C.I. TAKIRON

C.I. TAKIRON Group

Integrated Report 2022

C.I. TAKIRON Corporation

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.

Editorial Policy

C.I. TAKIRON Group regards the Integrated Report as an important communication tool.
We issue this report to help stakeholders understand our efforts to enhance our corporate value over the medium to long term, and to further deepen dialogue and enhance the sustainability of our company. In preparing the Integrated Report 2022, we made a deliberate effort to communicate our value creation story from both financial and non-financial perspectives in an easy-to-understand manner. We edited the report with a focus on our Medium-term Management Plan "Commit to Transformation 2023 (CX2023)" and sustainability management.

[Cover Design]

The gradient vector that runs from the front cover to the back cover and continues throughout the paper expresses the Group's orientation toward continual change with diversity in order to achieve our mission to "Creating a people- and earth-friendly future".

Reporting Period

FY2021 (April 1, 2021 to March 31, 2022)
* This report includes some information outside of this reporting period.

Reporting Organizations

C.I. TAKIRON Corporation and its Group Companies

Publication Date

December, 2022

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"

Environment Social Governance
価値協創ガイダンス

Introduction of Communication Tools

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

Corporate Information
https:// www.takiron-ci.co.jp/corporate/

Annual Report (IR Information):
https:// www.takiron-ci.co.jp/ir/

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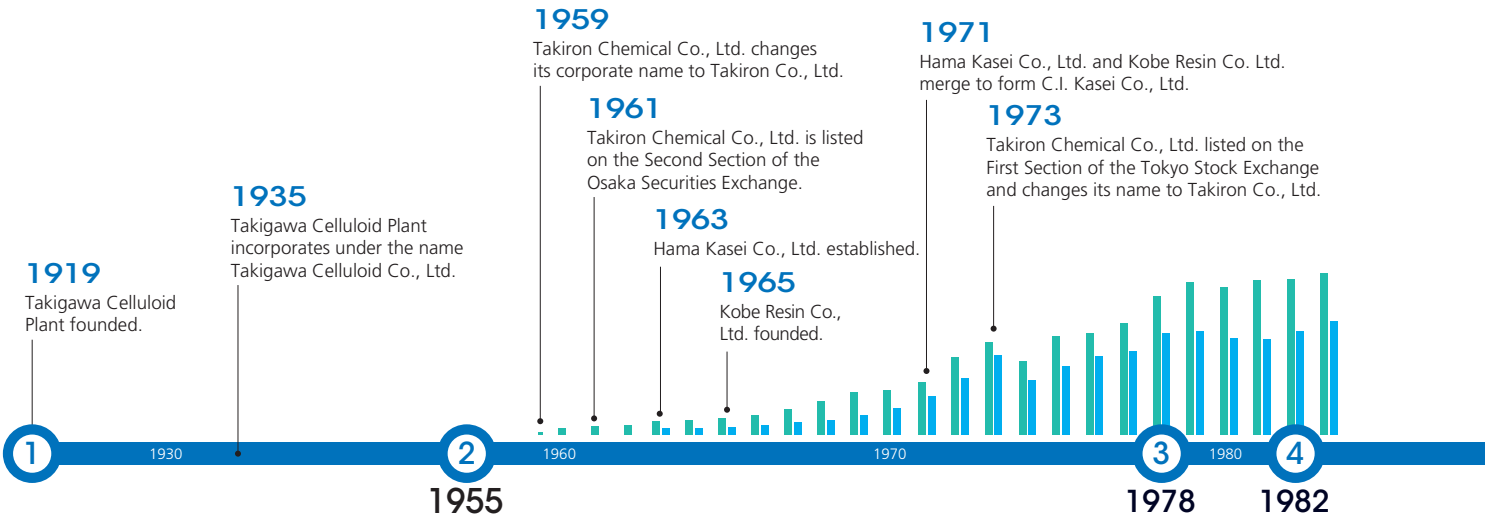
Taking on the Challenge of Social Issues



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.

Recycling

1 Launch of Remanufactured Celluloid

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

Shift toward Materials that Meet Market Needs

2 Launch of Rigid Vinyl Chloride Sheet Sales

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

Drip, Dust, and Mist Prevention

3 Launch of Sky 8

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)

