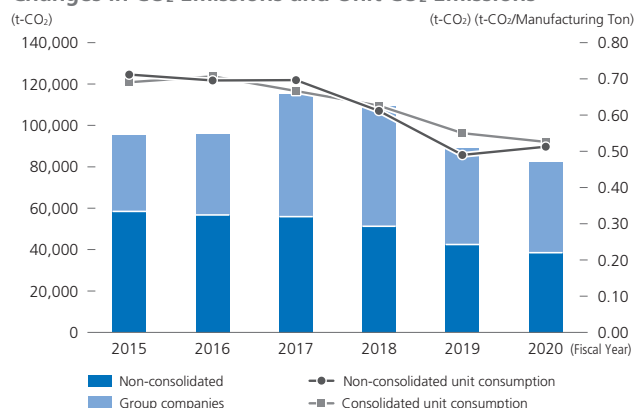
Some business sites did reduce both the energy consumption rate and unit CO₂ emissions. However, the entire Group was unable to achieve these unit rate reductions.

In fiscal 2021, we will conduct improved efforts from energy-saving to those that improve yield.

Changes in Energy Use and Consumption Rate



Changes in CO₂ Emissions and Unit CO₂ Emissions

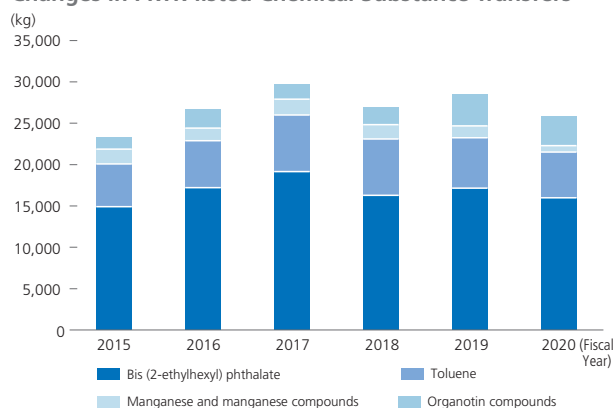


Chemical Substance Management and Reduction Initiatives

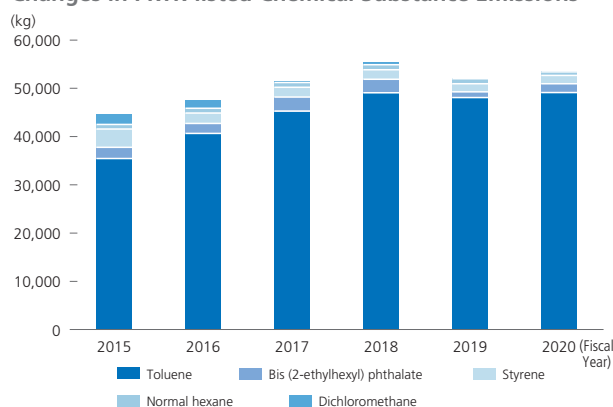
The C.I. TAKIRON Group strives to reduce the use of PRTR-listed substances, which have a large environmental impact.

The emissions of PRTR-listed substances in fiscal 2020 increased compared to fiscal 2019. However, the amount of transfer declined during the same period.

Changes in PRTR-listed Chemical Substance Transfers



Changes in PRTR-listed Chemical Substance Emissions



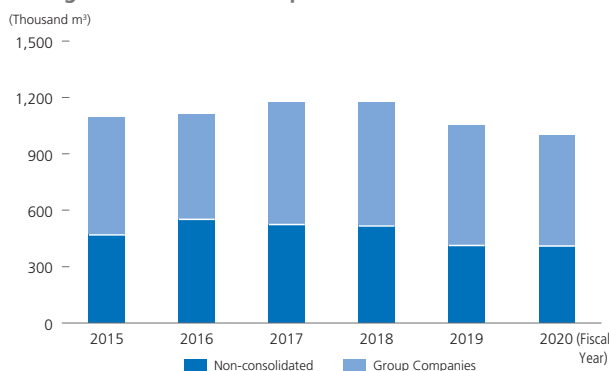
Initiatives to Effectively Use Water Resources

The 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.

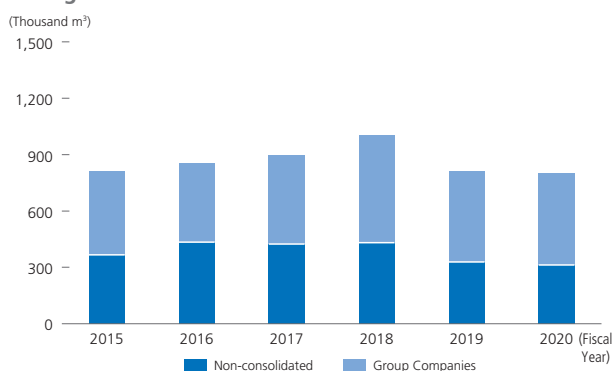
In fiscal 2020, we reduced both our water consumption and waste water compared to fiscal 2019.

We will continue to employ efforts toward water consumption and waste water reduction.

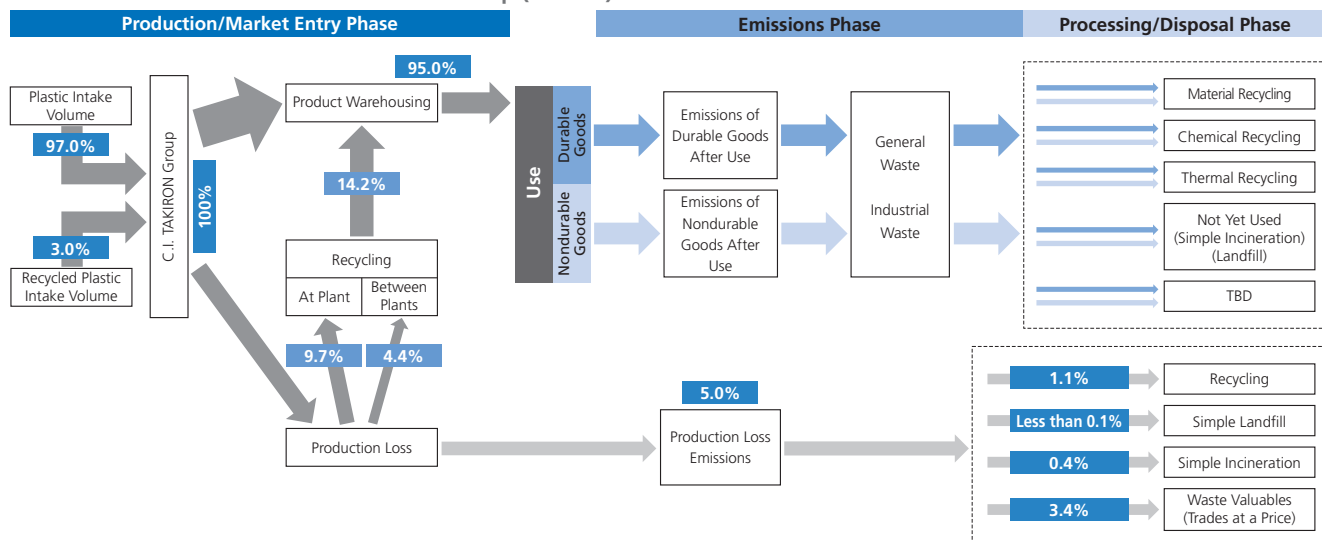
Changes in Water Consumption



Changes in Waste Water



Material Flow Chart for the C.I. TAKIRON Group (FY2020)



Initiatives to Reduce Emissions

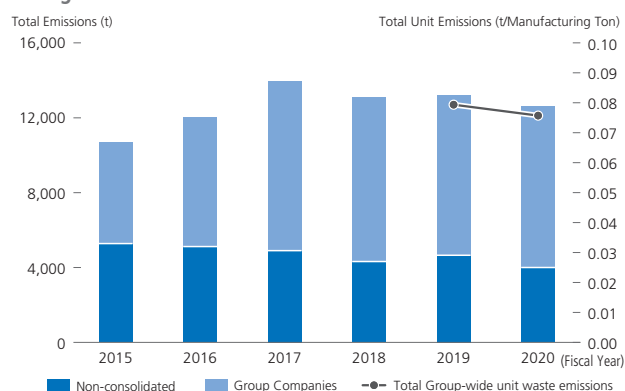
C.I. TAKIRON has successfully improved the total weight of waste emissions from plants, waste valuables, and exclusive waste recyclables.

In addition, we define total unit waste emissions as the value obtained by dividing total waste emissions by warehouse product volume and have been spearheading improvements at all domestic Group companies since fiscal 2020.

Our Group achieved year-on-year reductions in both total waste emissions and total unit waste emissions.

In fiscal 2021, the C.I. TAKIRON Group will continue to carry out initiatives to further reduce its waste emissions.

Changes in Total Waste Emissions and Total Unit Waste Emissions



• Definitions

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

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

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

Exclusive waste recyclables: Paper, paper fibers and scarp iron

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

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

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 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 Category 1: Purchased Goods and Services made up approximately 75% of our Scope 3 emissions in fiscal 2020 as it did in fiscal 2019.

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

(Unit: Thousand Tons)

Category	Emissions	
	FY2019	FY2020
1. Purchased Goods and Services	177	178
2. Capital Goods	24	8
3. Energy-related Activities Excluded in Scope 1 and 2	13	13
4. Upstream Transportation and Distribution	25	22
5. Waste Generated in Operations	1	2
6. Business Travel	3	1
7. Employee Commuting	0.4	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. 3.1 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 2020, we actively transitioned to trailer trucks on our main routes to factories and distribution bases. C.I. TAKIRON is also actively using ferries to transport goods. As a result of these initiatives, we have improved unit consumption.

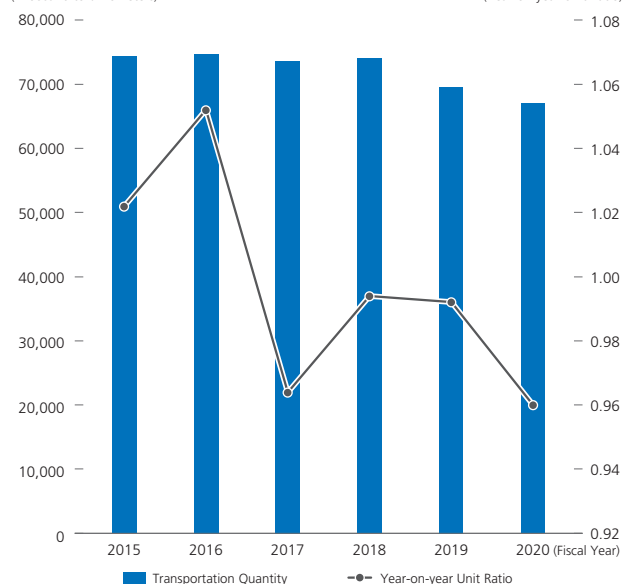
In fiscal 2021, we will further promote our transition to trailer trucks and ferries on main routes.

In addition, C.I. TAKIRON aims to further improve load efficiency by streamlining measures such as bundled orders from customers. As the logistical challenges forecast for 2024 bear down on us, we will build a distribution system taking into account the work-style reforms of logistics operators in accordance with the White Logistics movement

Changes in Freight Traffic

(Thousand ton/kilometers)

(Year-on-year Unit Ratio)



Environmental Accounting

The 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 2020, investment costs for environmental conservation decreased compared to fiscal 2019 due to the impact of the COVID-19.

The costs of environmental conservation increased. The reason for this rise in costs was the removal of unnecessary articles at some production sites and the increase in related labor costs.