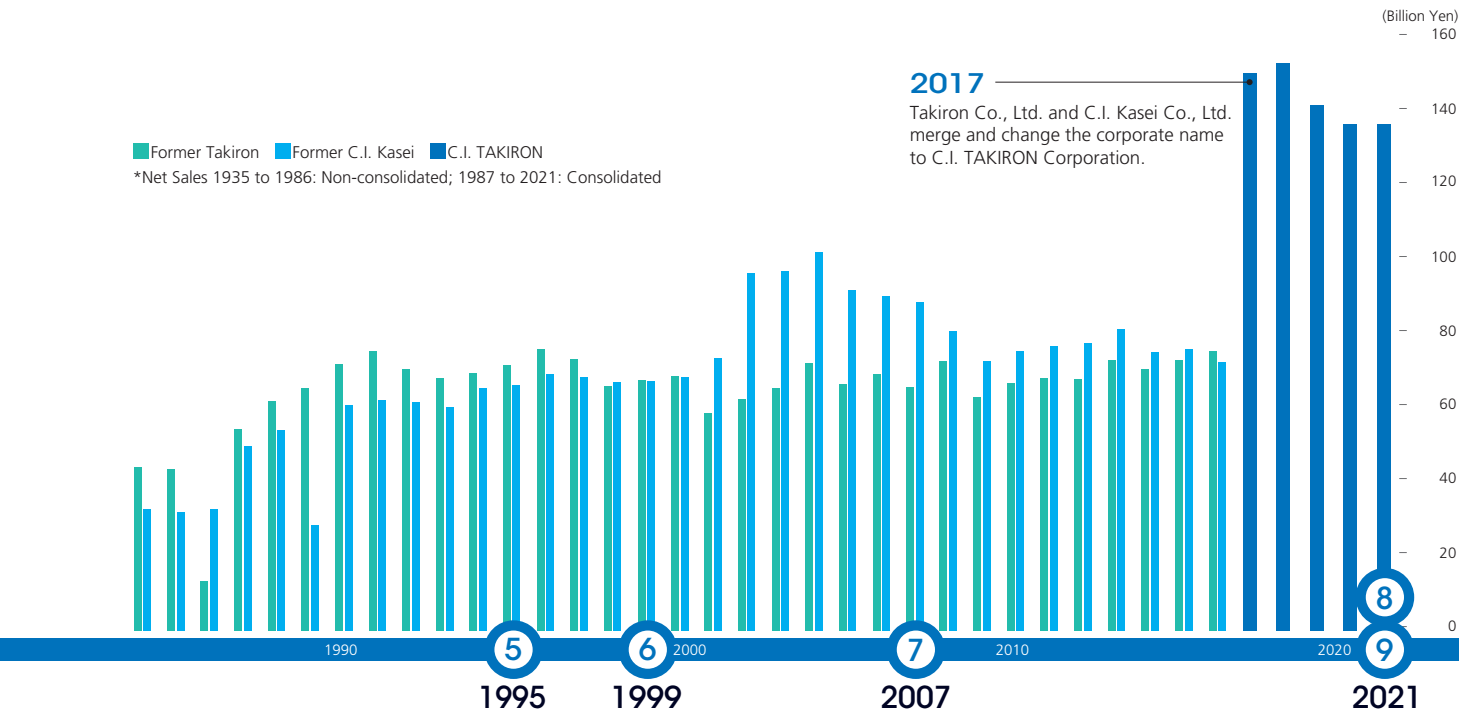
Water-sealing/Waterproofing Panels and Shields

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

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. It is used as a segment sealant in underground tunnels and as a joint sealant in concrete, and is currently being used in subway construction throughout Asia.

Trans-Tokyo Bay Highway Umihotaru Undersea Tunnel

Vynon Hydrotite



Safe Even Under Outdoor Rainy Condition

5 PVC Stair Treads with Sound Absorption and Slip Resistant Function

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 efforts improved TAKISTEP as a stable and safe product, and create the unique installation procedure. We also have continued to revamp quality of materials, product design, and 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.

TAKISTEP

Contributions to Fire Safety

6 Launch of Flame-retardant Plastic Sales

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.

FM Plate Burning Test

Lightweight and Highly Rigid with High Heat Insulation

7 Launch of Lume Carbo Large Polycarbonate Plastic Double-layer Panel

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

Anti-bacteria/Anti-virus

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

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

Expand environment-friendly products

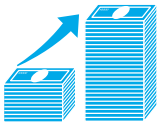
9 Launch of Cellulose Compound, a Paper Molding Material

We have begun development and sales of a cellulose compound recognized as a paper in the Containers and Packaging Recycling Law. It also has high strength and heat resistance, and contributes to the reduction of CO_2 emissions by reducing the use of petroleum-derived resins.

Cellulose Zipper

Financial/Non-financial Highlights

Financial



Net Sales

FY2020
134,470

FY2021
¥141,936 million

Point In addition to recovery from the impact of COVID-19, net sales revenue increased due to a surge in demand anticipating product price hikes caused by soaring raw material and distribution costs, and higher unit sales prices after the price hikes.

Ordinary Profit

FY2020
8,807

FY2021
¥9,084 million

Point Despite the impact of soaring raw material and logistics costs, ordinary profit increased 3.1% from the previous fiscal year, driven by demand for products for semiconductor manufacturing equipment, and by a surge in demand anticipating product price hikes.

Current Net Income Attributable to the Owners of Parent

FY2020
5,332

FY2021
¥6,660 million

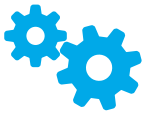
Point In addition to an increase in ordinary profit, improvement of extraordinary gains and losses, and a one-time gain from the transfer of loss carried forward from the liquidation of a subsidiary resulted in a 24.9% increase in income over the previous year.

Current Net Income Per Share

FY2020
54.77

FY2021
¥68.47

Point Current net income per share increased by 13.7 yen year-on-year due to an increase in net income attributable to owners of the parent company.



Capital Investment

FY2020
5,149

FY2021
¥4,145 million

Point We continued to invest in improving major product production in each business segment.

Non-financial

Energy Consumption Rate

FY2020 12.6 → FY2021 **12.4** GJ/Manufacturing Ton

Point In addition to ongoing energy-saving activities throughout the group, the energy consumption rate decreased due to the effect of improved yield resulting from increased production volume. (-1.3% compared to FY2020)

Unit CO_2 Emissions

FY2020 0.52 → FY2021 **0.50** t-CO_2/Manufacturing Ton

Point Unit CO_2 emissions decreased due to the use of renewable energy at some plants as well as improved yield and energy-saving activities in line with increased production volume. (-3.9% compared to FY2020)

Water Consumption

FY2020 1,000 → FY2021 **981** Thousand m^3

Point Ongoing conservation efforts at production sites have resulted in reduced water consumption. (-1.9% compared to FY2020)

New Female Graduate Employment Ratio*

FY2020 30.8 → FY2021 **28.6** %

Point We hired 14 new graduates (including four females) in contrast with our employment plan in which we planned to hire 10-15 new graduates, and our female employment ratio decreased compared to fiscal 2020.

Rate of Paid Leave Taken by Employees*

FY2020 88.2 → FY2021 **89.4** %

Point Our target for the rate of paid leave taken by employees was 80% or above, and we continued to strategically encouraged employees to take paid leave. (+1.2% compared to FY2020)

*Non-consolidated figure for C.I. TAKIRON

齋藤 一也
Kazuya Saito
Representative Director President

Top Message

Our own long-term and sustainable growth is tied to the sustainability of society at large.