Unit: Millions of Yen

Category	FY2019		FY2020	
	Costs	Investment	Costs	Investment
1. Business area costs	314	250	332	192
Breakdown	1-1 Pollution control costs	32	21	49
	1-2 Global environmental protection costs	104	144	99
	1-3 Resource recycling costs	177	85	184
2. Upstream/downstream costs	143	0	223	5
3. Management activity costs	86	51	76	13
4. Research and development costs	1	1	5	10
5. Outside activity costs	14	0	22	0
6. Environmental compensation costs	0	0	0	0
7. Other			1	2
Total	558	302	658	219

Environmental Conservation Effect (Effect in Business Areas)

In fiscal 2020, our energy consumption declined due to a scale down of production activities influenced by the COVID-19 pandemic, promotion of energy-saving activities, and other such factors. Our carbon dioxide emissions also went down.

We reduced our water consumption and waste water through water-saving initiatives, measures to prevent leakage, and other such efforts.

Although our total waste emissions did go down, our recycling rate also fell due to overseas waste export control regulations.

Item	FY2019	FY2020
1. Power consumption (thousand kWh)	191,411	189,137
2. Carbon dioxide emissions (t)	89,037	81,999
3. Waste water from plants (thousand m ³)	809	801
4. Total Waste Emissions (t)	13,210	12,628
5. Recycling Rate (%)	91.1	82.3

Economic Effect of Environmental Conservation

The sale of waste valuables decreased in fiscal 2020 due to factors such as the waste import control regulations in each country.

Amount of costs saved through energy-saving, resource-saving, and recycling all rose compared to fiscal 2019.

Unit: Millions of Yen

Item		FY2019	FY2020
Income	From sale of valuables	66	44
Cost reductions	Energy cost reductions from energy savings	17	56
	Cost reductions from resource savings and recycling	177	293

Human Resource Strategies

Toward New Work Styles and Employee Development

New work styles from telework to online meetings have taken shape as the COVID-19 has spread.

C.I. TAKIRON continues to promote a digital transformation and strives to build a working environment where every employee can reach their full potential. That is why we have put into practice the Management Commitment on Enriching Lives.

We will promote diversity and provide a healthy workplace where employees can work with safety and peace of mind based on the Commit to Transformation: CX2023 Medium-term Management Plan.

Yukihiro Iwata

Managing Executive Officer

Chief Operating Officer of the Corporate Administration Division



Management Commitment on Enriching Lives



We provide a quality workplace for an enriching life

The ability for each and every employee to live an enriching 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 Management Commitment on Enriching Lives 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 (health and productivity management) as vital measures in building a quality workplace, and we are striving to cultivate a new corporate climate. In fiscal 2021, we will strengthen Management Commitment on Enriching Lives 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, 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.

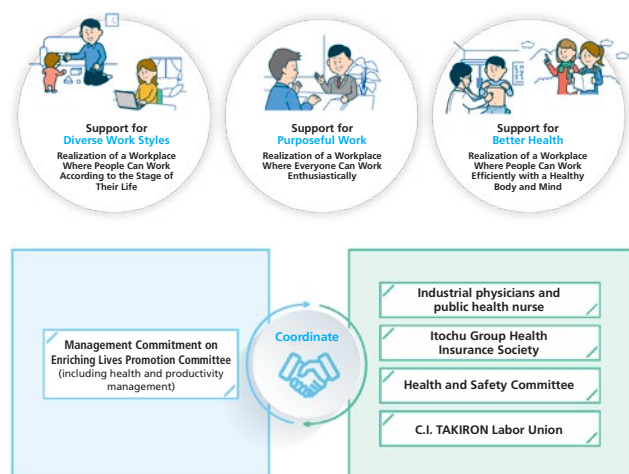
Communicate	Human resources capable of actively communicating with everyone inside and outside the company and conveying their thoughts
Commit	Human resources who think for themselves, act for themselves, and fulfill their responsibilities
Be Proactive	Human resources who can anticipate situations and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

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



Management Commitment on Enriching Lives - Important Measures

C.I. TAKIRON strives to encourage the formulation and use of programs with these important measures at the core to support an enriching life for our employees. The Management Commitment on Enriching Lives Promotion Committee chaired by the Representative Director and President has been regularly holding meetings and promoting initiatives since fiscal 2020. We set employee work engagement and loyalty scores as Key Performance Indicators (KPI). An annual employee survey also gauges enthusiasm and employee satisfaction with the company to improve each measure and resolve management and organizational challenges.



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 extended 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.

Telework Implementation Rate (Monthly Average)*

April to June 2020	July to September 2020	October to December 2020	January to March 2021
48% to 69%	48% to 58%	49% to 56%	54% to 61%

*Scope: Employees working at offices.

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 announced the Health and Productivity Management Declaration with the aim to realize a workplace where people can work efficiently with a healthy body and mind. In fiscal 2020, our industrial physicians and health insurance society indicated a high smoking rate at C.I. TAKIRON. In accordance with the Health and Productivity Management Declaration, we made every effort to lower this smoking rate. C.I. TAKIRON subsidized the entire amount for an effective online program for people to quit smoking offered by the health insurance society. As a result, 37 people used the program, and we were able to decrease our smoking rate in fiscal 2019 by more than 5%. We also believe it is important for people to take regular paid leave to refresh both mentally and physically. Continuing from fiscal 2019, we implemented financial incentive program to encourage employees to plan taking paid leaves. These types of health measures have supported opportunities to take active action in health and productivity management by bringing a deeper understanding about health.

In addition to the initiatives above, C.I. TAKIRON also provides cancer screenings specific to each gender, raises awareness and advocates specific health guidance, and conducts stress checks. In fiscal 2020, our implementation rate for specific health guidance declined after changing contractors. In fiscal 2021, we will work with industrial physicians and other healthcare professionals to raise this implementation rate. C.I. TAKIRON will raise even greater awareness about employee health with a new target of at least an 80% implementation rate of secondary screenings for candidates designated during physical examinations.

Smoking Rate

FY2019	FY2020	FY2021 (Target)
35.2%	29.6%	27% or lower

Rate of Paid Leave Taken by Employees

FY2019	FY2020	FY2021 (Target)
91.2%	88.2%	80% or above

Specific Health Guidance Implementation Rate

FY2019	FY2020	FY2021 (Target)
40.9%	32.8%	60% or above

In fiscal 2021, C.I. TAKIRON was once again certified as an outstanding organization for health management under the Certified Health & Productivity Management Organization Recognition Program for the second consecutive year. We will continue to strengthen our Management Commitment on Enriching Lives related initiatives with the aim of becoming a White 500 company.



Diversity & Inclusion

We believe that the acceptance of diverse human resources regardless of physical or non-physical differences 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.

Status of Continued Employment for Retirees

	FY2018	FY2019	FY2020
Re-employment rate	88%	80%	76%

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. C.I. TAKIRON has been supporting the work of disabled persons through the Work Happiness Iwatsuki Saitama Farm since June 2019 by cultivating and harvesting vegetables.

Employment Ratio of Disabled Persons

	FY2018	FY2019	FY2020
Employment Ratio of Disabled Persons	2.11%	2.26%	2.34%
Statutory Employment Ratio	2.20%	2.20%	2.30%

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.



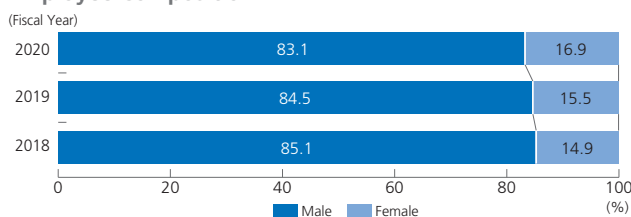
Action Plan to Promote the Active Participation of Women from April 2021 to March 2023

- (1) Increase the ratio of new female graduate employees to at least 40%.
 - Recruit a ratio of new female graduate employees of at least 40%.
 - Actively recruit women when recruiting mid-career employees.
- (2) Maintain an acquisition rate of paid leave taken by employees of at least 80%.
 - Promote employees to plan taking paid leaves.
- (3) Cultivate an organizational climate where female employees can participate without worry.
 - Enhance programs to support flexible work styles.
 - Provide training to change the attitude toward female employees.

New Female Graduate Employment Ratio

	Joined 2019	Joined 2020	Joined 2021
Number of New Graduate Employment	14	11	13
Female	4	6	4
Female Ratio	29%	54%	31%

Employee Composition



C.I. TAKIRON established a short-term childcare leave system to allow both male and female employees to take childcare leave more easily. By providing individual guidance to eligible candidates and their supervisors, we have been able to make taking childcare leave a common practice. All of the men and women who had taken childcare leave returned to the company during fiscal 2020.

Acquisition Ratio of Childcare Leave for Employees

	FY2020 (Female)	FY2020 (Male)
Number of Employees Qualified to Take Childcare Leave During the Applicable Fiscal Year	4	28
Number of Qualified Employees that Took the Childcare Leave	4	29*
Acquisition Ratio	100%	100%

*Including candidates who became eligible in fiscal 2019

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 FY2019	7 100%	29 100%

The Minister of Health, Labour and Welfare recognized C.I. TAKIRON as an organization striving for a high level of childcare support through the 2021 Kurumin Certification.

* The Kurumin Certification is an initiative to recognize companies meeting certain requirements for childcare support that provides work-life balance to employees based on the Act on Advancement of measures to Support Raising Next-Generation Children.



System for Human Resource Development

Career Development Support

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 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 education comprised of one-on-one online lessons as a job training elective, and offer a foreign language study abroad program as well as practical training programs at overseas Group companies.

Available Programs

FY2020 Programs	Number of Participants
Practical Overseas Training	1
Foreign Language Study Abroad	-*
Domestic-based English Language Education	9
e Learning-based English Language Education	75
TOEIC IP L&R Test	39



Foreign Language Study Abroad Program (Training in England)

* Program held in 2019

* The Foreign Language Study Abroad program has been suspended indefinitely in light of the COVID-19 pandemic.

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.

New Employee Training

The new employee training program in fiscal 2021 incorporated face-to-face as well as online Group training as part of our comprehensive measures to prevent the spread of COVID-19. The practical training at plants centers on plant tours with trainees visiting our production site in the Kansai area for one week. 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.

FY2020 Programs

Program Name	Aims	Description	Designed for
Labor Management Training (Work hour management and harassment training)	<ul style="list-style-type: none"> Learn basic knowledge about managing working hours and preventing harassment Acquire skills to manage and guide subordinates from the perspective of labor management 	<ul style="list-style-type: none"> Deepen understanding about work hour management, mental health, and harassment through Group discussions using practical examples 	Managers
New Senior Employee 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
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

*Programs were strictly selected and held from those conducted in previous years in light of the COVID-19 pandemic

Health and Safety

Building a Safe and Comfortable Workplace by Instilling Safety Awareness in Employees

The title is the name of the fiscal 2021 C.I. TAKIRON Group health and safety policies. Employee safety and health is our top priority. We believe that living an enriching 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.

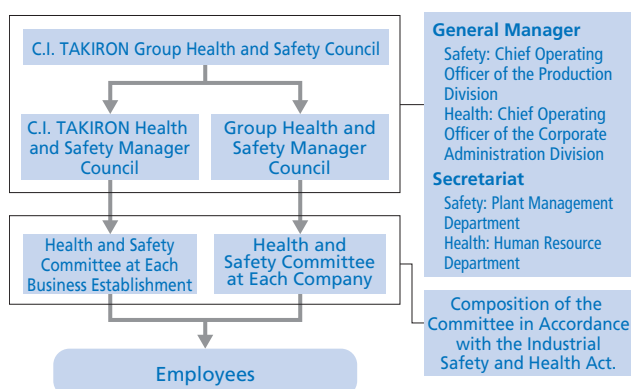
We improve awareness in an effort to create a better workplace around 5S (Sort, Set in Order, Shine, Standardize, and Sustain) activities with the full participation of employees and to ingrain a sense of safety in every employee. We strive every day with the goal of sound workplace improvement with an atmosphere encouraging a free exchange of ideas.