Medium-term Management Plan Year 1, Behavioral Change

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

Our Company got off to a strong start in the first quarter of fiscal 2021, significantly exceeding our plan in terms of both sales and profits, as a reaction to the sluggish demand caused by the COVID-19 pandemic in the previous fiscal year. However, our business was affected to no small extent by the resurgence of COVID-19 infections and the gradual effects of significantly higher raw material prices. In the latter half of the fiscal year, the unstable international situation spurred a sharp rise in energy prices, which stalled the supply chains for various materials, including chemical raw materials and nonferrous metals.

Despite facing a variety of challenges, the Company ultimately got off to a good start in terms of business performance, achieving all of our quantitative targets, with an increase in both sales and profit, thanks to a recovery in the number of new housing starts, a rush of demand before product price hikes, and brisk activity in the semiconductor industry.

On the qualitative front, we were also able to implement measures that will serve as stepping stones to our next phase of action. These included streamlining our sales structure and reorganizing businesses through restructuring within the Group, as well as organizational reforms including the establishment of the Recycling Adaptive Materials Business Department, the DX Strategy Promotion Department, and the Sustainability Strategy Department. Progress is also being made on our specified two sources of growth and two newly established support systems, which are among our six priority action items. I believe that we have achieved adequate results for the first year of the Medium-term Management Plan. P.17

As we enter fiscal 2022, the second year of our Medium-term Management Plan, the current social and economic environment remains uncertain, and we are bracing ourselves for the need to carefully anticipate and address risks.

It has been a year since we launched the "CX2023" plan under the banner of "Transformation." In the management team, we have been reviewing the C.I. TAKIRON Group's organizational structure in order to achieve our long-term vision for 2030, based on Sustainability Management, in which business is considered from a social perspective. At the same time, I feel that the behavior of each and every employee has changed over the past year. Symbolic of this is the growing sense of participation.

For example, the Medium-term Management Plan and Materiality Management Committee, which started in fiscal 2021, is a task force organization directly under the President, chaired by me, with more than 20 subcommittees and working groups for each theme within its scope of responsibility. The discussions are being held across the company by a diverse group of members from various departments, and are producing concrete results in the form of new products and technologies, overseas expansion, and the development of environment-friendly products.

In addition, we have long been involved in various clean-up and volunteer activities. Although we were forced to scale back our activities due to the COVID-19 pandemic, the WFP Walk the World 2022 charity events and Waterside Clean Aid Activities held since the beginning of 2022 have attracted several times the number of employees who had previously participated in such events. P.64

We are seeing more vigorous action being taken than ever before. I am very encouraged and inspired by the fact that the "Commit to Transformation," the slogan of the Medium-term Management Plan, is inspiring us and leading to changes in how we act. This positive change may be a reflection of the fact that employees are redefining their work as their role in society, rather than mere job duties, and are working on updating their conventional thinking.

Last year, we reorganized the Group's corporate philosophy, advocating "Aspired Corporate Culture: Pride in our accumulated value and the courage to transform." This represents our desire to reestablish a corporate culture that is not complacent amid the status quo, but is constantly changing itself. This is the source of the energy needed to take on challenges, which the C.I. TAKIRON Group has accumulated over the past 100 years. We look at the many issues facing society, think about what we can do to help solve them without preconceived notions, work with our hands, and listen again to the feedback from society. Through this continuous cycle, we take pride in being a company that helps solve social issues, having created our next product and new value through dialogue with our customers.

Today, under the overarching theme of realizing a sustainable society, the role that our Group should play is becoming clearer.

Learning from History, Determination to Pursue Sustainability

Amid calls for a carbon-neutral, recycling-oriented society by 2050, customer needs are shifting toward products made from recycled materials. The time has finally come to fundamentally rethink the age of consumption, in which we produce goods cheaply in mass quantities, use them like water, and discard them when no longer needed. The majority of the resin products that the Group handles are derived from petroleum, and we cannot continue to rely on production activities that use virgin raw materials forever.

Looking back 100 years, Takigawa Celluloid Plant, our original founding company, started as a celluloid remanufacturing business. Remanufactured celluloid is made from the scraps of celluloid sheets that are produced during the processing of celluloid sheets. The sheets thus completed were highly regarded as being on a par with new ones, and are said to have led to the expansion of the Company's business. It is a pleasant surprise and a matter of pride to me that the philosophy of sustainability existed in our company's early days. At the same time, this thinking remains alive and well in our company to this day and has become the foundation of our business activities.

The topic of recycling is far from simple, and can be quite difficult. It takes a lot of boldness to deal with sourcing materials and improving compounds and molding techniques. I intend for us to learn from past efforts to distill wisdom with which to confront these difficult situations.

Together with our employees, we have reaffirmed the mission that the C.I. TAKIRON Group should fulfill within society. There are many issues to be addressed, including the feasibility of recycling as a business, the necessary financing, and the placement and training of human resources, all of which makes this topic a worthy challenge.

Resin Recycling and Upcycling to Create a System of Resource Circulation

The Medium-term Management Plan CX2023 specifies six priority action items. In particular, "Solving social issues" and "Acquire new businesses, products, and technologies" provide the driving force toward realizing our future vision. In fiscal 2021, we began developing technologies that will contribute to reducing environmental impact and creating a recycling-oriented society. Our new Recycling Adaptive Materials Promotion Department, is taking the lead in sowing new seeds and preparing for commercialization.

This organizational unit begins by focusing on creating mechanisms for plastic recycling. We are exploring the possibility of resource recycling by looking all the way from upstream to downstream. This includes recycling methods that convert "pre-industry" loss materials generated in our own manufacturing processes into products we can divert to use at other plants. It also includes collecting and reusing "pre-consumer" processing loss materials generated after delivery to our customers but before they reach the hands of consumers.

Furthermore, we have begun full-scale development of the most important process, upcycling (creative reuse) of resins. That is, we have reconceptualized lost materials as resources, and begun to develop technologies to transform them into high-value-added resins through formulation design and alloying (modification), etc.