Hironori Kikuchi
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 founded in a health and safety policy to build a safe and comfortable workplace by instilling safety awareness in employees. Our Group also mutually shares and uses information to build a system that promotes a higher level of health and safety as well as risk reduction.

Important Measures

- | Important Safety Measures | Important Health Measures |
|---|--|
| (1) Identify the level of individual and organizational safety awareness and conduct awareness raising measures | (5) Ensure candidates undergo secondary examinations necessary due to the results of physical examinations |
| (2) Provide education and practice basic safety activities | (6) Ensure candidates undergo specific health guidance |
| (3) Practice measure to mitigate risks by thoroughly investigating accident factors | (7) Reduce the number of employees working long hours due to overtime |
| (4) Comply with relevant laws and regulations and fully respond to legal reforms | |

Safety Simulation Training

Sensory training to heighten the ability of employees to anticipate danger is vital to prevent industrial 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.



Safety simulation room

We conducted this training primarily at production sites around the Aboshi Plant in fiscal 2017. In fiscal 2018, we brought in safety simulators to production sites throughout Japan in order to provide on-site simulation training. 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.

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 downplay 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.

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

Health and Safety Activities at Group Production Sites

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

(1) Revised the format for occupational accident reports

We have revised the format of our report to thoroughly investigate the root causes of occupational accidents and execute more effective preventative measures.

(2) Evaluated the level of safety management

We evaluated the level of safety management to identify and enhance the level of safety management at each site.

Objectives of Evaluating the Level of Safety Management

We set specific standards and objectively evaluate the safety activities rolled out at each production site.

Objectives

- Clarify strengths and weaknesses of safety management on each site
- Improve the level of safety management at every company through comparison and horizontal expansion between plants

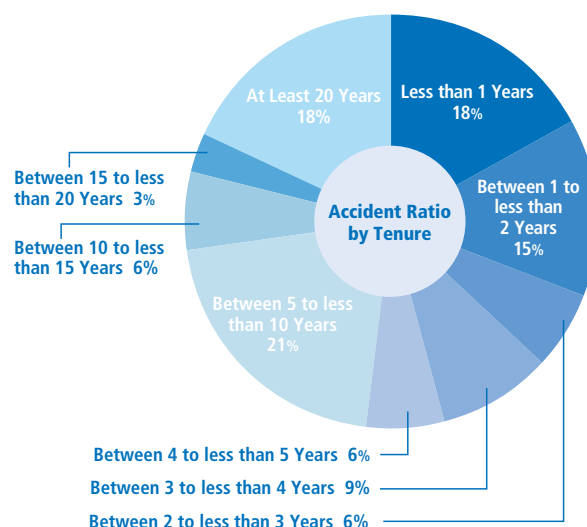
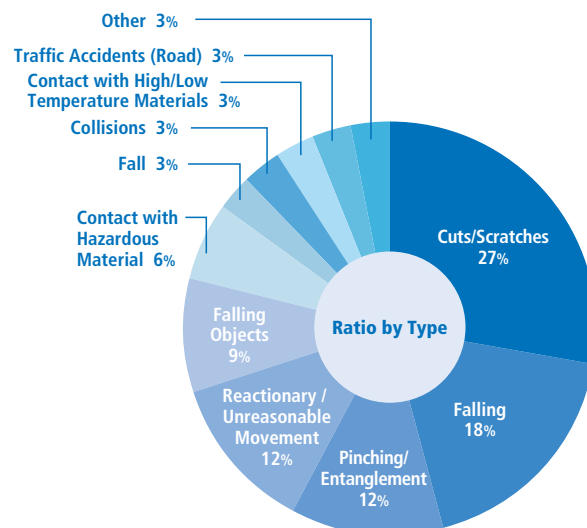
Evaluation Categories

- | | |
|----------------|-----------------------|
| (1) Leadership | (4) Management |
| (2) Plans | (5) Evaluation |
| (3) Support | (6) Corrective action |

Each of the 6 categories has 5 evaluations items (30 items)

*C.I. TAKIRON evaluated the management level of its plants in fiscal 2020. In fiscal 2021, we plan to conduct these evaluations at all of our Group company plants.

FY 2020 Industrial Accidents (Including Injuries with No Leave of Absence for All Group Companies)



Feedback from Trainees

Yasutomi Plant: I work in the office and not on the production floor. By looking at all of the different points of caution, I realized how many hazards there are. I notice the dangers all around me now. I will strive to always keep what I learned through this training program in mind. I do not think I would have been able to learn as much by simply looking at the dangers rather than experience them. The training course let me experience the dangers and fear, which is something I will never forget.



Simulation of Being Cut by a Rotating Blade

C.I. Takironcivil Corporation Yokkaichi Plant: I was very familiar with almost all of the tasks. This training helped me remember that the biggest danger is to think that you won't make any dangerous mistakes.

C.I. Takironcivil Corporation Tsuchiura Plant: I felt how important it is to share dangers with everyone and communicate both inside and outside the workplace to recognize hazards while working.

CIK Nanotek Corporation Okayama Plant: Even if I knew that it was a machine for experiencing danger, when I actually experienced it, I felt scared and sensed the danger. I also learned that it is important not only to take a lecture on the matter but also to actually experience it.

TAKIRON TECH Aboshi Plant: I am glad I took part in this training program because I discovered hidden dangers where I thought a little deviation would be safe.

Dialogue 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.

Dialogue List

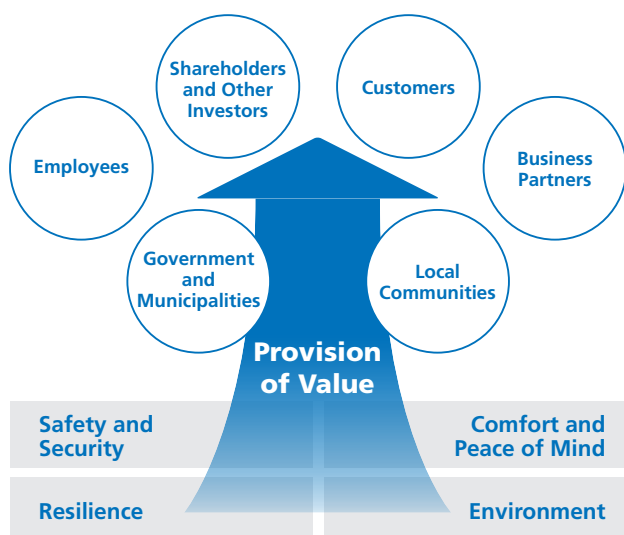
Stakeholders	C.I. TAKIRON Group Responsibilities	Department	Communication Tools	Frequency of Communication
Shareholders and Other Investors	In order to meet the expectations of our shareholders, we will strive to increase corporate value through high capital efficiency, fair and impartial information 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
			Corporate governance reports	Occasionally
			Shareholder surveys	Occasionally
		IR Department	Financial results briefings	Twice a year
			Individual investor briefings	Several times a year
			News releases	Occasionally
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	ESG rating agency survey responses	Occasionally
		Public Relations	Website and advertisements	Occasionally
		Sales Department	Sales activities and social media	Daily basis
			Exhibition spaces, expos, and events	Occasionally
		Quality Assurance Department	Quality certificates	Daily basis
			Delivery specifications	Daily basis
			Inspection certificates	Daily basis
		Customer Support Department	Inquiry responses	Daily basis
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	Occasionally
		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 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	Twice a year
		Compliance Department	Internal reporting system	Occasionally
		Human Resource Department	Counseling with occupational physicians	Regularly/Occasionally
			Health and Safety Committee	Regularly
			Labor-management consultations	Regularly/Occasionally
		Each department	Personal interviews with superiors/subordinates	Regularly

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. C.I. TAKIRON discloses important information through the Electronic Disclosure for Investors' NETwork (EDINET) for the disclosure of securities reports and other financial materials in accordance with the Financial Instruments and Exchange Act provided by the Financial Service Agency as well as the Company Announcements Disclosure Service (TDnet) provided by the Tokyo Stock Exchange. We also publish 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.



Customers

Quality Assurance Initiatives

The C.I. TAKIRON Group promotes quality assurance activities to fulfill the needs of customers and ensure quality in order to provide the 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).

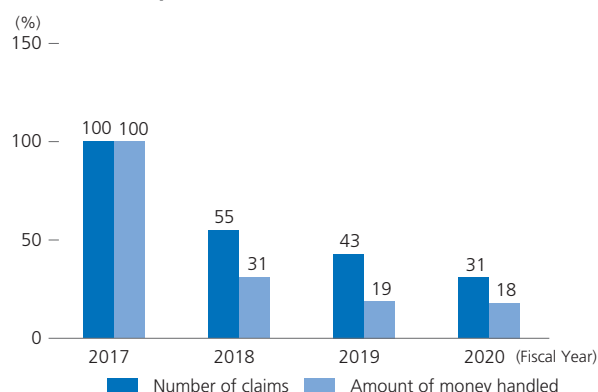
As for specific quality assurance activities, we facilitate contact points as a means of communication with our customers such as a contact form on our homepage and a toll-free telephone number to our customer service center in order to improve customer satisfaction by responding to customer inquiries and requests. In addition, each production site operates a Quality Management System (QMS) which complies with the ISO 9001 as the core framework of our quality assurance activities (please refer to Framework of the Quality Management System.).

The system that we have built goes beyond quality assurance by first clearly reflecting customer product feedback and needs into C.I. TAKIRON products and services before evaluating and improving products at every stage of the product planning, design, and mass production stages from customer needs, safety, and quality to cost and environmental performance in order to deliver new and improved products.

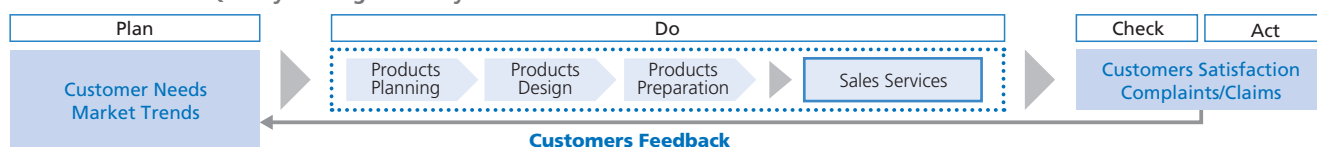
Furthermore, a databases stores claims about products in real time so that everyone throughout the Group can see detailed information about investigations into the root cause of a claim, progress toward improvements, and measures to prevent recurrence. This database has proven to be an effective tool for the Group by steadily reducing the

claims and claims requiring monetary processing compared to those received right after our management integration (2017). (Please refer to Changes in Number of Claims and Claims Requiring Monetary Processing.) We are also attempting to utilize this information as design verification data when making product improvements and during new product development.