In March 2021, we invested in MAVERIQ Partners Inc., a company with formulation design technology for resin compounds, to improve the quality of environmentally friendly resins. In February 2022, we invested in Euglead Inc., which plans to stably produce paramylon nanofiber (PNF), used as a reinforcement material for resin. While cellulose nanofiber (CNF) has been studied worldwide as a reinforcing material, PNF, a nanofiber derived from euglena microorganisms, offers performance equal to or better than CNF, and a stable production system is expected to be established.

At this very moment, we are working together with our Group companies and partners as we make every effort to commercialize environmentally friendly resins, but it will take some more time before the development progresses and profits are realized. The role we must fulfill as a processing manufacturer is to ensure stable quality and procurement, and to make sure that our products take root in the market. We do not intend to pursue results too hastily at this time, but rather to proceed steadily by first raising the level of technology and products in all business fields of construction materials, environmental materials, high-performance materials, and functional films, and by improving the precision of our marketing.

Listening to Feedback from Our Stakeholders

We are also eager to address climate change and achieve carbon neutrality, which is one of the key issues in Sustainability Management.

Since the CO_2 emission reduction results through fiscal 2021 were favorable and the KPI for CO_2 emission reduction in fiscal 2023 was achieved ahead of schedule, the carbon neutrality target was revised in the first half of fiscal 2022. In addition to our stated goal of becoming carbon neutral by 2050 (net-zero emissions), we have revised upward our existing fiscal 2030 interim target for greenhouse gas (GHG) emissions reduction to 35% of the fiscal 2018 level for Scope 1 and 2, and a supply chain-wide emissions reduction for Scope 3. While gradually switching to electricity from renewable energy sources for factory use in our own business activities, we will promote the management of CO_2 emissions throughout the entire supply chain. Regarding climate change response, following our TCFD endorsement announced in May 2021, we closely examined the risks posed by climate change in line with the TCFD framework and disclosed our strategies and scenarios in September 2022. P.39

The challenge is how to balance growth strategies with environmental responsiveness. It would be undesirable for environmental responses to simply become costs that squeeze profit and impede growth. If they could result in a medium- to long-term return, on the other hand, they could represent a meaningful investment in the environment. We recognize that our stakeholders expect us to pursue both the sustainability of society and the sustainable enhancement of our own corporate value, so we will make progress while finding the right balance between investment and results.

We established the Sustainability Committee and the Sustainability Strategy Department in April 2022. The committee is responsible for formulating overarching, long-term Sustainability Management strategies, and the Strategy Department is responsible for managing the implementation of these strategies. As the global situation changes day by day, so do the important issues that we must address. We ask the Sustainability Committee and Strategy Department to listen to voices outside the company and to remain constantly aware of fresh materiality. We have already begun to address new topics such as human rights and biodiversity.

Sustainability Management means thinking about business and management from a societal perspective. It is essential for us to place importance on our connections with the outside world, and to engage in dialogue with our stakeholders. We believe that the suggestions we receive here will contribute to improving our corporate value as we apply them to materialities, to our Medium-term Management Plan, and to our day-to-day business activities. P.15

We will further promote transformation to steadily fulfill our Medium-term Management Plan and realize the C.I. TAKIRON 2030 Vision.

Solid Cash Flow Management with an Outlook on Growth Investments

"Solving social issues" and "Acquire new businesses, products, and technologies" are precisely the measures by which we aim for the sustainability of the company and society. The Medium-term Management Plan sets aside 33 billion yen for growth, of which 30 billion yen will be allocated to new businesses and investments to help solve environmental and social issues. In fiscal 2021, actual investment in business and the environment was only 2.34 billion yen, so plenty of capacity remains. Of course, we have established strict quantitative and qualitative criteria for new investments, including profit scale, return on investment, and asset efficiency. If these criteria are not met, we will consider whether or not to proceed, but we will always have multiple seeds sown, and will always actively nurture new sprouts.

In fiscal 2021, R&D expenses rose 80 million yen from fiscal 2020 to 0.9% of sales. To further strengthen our R&D function, we will invest management resources to contribute at least 2.0% in fiscal 2023. In terms of function, an Intellectual Property Department was placed under the control of the R&D Division, launched in April 2022, to actively implement measures such as the utilization of intellectual property information from the R&D stage and the formation of an intellectual property portfolio.

I am convinced that the sustainability-related market will continue to grow and become a growth driver for the C.I. TAKIRON Group. To ensure that we have sufficient strength to continue these growth investments, we emphasize free cash flow as a financial indicator. In fiscal 2021, the first time in three years that both sales and profits increased, operating cash flow reached a record 11.94 billion yen and free cash flow was 4.42 billion yen, 203.5% of the previous year's level, showing that the company is responding well to returning to its pre-COVID-19 growth trajectory. We will continue to improve asset efficiency through business selection and concentration, focus effort on cash flow management across the Group, and execute strategic investments in an agile manner. P.67

Improving the Management Infrastructure through *Proactive* and *Reactive* Measures

We are prioritizing the establishment of a support system for the entire Group in order to accelerate our growth strategy. Our establishment of the Medium-term Management Plan Materiality Management Committee reflects the fact that the KPIs of the previous Medium-term Management Plan were not achieved. The committee analyzes our progress on the plan once a month, checking on issues categorized by theme, while the KPIs are also reviewed by the Board of Directors to ensure close monitoring toward the imperative completion of priority action items.

In addition, the use of cutting-edge technology is an indispensable perspective in realizing the ideal we envision for ourselves. The Medium-term Management Plan CX2023 specifies the adoption of digital technology as a key implementation item, and the DX Strategy Promotion Department, which was established in October 2021, is identifying themes with the aim of utilizing digital technology without being bound by existing values. It is essential for our DX strategy to take shape step by step, with a clear vision of the future that we want to bring into being. First, we need to create an environment that facilitates access to management data and order data, then aim for future forecasting of inventory management. After that, we will be able to envision a new business model that utilizes Big Data. In this way, we need to sort out the mixture of goals of different levels, and determine where to apply the power of digital technology to find optimal solutions. Through our activities over the past year, we have established a structure to promote DX by business function, such as strategy management, production, sales, and R&D. We will proceed with planning and formulating digital strategies that contribute to increased business efficiency and added value for customers.