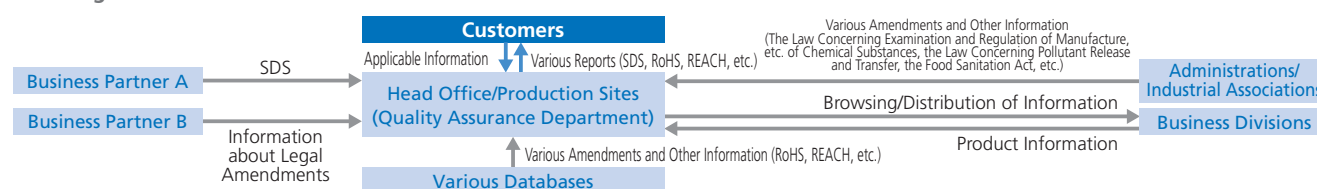
Changes in Number of Claims and Amount of Money Handled (compared to FY2017)



Framework of the Quality Management System



Handling Framework for Substances Contained in Products



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 211 chemical substances, including the two substances publicly announced on January 19, 2021, 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 various other laws and regulations.

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 material procurement partners who can persevere in both business and product development with us through the procurement of purchased goods, such as raw plastic, secondary and metal materials as well as processed goods.

C.I. TAKIRON has established a CSR Procurement Policy this fiscal year to build on the quality (technology development capabilities), reasonable prices, and delivery periods achieved in material procurement during the last fiscal year. This new policy deepens relationships of co-operation with our business partners to achieve a sustainable society from human rights as well as health and safety to the environmental impact and informational security.

Material Procurement Policy

The C.I. TAKIRON Group established the Basic CSR Procurement Policy with the seven principles below.

- I. **Respect human rights and the labor environment.**
- II. **Always consider health and safety.**
- III. **Maintain and strengthen environmental efforts.**
- IV. **Ensure product safety and quality.**
- V. **Properly manage information security.**
- VI. **Engage in fair and lawful business transactions.**
- VII. **Promote CSR and actively take part in social contribution activities.**

The C.I. TAKIRON Group will raise awareness about the CSR Procurement Policy in the future by providing it to each of our business partners along with careful explanations. This policy will help us build a CSR procurement supply chain together with our business partners.

I. Respect human rights and the labor environment.

We recognize the respect for human rights and the labor environment as priority CSR issues represented largely by conflict minerals* and will further inspections of the supply chain with the cooperation of our business partners.

* Conflict minerals refers to 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.

II. Always consider health and safety.

We will always consider health and safety by making every effort to comply with laws and regulations as well as lower foreseeable risks, such as the physical burden placed on all employees of our Group and business partners.

III. Maintain and strengthen environmental efforts.

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 carbon-neutral initiatives, the development of bio-based and biodegradable resins as well as technological development for recycling chemicals and materials while promoting procurement of resources with a low environmental impact.

IV. Ensure product safety and quality.

We will promote and continually improve quality assurance activities together with our business partners.

V. Properly manage information security.

We will disclose and communicate the right information at the right time while maintaining and strengthening information security measures.

VI. Engage in fair and lawful business transactions.

We will build fair and impartial business relationships founded on the principle of competition open to all regardless of capital ties, 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.

VII. Promote CSR and actively take part in social contribution activities.

We will actively engage in social contribution and local community activities (preserving and improving the environment) as the C.I. TAKIRON Group, while deepening cooperation with business partners who share the values of our CSR Procurement Policy.

Local Communities

The 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 had to cease or minimize some of our local community efforts due to the spread of the COVID-19 infections. In spite of these setbacks, our main activity results for fiscal 2020 accomplished many things, including active participation in environmental conservation activities in surrounding communities, beautification efforts, and local events in addition to the harvest of local crops and donation efforts to the local community.

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

Main Activity Results (FY2020)

Activity	No.	Activity	No.
Local community beautification activity	34	Volunteer activities for community welfare	4
Participation in community events and activities	4	Volunteer activities for marine plastic pollution cleanup	2
Donations to local communities	16	Blood drive, emergency medical care, and fire-fighting activities	2
Resource collection	2	Cooperation with local school education	1
Participation in weeding activities	2		
		Total	67

Progress of Activities



Cleaning Activities Around the Plant (Shiga Plant)



Cleaning Activities Around the Plant (Hokkaido Sanplus Co., Ltd.)



Cleaning Activities Around the Plant (Tokyo Plant)



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



On-site Surveys to Check the Condition of Sagami River (Hiratsuka Plant)



Cleaning Activities on the Tsukuba-no-Sato Industrial Park (DAILITE CO., LTD.)



Plant Tour for Local Junior High School Students (Okayama Plant)



Cleaning Activities Around the Plant Employee Dormitories (Shiga Plant)



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

COVID-19 Efforts

The C.I. TAKIRON Group supports the efforts of all healthcare professionals and local citizens battling the COVID-19 pandemic.

We leveraged our products by donating Polycarbonate-Plate (PC) partitions, PC face shields, and various other articles to prevent the spread of the COVID-19 infection at medical facilities. We also contributed to the efforts of local communities by donating bottled drinks, unused masks and other such items collected from employees to hospitals and other places in need.

We not only wanted to show our gratitude and support to all of the healthcare professionals working on the front lines who provide medical care but also contributed monetary support in order to help the local communities where C.I. TAKIRON has such deep ties.

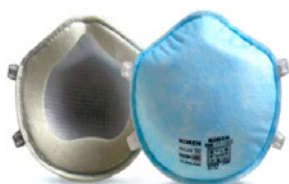
The C.I. TAKIRON Group will continue to actively work with and support all healthcare professionals and local citizens in ongoing efforts to prevent the spread of the COVID-19 infection.

COVID-19 Efforts (FY2020)

Donation of polycarbonate partitions	6
Donation of polycarbonate face shields, etc.	4
Donation of materials to keep the shape of N95 masks for healthcare professionals	1
Donation of plastic bottles for drinks to medical institutions	1
Donation of unused masks	1
Monetary donations	7



Polycarbonate Partitions



Materials to Keep the Shape of N95 Masks for Healthcare Professionals

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 (TOBIUO Japan).

As a provider of non-slip flooring for pool-side 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 are conducting 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.

Unfortunately, C.I. TAKIRON had to voluntarily suspend many of its plans due to the COVID-19 pandemic in fiscal 2020. However, we will continue to promote this activity so that everyone who participates can experience pollution conditions near bodies of water and address the marine plastics issue seriously.



Ibogawa Green Project (Yasutomi Plant)



Ibogawa Green Project (TAKIRON TECH CO., LTD, Aboshi Plant, and Ibogawa Office)

Corporate Governance

Basic Philosophy

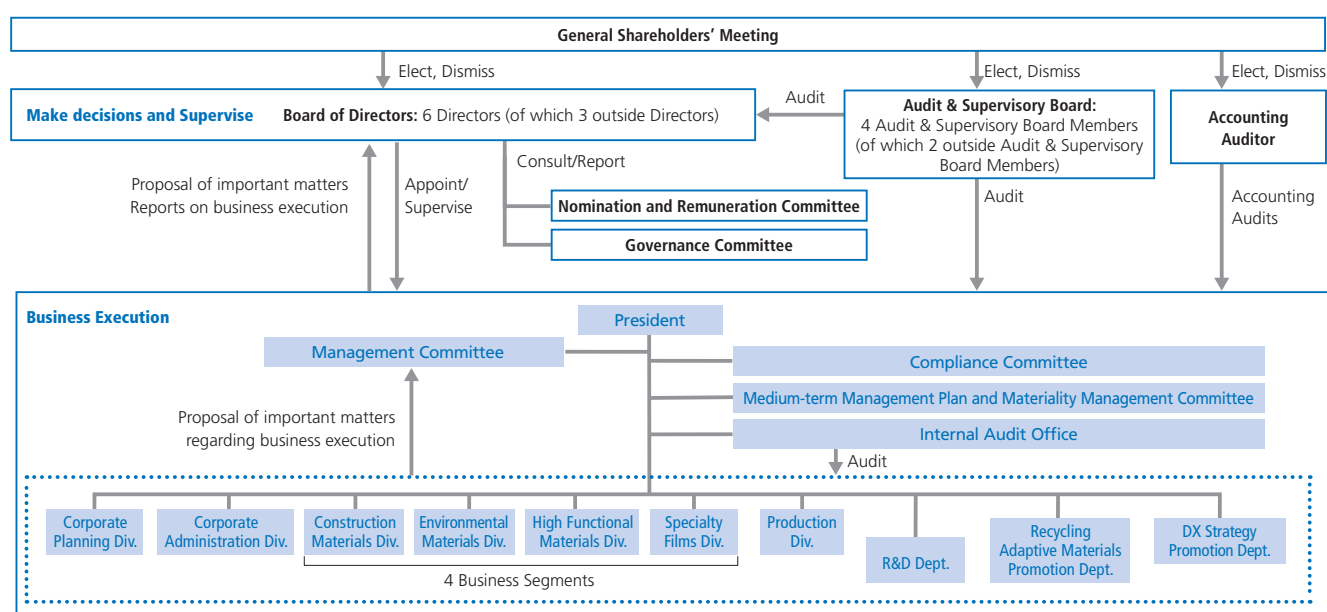
C.I. TAKIRON strives to improve management efficiency, heighten transparency, and earn trust from shareholders and all other stakeholders while enhancing sustainable growth as well as medium- to long-term corporate value.

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.

Corporate governance framework

Corporate Governance Framework



2020/2021 Initiatives and the History of Enhancements

Strengthening of the Corporate Governance System

C.I. TAKIRON reduced the Board of Directors by two Directors at the June 2021 General Shareholders' Meeting to not only further the independence, transparency and fairness of management but also to more quickly adapt to changes in the management environment and swiftly make decisions. Three of six directors are independent outside officers, which expands the ratio of Outside Directors from 38% to 50%.

Moreover, we launched a Governance Committee made up of a majority of Outside Directors as members including the chairperson as an advisory body to the Board of Directors for the purpose of continuously enhancing the level of our corporate governance.

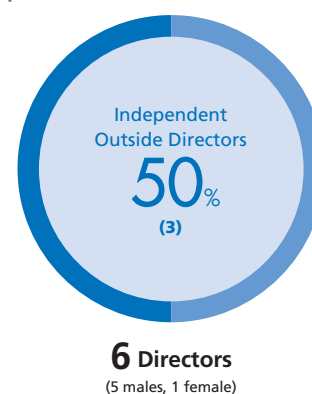
Restructuring of the Remuneration Plan

C.I. TAKIRON introduced a share-based remuneration system with transfer restrictions at the June 2021 General Shareholders' Meeting in addition to the existing stock remuneration plan (share ownership trust) linked to business performance to improve the medium- to long-term performance of Directors and to raise awareness about the contributions which dramatically enhance corporate value. >>> See P57

History of Enhancements to Corporate Governance

2021	Raised the Ratio of Independent Outside Directors (38% to 50%) Launch of the Governance Committee Existing Stock Remuneration Plan (Share Ownership Trust) Linked to Business Performance Introduction of a Share-based Remuneration System with Restrictions on Transfer of Shares
2020	Increased the number of independent outside directors (from 2 to 3, comprising more than 1/3 = 38%) Increased the number of independent outside Audit & Supervisory Board Members (from 0 to 2) Diversification of the Board of Directors and Audit & Supervisory Board Members (Appointed one female director and one female Audit & Supervisory Board Member) Appointed an Independent Outside Director to Chair the Nomination and Remuneration Committee Introduction of the Group Executive Officer System
2019	Strengthened Systems for Dialogue with Shareholders (Investors) (established a new department specializing in IR)
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 (Share Ownership Trust)
2017	Implementation of an effectiveness Evaluation for the Board of Directors (conducted every year since implementation)
2011	Appointment of an independent outside director (1)
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)

Composition of the Board of Directors



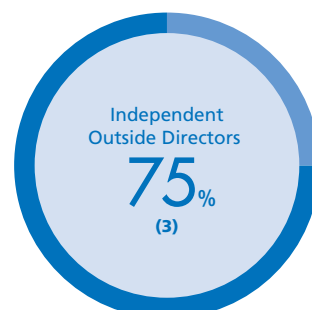
Governance Committee

The Governance Committee not only deliberates on important governance matters but also acts as the independent special committee required in Japan's Corporate Governance Code (Supplementary Principles 4.8.3) revised in June 2021.