In order to have our corporate value fairly evaluated from a medium- to long-term perspective, we are working to strengthen our corporate governance with the deep commitment of our Outside Directors and Officers. In particular, the Governance Committee, which was established in 2021, has been working under a transparent structure led by Outside Directors to examine and deliberate on the development of systems necessary to improve future corporate value, including the examination of transactions involving conflicts of interest with the parent company and other systems in line with the Corporate Governance Code. Our outside directors have diverse skills and a wealth of knowledge, and they speak candidly from a variety of perspectives at our meetings, leading to very lively discussions. I intend for us to continue to strengthen measures to enhance the transparency and effectiveness of governance and to increase the confidence of our stakeholders. P.47

Investment in People

Although I serve as the company's representative, there is only so much that I can accomplish on my own. I believe that it is the role of management to support employees so that they can live up to their fullest potential.

In fiscal 2019, the Company declared the Management Commitment on Enriching Lives, and initiated health management and work-style reforms to enhance systems and raise awareness among employees. Having been certified as an outstanding organization for health management for three consecutive years since 2020, and obtaining Kurumin Certification in 2021 as a company that supports childrearing, we feel that we are making steady progress.

We intend to work with our employees to nurture the value that lies beyond this initiative. Rather than taking a passive attitude, merely noting that the company has a new system, I want to see us elevate the spread of ideas and motivation as a company by adopting an attitude of eagerness to use this system to take on challenges in our careers.

To this end, there is still much to be developed, expanded, and elevated, including human resource development, ensuring diversity, health and safety, improving engagement, and respect for human rights. Some of these have already been set as materialities and as KPIs in our Medium-term Management Plan CX2023, but we will go beyond these and invest more extensively in "people."

C.I. TAKIRON has a long tradition of creating a culture that encourages individuality. We believe that respecting individuals and supporting their work styles will not only improve labor productivity, but also contribute to increasing corporate value in various ways. P.43

Ibogawa Office Inspection (October 2021)

With Technology and Agile Ideas, We Will Evolve into a Company That Is "Changing Tomorrow."

The Medium-term Management Plan "Commit to Transformation CX2023" is an important inflection point for the C.I. TAKIRON Group, as we enter a new stage in our quest to reach even greater heights. The true value of more than 100 years of our history is now being put to the test. We will never forget the pride we feel in the work we have accomplished throughout our layered history. Nonetheless, we will change what needs to be changed. We have the courage to create a new era through innovation, without being bound by preconceived ideas. With enthusiasm and responsibility, we in the management team, we will put this resolution into practice together with all our fellow employees. We hope that our stakeholders will take a closer look at the challenges we undertake and give us their frank opinions and suggestions.

The C.I. TAKIRON Group will steadily produce results by refining technologies and applying ideas with agility under Sustainability Management. Our strength is the sincerity with which we continue to work conscientiously. In order to live up to the expectations and trust of our stakeholders, we will continue to deal faithfully with society as a company that is supporting today, changing tomorrow.

Creating Value through Sustainability Management

The C.I. Takiron Group has been providing products and services that create a people- and earth-friendly future through dialogue with our stakeholders, being always mindful of our corporate culture of pride in our accumulated value and the courage to transform.
With a renewed commitment to change, we will now deepen our sustainability management and contribute to everyone as a company that supports today and changes tomorrow and contribute to the sustainable growth of society.

Sustainability Management

Sustainability Vision

Supporting today, changing tomorrow

Output

▶P.21 A Driving Force for Change

Construction Materials Business
Polycarbonate building materials, Housing materials, Piping and pluming equipment, Flooring materials, Decorative materials, Water damage prevention materials

Environmental Materials Business
Agricultural materials, Binding materials, Infrastructure materials, Civil engineering products, Liquid chemical tanks

High Functional Materials Business
Heat-shrinkable films, Zippers

Specialty Films Business
Plastic sheets, Machining materials, Micro motors

Outcome

Safety and Security

Comfort and Peace of Mind

Resilience*

*Ability to respond to and recover from social difficulties and crises such as natural disasters and social infrastructure

Environment

Mission

Creating a people- and earth-friendly future

New capital acquisition

▶P.5 Financial/Non-financial Highlights

Capital

Financial capital

Manufacturing capital

Intellectual capital

Human capital

Social capital

Natural capital

Sustainability Management at C.I. TAKIRON Group

C.I. TAKIRON Group aims to achieve sustainable growth as a company and to increase corporate value by contributing to solving social issues through our business operations. To this end, we have introduced Sustainability Management, which integrates sustainability with management, reflecting environmental, social and governance (ESG) perspectives in all corporate activities.