Main Committee Agenda

- Important governance matters
- Effectiveness evaluation of the Board of Directors
- Material transactions or actions that conflict with the interests of the controlling shareholder and minority shareholders*

*Deliberations only involve independent Outside Directors



4 Members

Composition of the Committee

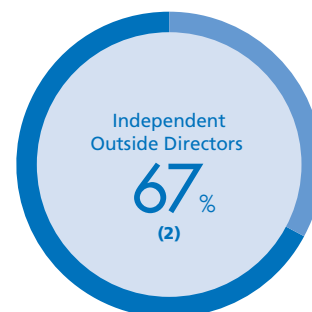
Committee Chairperson	Kenichi Hatano	Independent Outside Director
Members	Kazuya Saito Mune Iwamoto Yoshiko Kosaka	Director President Independent Outside Director Independent Outside Director

Nomination and Remuneration Committee

C.I. TAKIRON set up the Nomination 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. The Nomination and Remuneration Committee convened seven times in fiscal 2020.

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



3 Members

Composition of the Committee

Committee Chairperson	Mune Iwamoto	Independent Outside Director
Members	Kazuya Saito	Director President
	Kenichi Hatano	Independent Outside Director

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 fiscal 2020 is shown below.

Evaluation Method

1. Conduct survey for self-assessment by directors and Audit & Supervisory Board Members.
2. Exchange ideas between Directors and Audit & Supervisory Board Members based on analysis of the survey results.
3. Conduct evaluations at the Board of Directors

Evaluation Results

1. Items Improved in FY2020

A sale of shares in January 2021 helped increase C.I. TAKIRON's presence in the stock market while increasing the number of shareholders, which further strengthened its IR activities. We also expanded debate about medium- to long-term plans through ongoing discussions and more comprehensive deliberations between executive officers with focus on details of the new medium-term management plan which began in fiscal 2021.

C.I. TAKIRON appointed one new independent Outside Director at the June 2020 General Shareholders' Meeting as a structural reform to strengthen corporate governance. The change increases the ratio of Outside Directors to at least 1/3. In addition, we also appointed an Outside Director instead of an Internal Director as the officer to chair the Nomination and Remuneration Committee. C.I. TAKIRON also increased the number of Outside Directors to three, of six members at the June 2021 General Shareholders' Meeting. This change makes Outside Directors half of the Board of Directors. In regards to diversity, we also nominated two female officers (one female Director and one Audit & Supervisory Board Member) at the June 2020 General Shareholders' Meeting.

2. FY2020 Effectiveness Evaluation and Future Initiatives

C.I. TAKIRON received an overall positive evaluation determining the Board of Directors functions appropriately and is effective from various initiatives on the ratio of Outside Directors to active discussions at Board of Directors meetings.

We will promote initiatives to improve the five items below as priority issues in an effort to further enhance the effectiveness of the Board of Directors.

- (1) Expansion of discussions on medium- to long-term plans
- (2) Strengthening of the system to improve governance
- (3) Broader diversity on the Board of Directors
- (4) Building officer remuneration systems that are consistent with the corporate strategy
- (5) Feedback from dialogue with shareholders (investors)

Executive Remuneration

The remuneration systems for directors and other officers (directors and executive officers excluding non-executive directors) consists of the basic policies below, acting as a guide to fulfill the duties required of C.I. TAKIRON in the management plans and policies.

Basic Policy

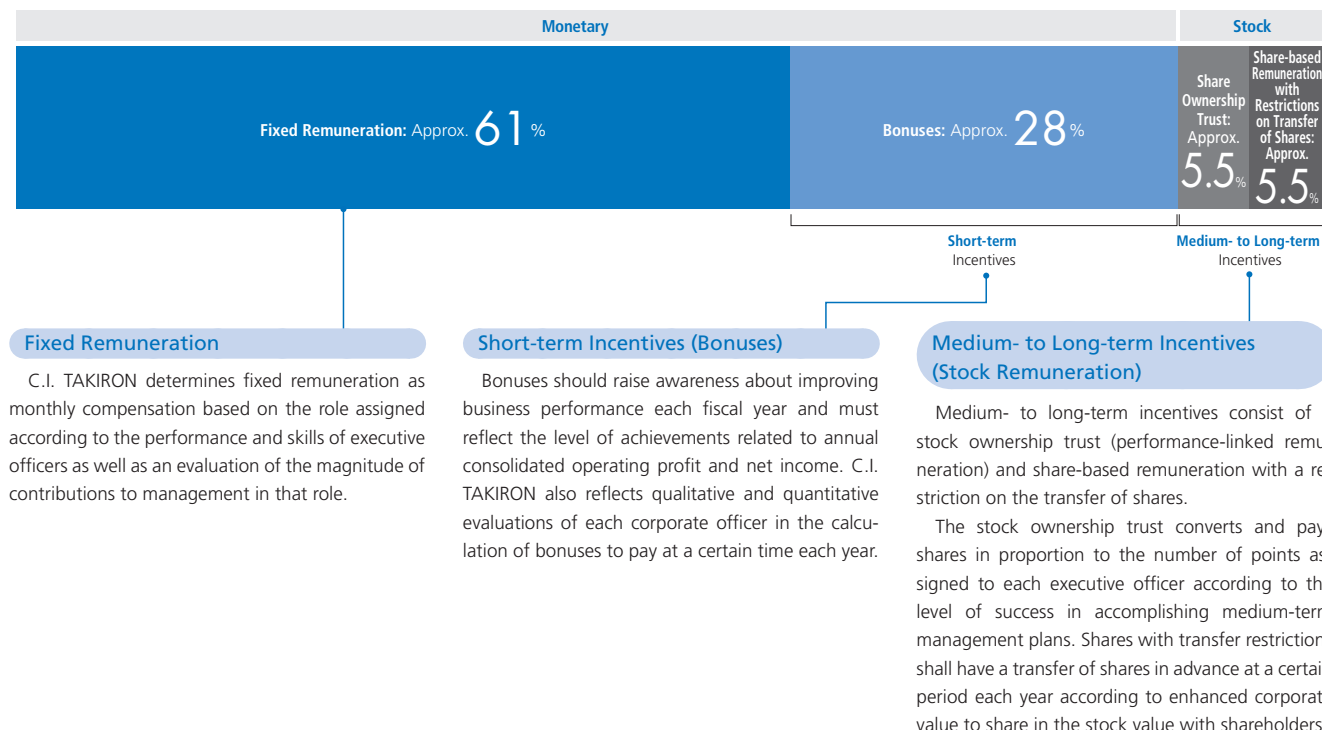
- We shall provide remuneration linked to medium- to long-term corporate value to realize sustainable growth.
- We shall encourage all to independently and actively take on challenges without fearing failure.
- We shall assess our competitors and set standards thought appropriate for C.I. TAKIRON in recruiting and retaining outstanding human resources.
- We shall ensure objectivity and transparency through deliberations at Nomination and Remuneration Committee, which is made up of a majority and chaired by outside directors.

Framework of Executive Remuneration

Director and other executive remuneration consist of fixed compensation, performance-linked remuneration, and other short-term incentives (bonuses) as well as medium- to long-term incentives (stock remuneration) as non-monetary compensation.

The estimated ratio of the various types of remuneration if all of the KPI are achieved is 61% for fixed compensation, 28% for short-term incentives (bonuses), and 11% for medium- to long-term incentives (stock remuneration)

Remuneration Distribution Ratio



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

The 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, the C.I. TAKIRON Group Compliance Program has been established for the purposes of improving and strengthening the compliance system for following the C.I. TAKIRON Group Corporate Code of Conduct. It denotes the following four items 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

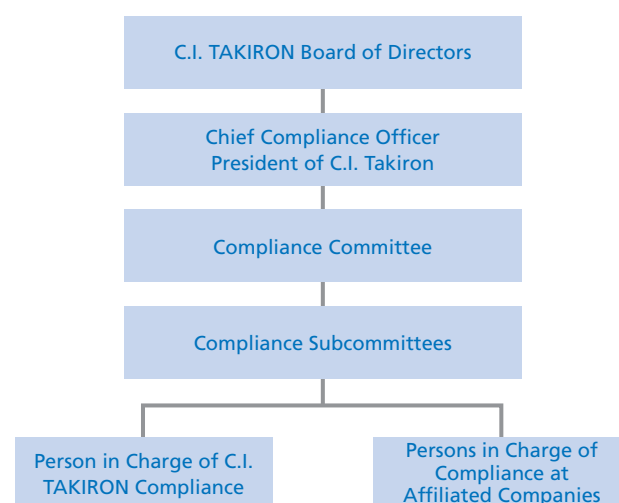
Main Compliance Results for FY2020

Violations of laws and regulations in the socio-economic sector	There are no such violations in FY2020.
Violations of environmental laws and regulations	There are no such violations in FY2020.
Number of Internal Reports	44

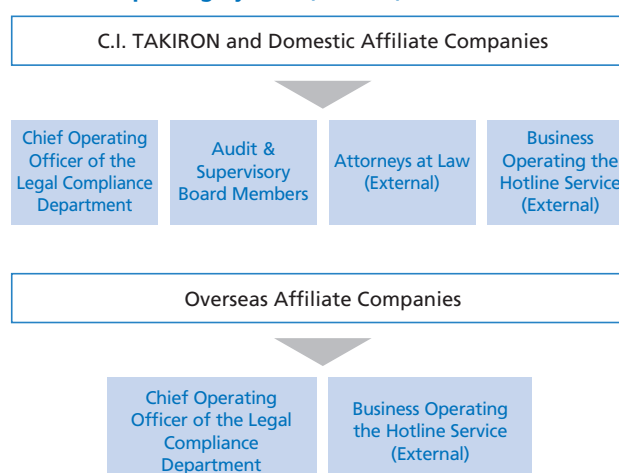
Main Activity Results for FY2020

Preparation of systems and frameworks	Preparation of systems and frameworks by persons in charge of compliance after raising awareness about the Compliance Commitment in staff
Education/Enlightenment	Compliance seminars (either by webinar or by viewing recorded materials)
	Distribution of harassment prevention guidebooks to all officers and employees to deter harassment
	Training for persons in charge of harassment consultation counters (webinars)
	Dissemination of compliance information to all officers and employees (4 times)
Surveys	Awareness raising about compliance
	Compliance fact-finding surveys at overseas sites

Compliance System



Internal Reporting System (Hotline)



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.

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

Risk Management Operations

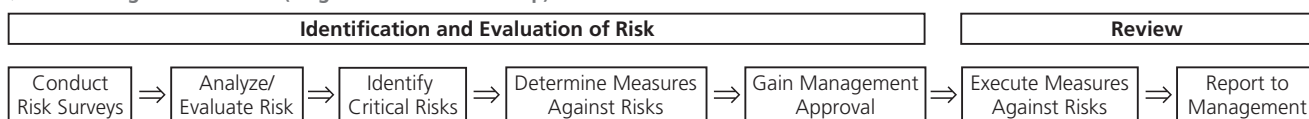
C.I. TAKIRON has a system to address the intrinsic risks of the Group through ongoing reduction efforts in accordance with the risk management regulations. The Management Committee determines measures against risk through risk identification and evaluation results for the entire Group.

The risk management secretariat operates risk management each fiscal year based on the selection and handling processes for critical risks defined as the following.

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 handling the 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.

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



◆ FY2021 Selection of Critical Risk Management Items

Risk Management Items	Risk Category	Supervising Department	Risk Items	Assessment Department
Climate change (Continued from the previous fiscal year)	Corporate	Corporate Planning Department	(1) Risks related to market and technology changes as well as reputation due to climate change (2) Risks related to policies and laws due to climate change (3) Physical risks due to climate change	Meeting to Promote Environmental Conservation
Distribution risks	Operational	Business Support Department	(1) Risks of suspended operations due to system stoppages (2) Risks of rising distribution costs (risks of carriers refusing to pick up shipments) (3) Risks of rising distribution costs (other risks)	—
It Security (Continued from the previous fiscal year)	Operational	Business Support Department	(1) Risks related to the adoption of new digital technologies (2) Risks due to a shift to cloud groupware	—
Compliance and Human Rights	Operational	Legal Compliance Department	(1) Risk of lower awareness about officer and employee compliance due to a lack of consciousness about compliance in persons in charge of compliance (2) Risks of lower organizational productivity due to harassment (3) Risks of lawsuits due to insufficient measures against harassment	—

Directors, Audit & Supervisory Board Members, and Executive Officers (as of June 25, 2021)

Directors

(biographical information reduced)

Representative Director President Kazuya Saito

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



Reason 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)



Reason 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)



Reason 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, as well as the ample experience he has gained in the overall management of the company.

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)



Reason 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)



Reason 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 (currently Irokawa Legal Professional Corporation) (current position)
 2020 Director of C.I. TAKIRON (current position)



Reason 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)

Reason 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 CFO of the ITOCHU Energy & Chemicals Company (current position)
2019 Audit & Supervisory Board Member of C.I. TAKIRON (current position)

Reason 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)
2017 Professor, Industry-University Collaboration, Organization for Research Support, Kanazawa Institute of Technology (current position)
2019 Director of Hibiya Engineering, Ltd. (current position)
2020 Audit & Supervisory Board Member of C.I. TAKIRON (current position)

Reason 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

1996 Joined Aoyama Audit Corporation (current PwC Aarata LLC)
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)
2014 Representative Director of Transaction Support Co., Ltd. (current position)
2015 Became licensed tax accountant
2015 Head of Takashi Araki Tax Accounting Office (current position)
2020 Audit & Supervisory Board Member of C.I. TAKIRON (current position)

Reason for nomination For many years, Takashi Araki has been engaged in auditing work, initial public offering support work, financial and M&A 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.



Managing Executive Officers

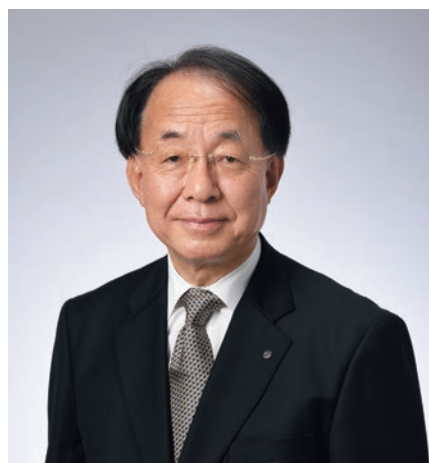
R&D Supervisor*3	Hideharu Iwasaki
Chief Operating Officer of the Corporate Planning Div. and Recycling Adaptive Materials Promotion Supervisor *3	Toshio Tamaki
Chief Operating Officer of the Corporate Administration Div.	Yukihiro Iwata
Chief Operating Officer of the Production Div.	Hironori Kikuchi
Chief Operating Officer of the Specialty Films Div.	Hidehiro Shima
General Manager of the Housing Materials Business Materials Dept.	Hiroji Kimura

*3 As of October 1, 2021

Executive Officers

General Manager of the Business Support Dept.	Tsutoshi Miki
General Manager of the Flooring and Decorative Materials Dept.	Kenji Matsui
Deputy Chief Operating Officer of the Production Div.	Kenji Watanabe
General Manager of the Tokyo Plant	Yukio Hiraiwa
DX Strategy Promotion Supervisor and General Manager of the DX Strategy Promotion Dept.*3	Ryojiro Ogawa
General Manager of the R&D Dept.	Akihiko Shiraishi
Chief Operating Officer of the High Functional Materials Div.	Takashi Yamasaki

Corporate Governance and Sustainability



Mune Iwamoto
Outside Director



Kenichi Hatano
Outside Director



Yoshiko Kosaka
Outside Director

Nahoko Shimazaki

Facilitator: Chief Consultant, Consulting Business Division
Mitsubishi UFJ Research and Consulting Co., Ltd.

The business environment is changing even more rapidly than ever before. With the revision of Japan's Corporate Governance Code (CGC) in June 2021, every company must more readily strengthen corporate governance at the same time as pursuing sustainable growth and higher medium- to long-term corporate value. I would like to seek insight from Mune Iwamoto, Kenichi Hatano, and Yoshiko Kosaka as three C.I. TAKIRON Outside Directors in a panel discussion about the role of an outside director, ways of responding to management challenges directly confronting the Group today, and various initiatives used to tackle the challenges around sustainability and ESG.

1 Recent "Evolution" and "Strengths" of C.I. TAKIRON

Shimazaki: How do you feel C.I. TAKIRON has evolved in recent years as a corporate enterprise?

Hatano: I was appointed an Outside Director of C.I. TAKIRON three years ago. During my tenure, the Group has undergone a business management integration and other such structural reforms while doing a number of things to strengthen its corporate governance, including the establishment of the Nomination and Remuneration Committee. The new medium-term management plan defining what the Group wants to become 10 years from now started in fiscal 2021, which I feel is clearly ramping up from the stage of solidifying a management foundation to addressing its goal of fostering further growth.

Iwamoto: I have been an outside director since before the management integration between Takiron Co., Ltd. and C.I. Kasei Co., Ltd. in 2014. The management integration not only doubled sales but also expanded the Group's global market. A merger between two companies often comes with many difficulties in terms of growth. However, this management integration merged these two organizations over a short period of time as well as clarified the companies under the Group umbrella and a common Group strategy. The evolution and strength of C.I. TAKIRON is a management integration which has come to strategically resolve a variety of business issues as a corporate conglomerate.

Kosaka: I was appointed an Outside Director of C.I. TAKIRON last year. In a difficult management environment during the COVID-19 pandemic, the Board of Directors drafted the new medium-term management plan after much debate.

Shimazaki: Could you please tell us about C.I. TAKIRON's "strengths" and "challenges" as a corporate organization?

Hatano: C.I. TAKIRON's strengths are its growth and development realized by solving social issues throughout its century of business, which have been passed down without fail as the company's DNA in the form of its history and traditions. At the same time, C.I. TAKIRON is a bit conservative in some respects and struggles with a few things from the perspective of innovation.

Iwamoto: The strength of C.I. TAKIRON is its very hard-working nature. Out of all the companies that I have seen in the past, C.I. TAKIRON really takes organized action

and observes regulations with every employee engaging in work with precision and sincerity. However, I am a little concerned the Group is not as strong at taking major action toward external organizations, such as a management integration, compared to current trends in the world.

Kosaka: I believe the ability to deliver a broad range of products from those around us in everyday life to infrastructure and environmental products as well as a history of contributions to help resolve social issues are the strengths of C.I. TAKIRON. A challenge that the company does have is enhancing human and intellectual capital as a source to create new corporate value. In terms of human capital, C.I. TAKIRON rolled out the Management Commitment on Enriching Lives and is working to build a work-friendly environment and foster respect for diversity. However, this work has yet to produce clearly visible results. In terms of intellectual capital, C.I. TAKIRON is highly aware of the need to maintain and improve technological capabilities, but I feel a future challenge for the company will be addressing the need to deepen discussions on how to protect these technological capabilities over the long term.

2 Role of Outside Directors and Vitalization of the Board of Directors

Shimazaki: Japan has revised its Corporate Governance Code ("CGC"). Could you please tell us about what role you think an outside director should play in the organization?

Kosaka: C.I. TAKIRON is a listed subsidiary of a Group in which both the parent company and subsidiary companies are listed on the stock exchange. As a listed subsidiary, the corporate governance framework at C.I. TAKIRON to ensure independent decision-making is vital. I believe it is important for each outside director to make decisions and take action considering the interests and expectations of the general shareholders. Because Outside Directors are not involved in business execution, I see the important role for an outside director to be offering guidance from an objective and independent standpoint outside of the corporate culture or common company practices. By taking advantage of the awareness and sensibilities brought by the backgrounds of outside directors different from conventional Board of Directors members, whether gender, age, or experience as an attorney at law, I think we create an opportunity to dig even deeper into discussions on various matters.

Hatano: The revised CGC requires outside directors to contribute more strongly to management. We all need to truly recognize the greater duty and responsibility that



this places on outside directors in order to properly fulfill our role. C.I. TAKIRON is a company that has a controlling shareholder. Therefore, I think the vital role of an outside director is to contribute to sustainable growth and the enhancement of corporate value by taking care to stay independent of management. I have extensive experience from my many years working with labor unions to management positions. I do my best to use this experience to provide the proper guidance about business strategies, management plans, compliance issues, and a wide range of other matters. In addition to strengthening corporate governance, I think we also need to support all of the executive officers entrusted with business execution in boldly taking on challenges.

Iwamoto: The most significance duty of being one member of the Board of Directors is ensuring transparency in the

company and objectivity in debate in an effort to enhance corporate value. The revised CGC has taken a direction which places more responsibility than before on outside directors in the auditing as well as in the debate of medium-to long-term management plans. It is important for me to work with the other Outside Directors to make decisions from a broad and fair perspective to fulfill my role. The responsibility of outside directors may continue to grow in the future. Each outside director needs to use their unique sensibilities and experience to help facilitate a Board of Directors which deliberates on matters from various points of view, digs deeper into each matter while considering the ideal form of the organization in the future as well as actual business execution.

Shimazaki: What ingenuity or particular points of caution are required to better facilitate an exchange of ideas in initiatives to vitalize the Board of Directors? Could you also share your thoughts on how the Board of Directors changes by ensure greater diversity?

Iwamoto: The Board of Directors had been having ongoing discussions about how to accelerate corporate growth. As a result, we decided to introduce a Governance Committee at the end of July 2021 and have been advancing reforms. We are also working to bring the Board of Directors closer to a body which reviews the logic of proposals for management as best as possible while asking candid questions about anything still unclear to discover actual circumstances and critical factors.

Kosaka: To vitalize debate, I think it is important to provide more comprehensive information and materials as well as properly set an agenda. Currently, we always make sure to prepare easy-to-understand materials emphasizing the necessary points with prior explanations. Although, I think it would be ideal to hold these prior explanations a little bit sooner to fully reflect the debate and exchange ideas better in the Board of Directors meetings. The Board of Directors must also always keep in mind whether a proper agenda has been set based on a perspective that considers the roles and duties of Directors at Board of Directors



meetings. When determining the annual schedule for discussions about the medium to long term, I think we need to move away from a period overwhelmed with matters to discuss and find innovative ways to set specific times in the agenda for careful deliberation.

Hatano: When we have some extra time, couldn't we go beyond discussing just what is on the agenda to talk about things such as current events or the best way to go about developing core human resources for the next generation? Moreover, I think we could strengthen the bonds between Outside Directors, the President, and Executive Officers and heighten the effectiveness of the Board of Directors if there was a place for us all to exchange ideas on topics from various business issues to future strategies.