Basic Design of Sustainability Management

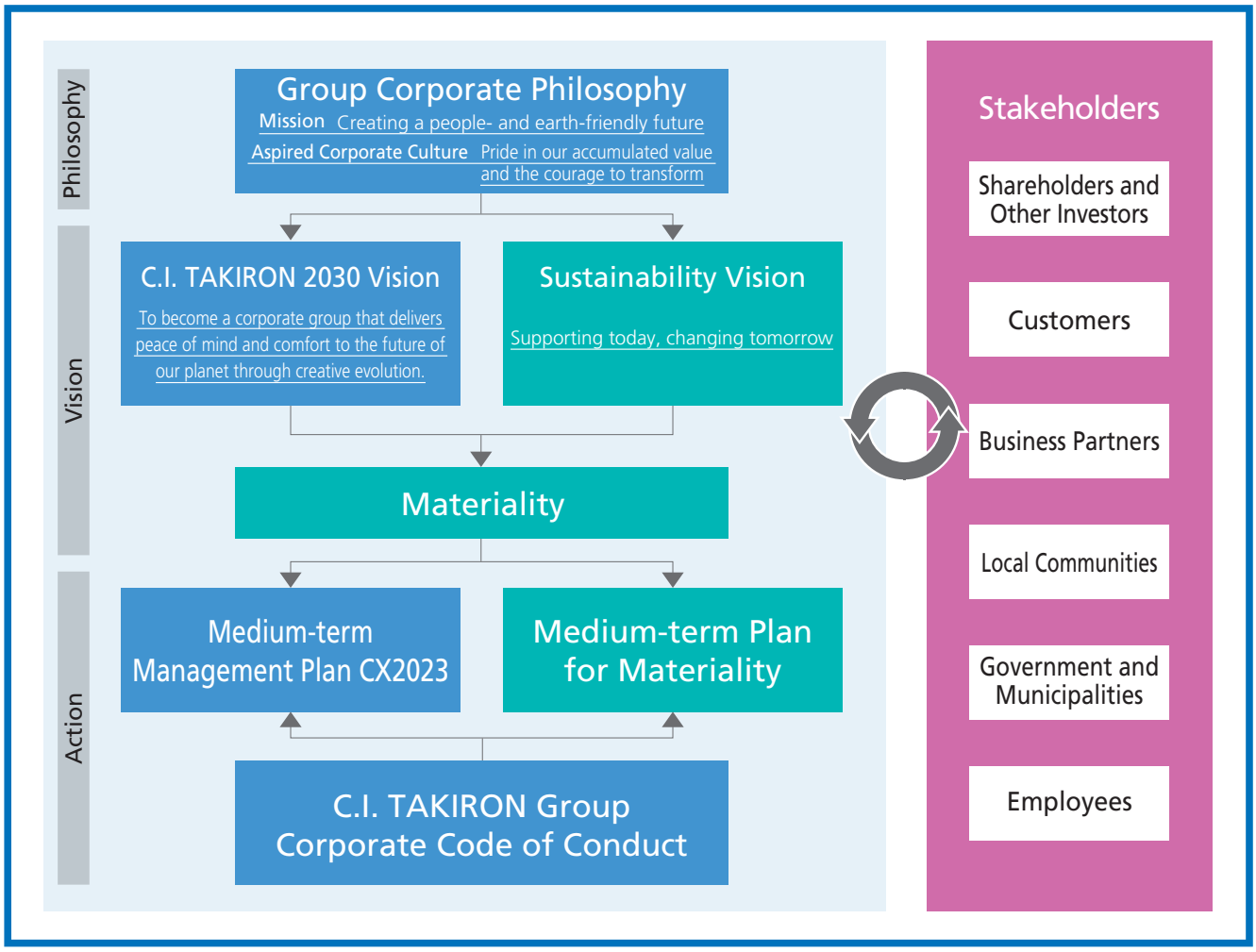
Sustainability Management at the C.I. TAKIRON Group focuses on the following two points.

Thinking of business and management from a social perspective

In our overall conceptual approach to business and management, we take the perspective of social needs and expectations. We will respond to changes in the social environment by promoting businesses that help solve social issues and address sustainability issues such as climate change, respect for human rights, and biodiversity.

Communicating with Stakeholders

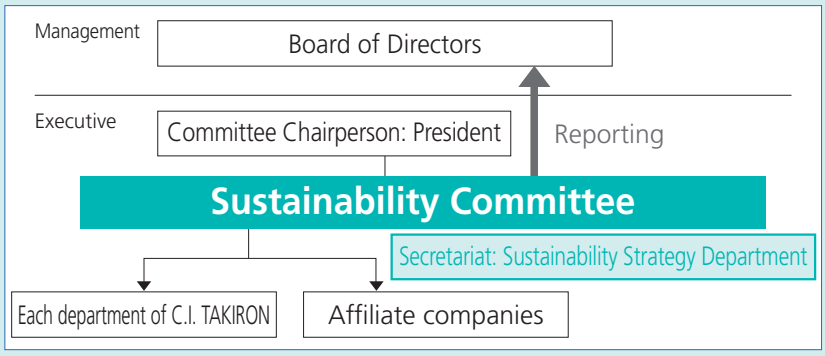
We believe that disclosure and dialogue with stakeholders are critical to Sustainability Management. We will heighten Group sustainability by enhancing the disclosure of ESG information and other information through various media, including our official website and Integrated Report, and by flexibly adopting suggestions obtained through dialogue.



Sustainability Management System

C.I. TAKIRON Group established the Sustainability Committee in April 2022, chaired by the President, as an organization responsible for strategic planning and promotion of Sustainability Management. The Committee is situated within the company's executive organizational structure, and is tasked with coordinating with management in reporting to the Board of Directors. The Sustainability Strategy Department, established at the same time, is responsible for overall progress on practical matters and communication with stakeholders.

Sustainability Committee Structure Diagram



Roles
- Committee meetings held (2 times/year in principle)
  - (1) Sustainability Management Strategy
    - ・System design / ・Response to themes
    - ・Review of Materialities / ・Communication
    - ・Spreading awareness
  - (2) Planning and performance management
- Reporting to the Board of Directors

Themes for initiatives
- Strengthen promotion system / system design
- Address themes in response to changes in the external environment
- Review of Materialities
- Communicating with stakeholders
- In-house education / propagation
- Exploration of new themes

Communication of Sustainability Management

Dialogue with stakeholders is essential to Sustainability Management. As part of our stakeholder engagement efforts, we will communicate our sustainability initiatives promptly to our diverse external stakeholders, including shareholders, institutional investors, business partners and local communities. We will link the feedback we receive to the evolution of our Sustainability Management.

Similarly, we emphasize internal communication to improve understanding among all Group employees regarding the significance of our sustainability efforts, our goals, and specific actions. In the latter half of this fiscal year, we will introduce the "Declaration on Sustainable Action," which will indicate the specific action orientation we will adopt as a position of sustainability commitment under our Sustainability Vision, to further promote its pervasive spread.