Kosaka: The Board of Directors and Audit & Supervisory Board have also become more diverse by increasing the number of women thanks to my appointment as Outside Director and Masako Osuna's to the Audit & Supervisory Board. However, C.I. TAKIRON still does not have a sufficient ratio of female managers or employees from various countries and needs to consider ways to address the problem. Modern society lives in uncertain times where anything unpredictable can happen, such as the COVID-19 pandemic. A diverse organization generally has better resilience at adapting to these uncertain times. Discussions between people who have different viewpoints increase the chance of properly handling uncertainty. I think ensuring this diversity on the Board of Directors directly connects to enhancing corporate value.

Iwamoto: There is one concern though I think. As the Board of Directors becomes more diverse, people with really different sensibilities and theories will have a clash of ideas at Board of Directors meetings. This will shift decisions on corporate proposals from the conventional yes or no. This means refining the matters handled by the Board of Directors to the really important issues. The Board of Directors would then need to debate the various morals and dig deep into the topic at hand. Japan still has a result-oriented atmosphere where people hesitate to speak up. In the future, it will become necessary for Board of Director and Secretariat members to learn the skills necessary to speak frankly, listen, accept, and discuss various ideas and values all while trying to come to a decision in a certain period of time.

3

Impact of Changes in the Social Environment on Management

Shimazaki: I would like to ask about the impact that changes in the social environment have on the management environment. What kind of relationships do the themes from climate change and sustainability to the COVID-19 and biodiversity touched on in the revised CGC have with business activities, and what risks as well as opportunities accompany these new themes?

Hatano: Companies find themselves in a dramatically changing business environment with major risks which include the COVID-19 pandemic, issues of marine plastics, and IT security. On the other hand, dramatic shifts in economic systems and lifestyles also create new needs. This provides the opportunities to develop products which can meet the needs of a new generation or provide solutions to the issue of plastics. In recent years, natural disasters are becoming more severe than ever before, which demands the preparation and expansion of social infrastructure, such as disaster prevention and mitigation. This brings with it a huge opportunity for C.I. TAKIRON who possess many products that can tackle these issues. I hope the Group will continue making efforts to confront these problems with the perseverance to step up to the challenges of each new generation.

Kosaka: When society finally overcomes the COVID-19 pandemic, telework as well as remote meeting and sales options will still be used. I am sure the social gatherings used by companies as a way to build better communication will also change. Through the COVID-19 crisis, companies have had to examine what a company needs and make choices about work styles, sales policies and a variety of other perspectives. I think the pandemic has also been an opportunity for C.I. TAKIRON to think about building a work-friendly environment, including different work styles in life after the COVID-19. For example, what is essential to the Group? How can the company balance work hours at its plants and offices? These are some of the many challenges C.I. TAKIRON must consider.

Iwamoto: One reason C.I. TAKIRON has been in business as long as it has is because of its businesses with a high marginal profit ratio. Another is the share it holds as a result of outlasting its competitors in various business sectors. However, the domestic market in Japan will become fiercer when thinking about the next ten years due to a declining birthrate and higher costs brought on by factors such

as climate change. We can also expect an even higher number of general-purpose products entering Japan from China and the rest of Asia, which means C.I. TAKIRON must

strengthen its competitiveness now to protect its share in general-purpose products. In fields with high added value, C.I. TAKIRON needs to further refine and develop functional materials. This is especially true in fields the Group is particularly adept, such as human sensory which are not easily replicated by machines and its current Artificial Intelligence (AI) which competitors cannot imitate. Development and expansion in these fields is important. In addition, the recognition of business activities in and of itself acting as social contribution I think will have a truly significant impact. The combination of various plans will establish an overall singular flow for sustainability. Therein, I think the organization has to work to systematize the strategic priority of various efforts, such as the position of a relatively high-priority theme of climate change initiatives.



Shimazaki: What kind of impact has the formulation of a new Group Corporate Philosophy to create a people- and Earth-friendly Future as a mission had both inside and outside of the Group?

Kosaka: The C.I. TAKIRON Group delivers products for infrastructure and the environment that help solve social issues under the motto to build better daily lifestyles with familiar products and cultivate a prosperous and comfortable society using state-of-the-art technologies. It has also driven sustainable management over the last 100 years. By using words that employees are familiar with, the company is able to reaffirm its shared values and express a clear message outside the company as well. I think this is the purpose of a corporate philosophy. The process for establishing these messages also included a lively debate within the company and provided a chance of us all to take another hard look at our role and value to society as well as sustainability.

Iwamoto: I'd like to share one example from the debate Yoshiko just mentioned. The words of our mission to create a people- and earth-friendly future does two things. It first makes all of the employees feel that they work for an

outstanding company while at the same time reassuring everyone that the people who work at C.I. TAKIRON must be nice if they are friendly to people and the Earth. Even if you ask someone outside of the company, I think they would tell you these words offer a very favorable impression of the company.

Hatano: I think the sustainability initiatives at C.I. TAKIRON have come a long way compared to an ordinary company. The Management Philosophy defines the Group mission and C.I. TAKIRON's commitment to society about things like what the company will offer and contribute to each community. The Corporate Message unifies the spirit of everyone who works within the Group as a code of conduct to realize the company's mission. The challenge is how to teach these values to every single person in the C.I. TA-

KIRON Group. Even if we consider other companies, there are many examples of organizations that have failed to solidify their plans on site and produce results. Unifying the

objectives and spirit of every employee completely changes the outcome of efforts. I was always careful about how to invigorate the workplace when I was directly involved in business execution. This meant putting in a lot of work to facilitate better daily communication while talking to each person about their role and expectations to cultivate a unified workplace. These continuous efforts can raise awareness in each person to not only help change their attitude but also their performance.



4

Aiming to Further Enhance Corporate Value

Shimazaki: Could you please tell us where C.I. TAKIRON shows particular strengths over other companies in sustainability and ESG initiatives?

Iwamoto: I think it is a culture that values employees. I think ESG and corporate governance management goes beyond simply establishing and abiding by rules as a system that only succeeds if it fully contributes to society while bringing results and profits through work. To accomplish this, it is important for every employee to have pride in their work and build human relationships. C.I. TAKIRON has really valued this type of atmosphere in the workplace. That is why I think we can expect an efficient cycle expanding quality ESG and SDG initiatives led by the managing executives.

Hatano: I feel exactly the same way. The approach is not to do something for the purpose of ESG management, but rather connect everyone's daily satisfaction in work to ESG, which will then become social contributions that expand to society at large. I think the best foundation for this is one where everyone recognizes this approach.

Kosaka: The company has a long history of dealing in products that help solve social issues. The deep ties between its businesses and sustainability are the strength of C.I. TAKIRON. I see the efforts the company has undertaken for so long up until now as initiatives overlapping what we would call sustainability today. I don't think C.I. TAKIRON needs

to drastically transform its direction, but instead further evolve and strengthen the efforts it has undertaken up until now. Naturally, raising internal awareness about sustainability

is important. As management, the key is breaking down sustainability into simple terms to communicate clearly in order to find ways for sustainable management to enhance corporate value.



Shimazaki: What do you think is required for future expansion and higher corporate value?

Iwamoto: I would say corporate value in terms of a manufacturing company will now be assessed based on the earnings capabilities along a medium- to long-term time axis. Sustainability management reaffirms the benefits provided by society and the environment surrounding C.I. TAKIRON. At the same time, we have to stay fully aware of contributions solve social and environmental issues, especially engaging in long-term efforts that contribute through C.I. TAKIRON businesses. Therefore, action is taken by considering a time axis starting broadly before digging deeper and arriving at decisions, which drastically expands business opportunities and sectors. That means taking steps to form new growth strategies to generate operating revenue.

To increase corporate value in this type of management environment, I think the Board of Directors will have to work harder than ever to not only ensure tangible facilities and one-



to-two-year sales plans, but also improve the ability for the company to build global long-term and sales strategies as well as accumulate and innovate intellectual property, technology and human resources. In particular, this entails strengthening and developing departments and human resources in charge of analyzing the external environment as well as supporting activities, such as assessing the business environment and competition over the medium and long term. In a sense, I think the importance of the intelligence activity capabilities of C.I. TAKIRON is higher than ever for enhancing corporate value through sustainable management.

Hatano: I think human resources who have diverse values and skills as well as extensive experience are necessary to respond to global environmental issues and adapt to things like shifts in industrial structures due to more rapid digitalization. Bringing together these kinds of diverse human resources will offer broad and exhaustive debate to solve problems, which will in turn help spark innovation and generate new value.

Kosaka: Everyone knows how important human resources are, but technology is also an asset of C.I. TAKIRON. It is critical to figure out how to develop and protect both human and intellectual capital. C.I. TAKIRON is highly aware of how vital human capital is, demonstrated by its Management Commitment on Enriching Lives. In the future, the Group needs to investigate what strategies to use for intellectual capital while adapting to the various changes in society.

Hatano: Everyone in the Corporate Planning Division is extraordinary with really high-level skills but I feel they tend to be too inward oriented in their work. There is no way to really capitalize on such outstanding people if they are not entrusted with market analysis, growth strategies and other outward-oriented tasks. Even in ESG and sustainability activities, C.I. TAKIRON needs to build an environment where young professionals can communicate messages with confidence about how to provide value to coming generations and the type of society in which they want to live.

It is encouraging to hear all of the Outside Directors come together in this panel like this to engage in a frank discussion about such important matters. This has been a tremendous learning experience. I would like to thank everyone very much for today.

In the last several years, the way society looks at the significance of companies has dramatically changed and expectations are higher than ever. I really feel how extremely important it is for C.I. TAKIRON to make large contributions toward solving various social issues through its businesses. This panel discussion has clearly shown the importance of honesty in corporate management for ongoing evolution as well as the approach of C.I. TAKIRON to use the people and communication building the company as a source for generating a large amount of value which connects to current initiatives and results. I am sure the company will largely incorporate the guidance of outside directors more than ever before to respond to societal expectations and changes. I look forward to watching C.I. TAKIRON make even larger contributions to society in the future based on its new corporate philosophy.

Naoko Shimazaki

Facilitator: Chief Consultant, Consulting Business Division
Mitsubishi UFJ Research and Consulting Co., Ltd.



Main Financial/Non-Financial Data (Quinquennial Data)

Financial Data

Unit: Millions of Yen

	FY2016*1	FY2017	FY2018	FY2019	FY2020
Management Performance					
Net Sales	75,118	147,805	150,650	139,432	134,470
Operating Profit	4,339	8,363	9,080	7,372	8,511
Ordinary Profit	4,519	8,204	9,200	7,611	8,807
Current Net Income Attributable to the Owners of Parent	2,695	6,579	6,391	13,091	5,332
Depreciation	3,201	4,896	4,533	4,682	5,378
Capital Investment	2,609	3,969	7,430	12,388	5,149
Research & Development Expenses	686	1,288	1,109	1,165	1,134
Financial Status					
Total Assets	88,997	141,116	138,251	144,956	142,743
Net Assets	49,435	69,909	74,310	82,840	87,367
Equity Capital	48,678	68,332	72,680	81,362	85,707
Interest-bearing Liabilities	2,031	11,729	4,911	5,085	4,438
Accumulated Surplus	23,190	22,031	26,571	36,738	38,757
Cash Flow					
Cash Flow from Business Activities	6,579	9,328	9,805	11,017	4,365
Cash Flow from Investment Activities	△ 2,537	△ 1,575	△ 9,620	△ 5,922	△ 2,191
Cash Flow from Financial Activities	△ 1,749	△ 9,160	△ 9,160	△ 3,115	△ 4,292
Free Cash Flow	4,042	7,752	184	5,095	2,174
Balance of Cash and Cash Equivalents (End of Term)	16,046	15,800	6,835	8,746	6,712
Stock Information					
Total Number of Issued Shares (Thousand Shares)	78,698	97,500	97,500	97,500	97,500
Dividends	14	18	26	37	22
Payout Ratio (%)	36.9	26.7	39.6	27.5	40.2
Information about One Share of Company Stock					
Current Net Income Attributable to the Owners of Parent (Yen)	37.95	67.49	65.62	134.47	54.77
Net Assets	685.44	700.99	746.42	835.82	880.28

	FY2016 ^{*1}	FY2017	FY2018	FY2019	FY2020
Management Index					
ROA (%)	3.0	4.7	4.6	9.2	3.7
ROIC (%)	5.7	7.3	8.1	16.0	6.0
ROE (%)	5.7	9.6	8.8	17.0	6.4
Debt-to-Equity Ratio (D/E Ratio)	0.04	0.17	0.07	0.06	0.05
Operating Profit on Sales (%)	5.8	5.7	6.0	5.3	6.3
Capital-to-Asset Ratio (%)	54.7	48.4	52.6	56.1	60.0
Overseas Net Sales Ratio (%)	4.5	15.9	15.5	15.8	16.0

Non-financial Data

	FY2016 ^{*1}	FY2017	FY2018	FY2019	FY2020
Social Indicators					
Number of Consolidated Employees (Persons)	1,889	3,369	3,412	3,369	3,299
New Female Graduate Employment Ratio (%) ^{*2}	27	33.3	28.6	54.5	30.8
Acquisition Rate of Childcare Leave for Male Employees (%) ^{*2}	5.0	0.0	31.0	90.6	100.0
Rate of Paid Leave Taken by Employees (%) ^{*2}	61.3	55.4	62.4	91.2	88.2
Environmental Index					
Energy Consumption Rate (GJ/Manufacturing Ton)	12.8	13.1	13.0	12.2	12.6
Unit CO ₂ Emissions (t-CO ₂ /Manufacturing Ton)	0.71	0.67	0.63	0.55	0.52
Total Waste Emissions (t)	12,034	13,428	13,083	13,210	12,627
Water Consumption (Thousand m ³)	1,114	1,174	1,176	1,053	1,000
Waste Water (thousand m ³)	851	897	1,004	809	801

*1 Former Takiron Group

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

Corporate Profile and Stock Information (As of September 30, 2021)

Corporate Profile (As of March 31, 2021)

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)	3,299

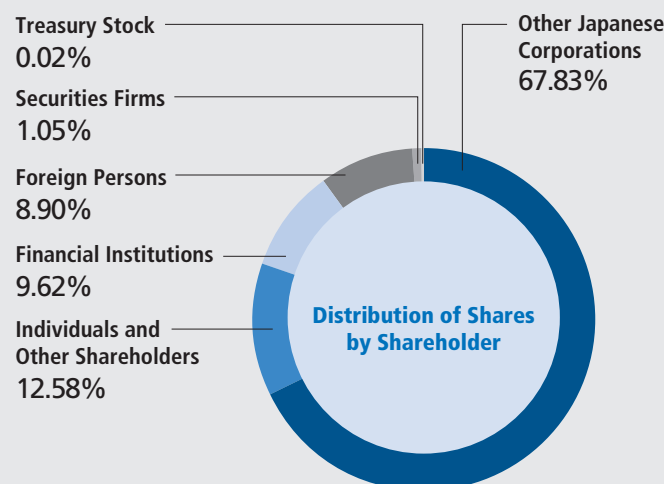
Stock Information

Securities Code	4215
Total Number of Issued Shares	97,500,000
Number of Shareholders	9,960
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	55.54%
The Master Trust Bank of Japan, Ltd. (trust fund)	5.60%
Custody Bank of Japan, Ltd. (trust fund)	1.83%
Sekisui Jushi Corporation	1.41%
KANEKA CORPORATION	1.35%
Tosoh Corporation	1.10%
C.I. TAKIRON Employee Stock Ownership Association	1.09%
DFA INTL SMALL CAP VALUE PORTFOLIO	1.08%
Watanabe Pipe Co., Ltd.	0.90%
RE FUND 107-CLIENT AC	0.66%

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



Main Affiliations (As of July 31, 2021)

Kansai Chemical Industry Association
Kansai Economic Federation
CLOMA*

JA Packaging & Horticulture Materials Association
Nippon Interior Association
Japan Vinyl Goods Manufacturer's Association

The Japan Plastics Industry Federation
JAPAN PLASTIC SHEET ASSOCIATION
NOUGYOUYOUFILM RECYCLE ACCELERATION COUNCIL

* CLOMA: Japan Clean Ocean Material Alliance

Business Sites (As of June 30, 2021)

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

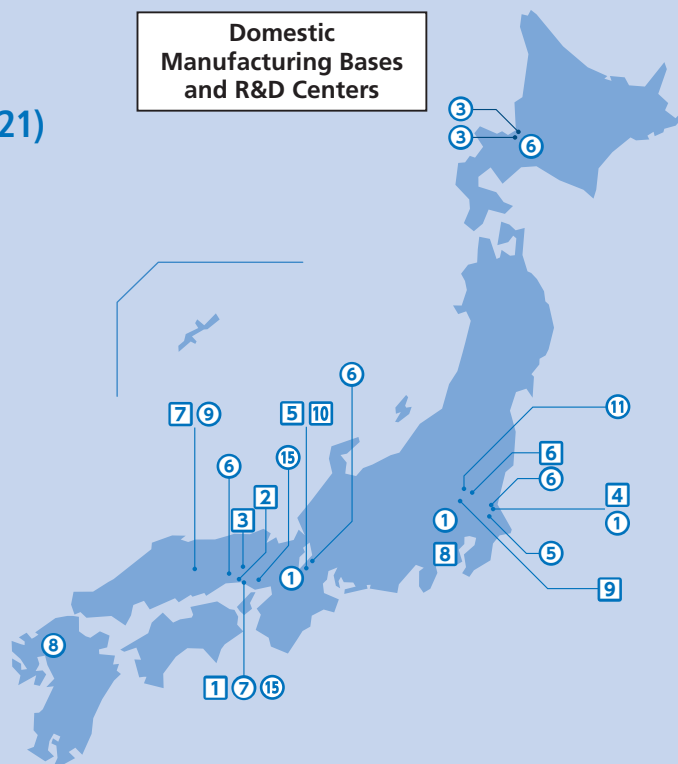
- Sapporo Sales Office
- Tohoku Branch
- Tokyo Branch
- Chubu Branch
- Osaka Branch
- Chugoku/Shikoku Branch
- Kyushu Branch

Manufacturing Bases

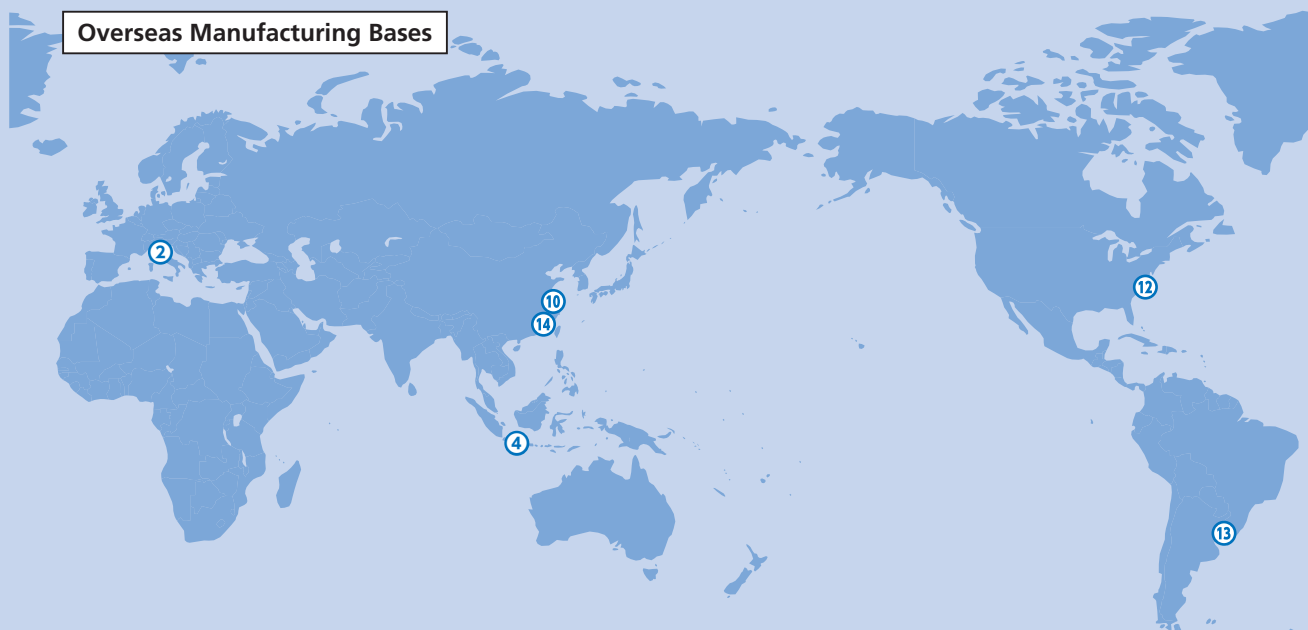
- 1 Aboshi Plant
- 2 Ibogawa Office
- 3 Yasutomi Plant
- 4 Tokyo Plant
- 5 Shiga Plant
- 6 Tochigi Plant
- 7 Okayama Plant
- 8 Hiratsuka Plant
- 9 Sano Plant

R&D Centers

- 10 R&D Center



Overseas Manufacturing Bases



Affiliate Companies

Construction Materials Business

- 1 SANWA SIGNWORKS CO., LTD.
- C.I. TAKIRON PLUS CORPORATION
- 2 BONLEX EUROPE S.R.L. [Italy]
- TAKIRON MATEX CO., LTD.

Environmental Materials Business

- 3 HOKKAIDO SANPLUS CO., LTD.
- YOKOBI CO., LTD.
- C.I. AGRO CO., LTD.
- C.I. MATEX CORPORATION
- 4 PT. TAKIRON INDONESIA [Indonesia]
- 5 DAILITE CO., LTD.
- 6 C.I. TAKIRONCIVIL CORPORATION

High Functional Materials Business

- 7 TAKIRON-ROWLAND LIMITED
- 8 TAKIRON POLYMER CO., LTD.
- 9 CIK NANOTEK CORPORATION
- 10 SHANGHAI CIK ELECTRONICS CO., LTD. [China]

Specialty Films Business

- 11 BONPACK CO., LTD.
- 12 BONSET AMERICA CORPORATION [United States]
- 13 BONSET LATIN AMERICA S.A. [Uruguay]
- 14 SHANGHAI SANPLUS PLASTIC CO., LTD. [China]

Other Affiliate Companies

- 15 TAKIRON TECH CO., LTD.
- SHANGHAI C.I. KASEI TRADING COMPANY LTD. (SHANGHAI SANPLUS PLASTIC) [China]
- C.I. TAKIRON LOGISTICS CO., LTD.
- DAIPLA WINTES CO., LTD.
- MAVERIQ PARTNERS INC.

**Head Office**

530 -0001
North Gate Building, 3-1-3 Umeda, Kita-ku,
Osaka 530-0001, Japan
TEL +81-(6)-6453-3700 FAX +81-(6)-6453-3884

Cover Design

C.I. TAKIRON has its origins in remanufactured celluloid* sheets. Using these origins as a motif, the cover design layers deep blues with profound emotion against the dynamic translucence and beautiful colorful patterns unique to celluloid sheets. The profound emotion in the deep blues expresses the tremendous pride in our accumulated value over 100 years of business.

(*See P4)