Themes for Sustainability Management Initiatives

C.I. TAKIRON Group has compiled priorities from among the themes for initiatives specified through fiscal 2021, with reference to the GRI, Corporate Governance Code, SASB, etc., and in consideration of the requirements of society. As a result, we have positioned climate change, human rights, and biodiversity as priority themes for fiscal 2022, since they require further action, and the entire Group will work on them.

[Themes for Initiatives]

Environment	Climate change
	Circular economy
	Water
	Biodiversity
	Chemical substances
Society	Human resources hiring/development
	Workstyles
	Diversity
	Workplace Health and Safety
	Human rights
	Supply chain management
	Quality
	Information Security
	Local Community
Governance	Compliance
	Corporate Governance

Setting Priorities

[Key Themes for Fiscal 2022]

(1) **Climate change**
TCFD

(2) **Human rights**
UN Guiding Principles, supply chain management, diversity, etc.

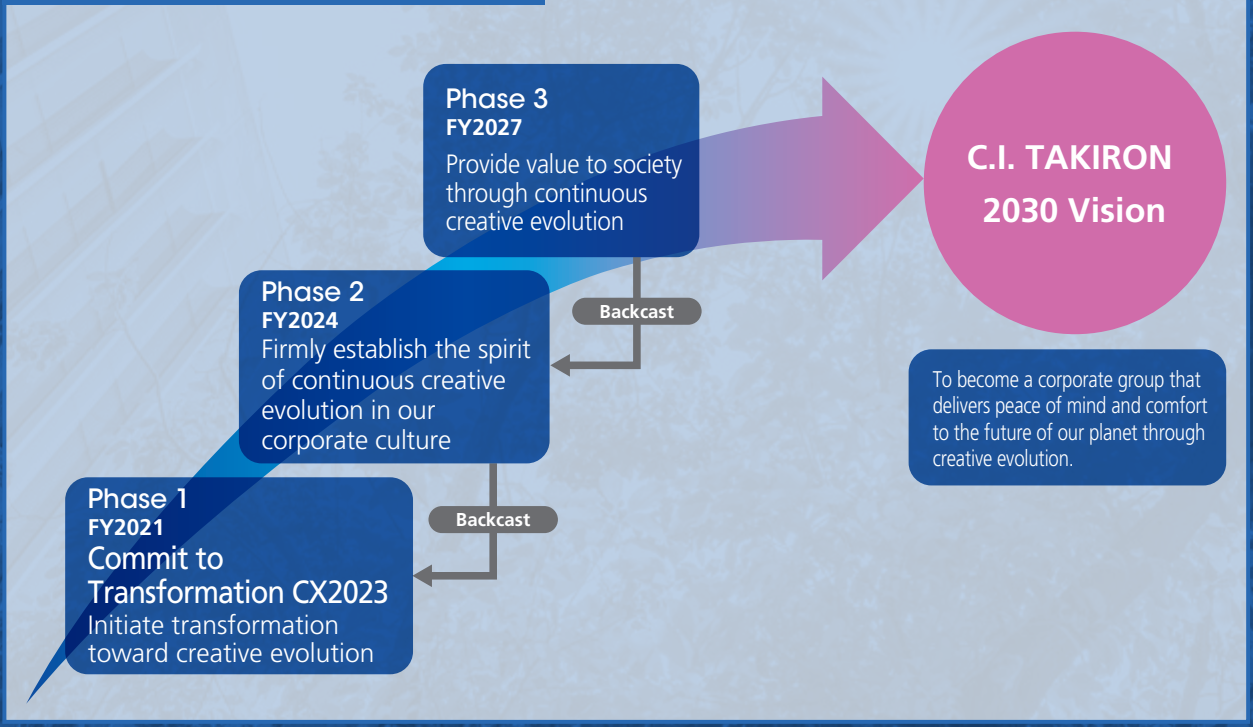
(3) **Biodiversity**
TNFD

FY2021-FY2023 Medium-term Management Plan

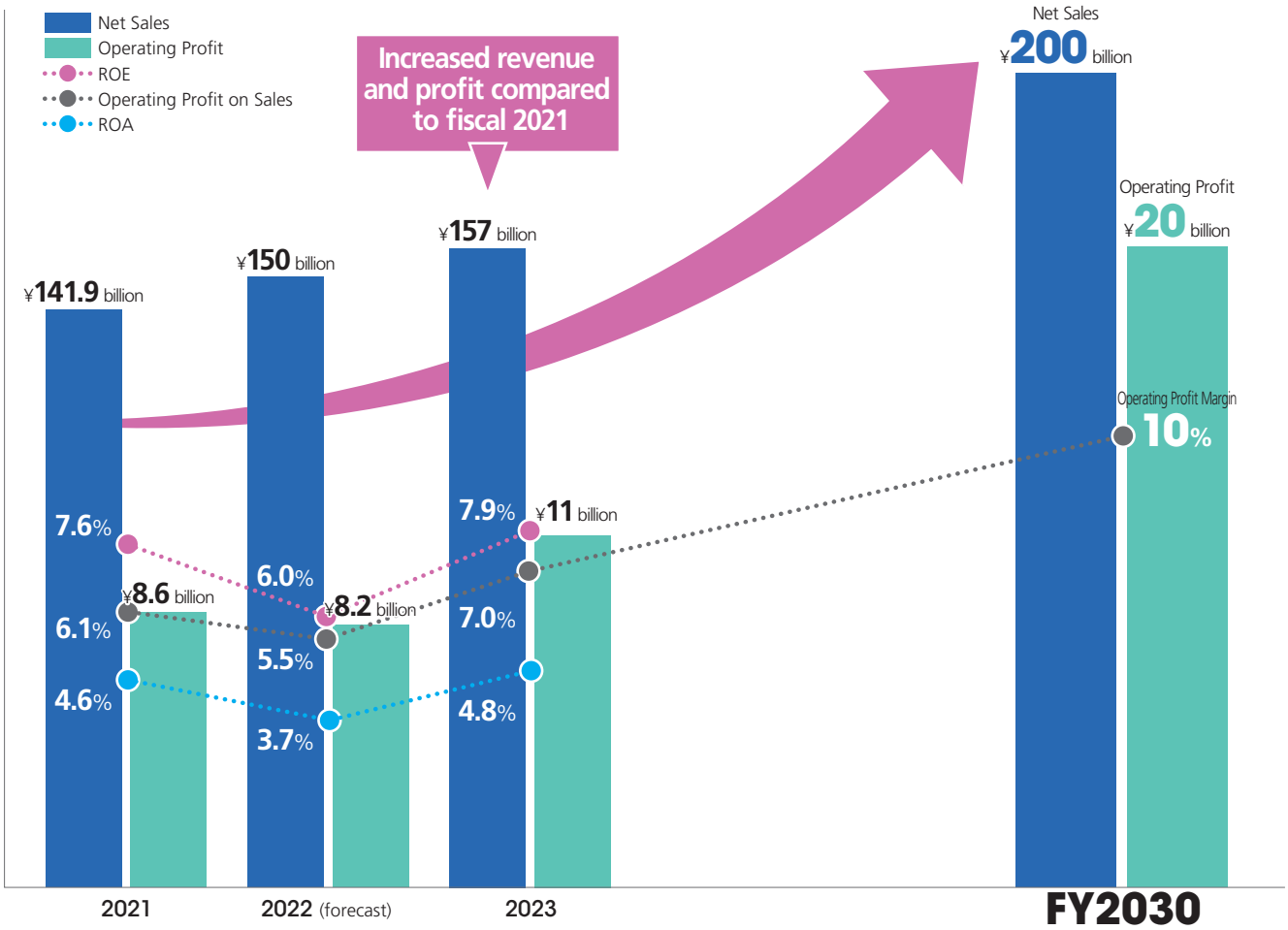
Commit to Transformation CX2023

We have divided the 10 years leading up to the "C.I. TAKIRON 2030 Vision" into three phases for backcasting, and have formulated this Medium-term Management Plan, "Commit to Transformation 2023 (CX2023)," for the first three years of the three-phase plan. Commit to Transformation CX2023, which began in fiscal 2021, is now in its second year, and preparations and preparations for growth are moving steadily forward.
In order to effect great change with unprecedented ideas and actions, we, all employees, will align our vectors to achieve sustainable and secure growth while enhancing our corporate value.

CX2023 Toward Achieving the 2030 Vision



Medium-term Management Plan: Quantitative Targets and Results



Medium-term Management Plan and Materiality Management Committee

Toshio Tamaki
Vice Committee Chairperson of Medium-term Management Plan and Materiality Management Committee
Managing Executive Officer
Chief Operating Officer of the Corporate Planning Div. and Recycling Adaptive Materials Promotion Supervisor

We will respond flexibly to changes in the business environment and accelerate creative evolution.

Having completed the first year of our Medium-term Management Plan "Commit to Transformation CX2023," we are generally off to a good start. We will steadily implement the plan to achieve our final target for fiscal 2023. The ever-changing global situation demands constant updating of the perspective from which strategies are formulated, and of our approach to risk management. We have also revised upward our CO_2 emission reduction rate target, which is a KPI for solving social issues, one of our priority measures. We will continue to focus on business activities that respond flexibly to change and meet the needs of society.

Progress on Medium-term Management Plan: Priority Measures

Six priority measures

1 Solving 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.

- Number of environment-friendly product development themes
- CO_2 emissions reduction rate (Scope 1/2) (compared to FY2018)[*2]
- Number of waterside clean aid activity participants (total participants for the year, including community clean-up activities)[*2]

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.

- New product sales composition (non-consolidated)
- Sales from new business areas
- Number of new technologies created (number of patent filings)

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.

- Overseas sales composition
- Ratio of female employees in management positions (as of April 1, 2024)[*2] [*3]
- Ratio (as of April 1, 2024) of women in leadership positions[*4]
- Ratio of female employees in career-track positions (as of April 1, 2024)
- Percentage of career-track female hirees [*2]

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.

- Digital maturity score[*2]

5 Restructure group management

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

- Consolidated operating profit margin
- Businesses/companies running at a loss[*6]

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.

- Management Commitment on Enriching Lives
  - Employee work engagement score[*7]
  - Employee loyalty score[*8]
- Critical compliance violations[*9]

2 sources of growth

1. Investment budget set at ¥33 billion
2. Total R&D budget set to at least 2% of net sales

2 newly established support systems

1. Specialized digital strategy team
2. Medium-term management plan and materiality management committee

FY2021 Target	FY2021 Results	Individual Evaluation	Overall Evaluation	FY2022 Targets	FY2022 Issues	FY2023 Targets
10 per year	16	○	○	10 per year	From this fiscal year, the applicability of environmental considerations will be judged more strictly based on new conditions.*1 The target values we aim to achieve remain unchanged.	15 per year
8% reduction	26% reduction	○		27% reduction	After the fiscal 2021 results are compiled and analyzed, the KPI targets will be revised upward. We will promote reduction of CO_2 emissions.	28% reduction
300	859	○		At least 1,000	KPI revised upward as we intend to intensify activities in the current fiscal year	At least 1,200
15% or above	20.8%	○	△	18% or above	Due to the expiration of new product registrations (3-5 years), an increasing number of products are expected to be excluded from the aggregate in fiscal 2022 and thereafter. Although achieving targets will become more difficult, implementation will proceed with KPI targets unchanged.	20% or above
¥2 billion or more	¥35 million	×		¥4.5 billion or more	Develop an educational program action plan including a contest designed to improve planning skills by creating new business plans. Implement a review of new business strategies and focus on human resource development.	¥6 billion or more
35 per year	34	○		42 per year	Set targets for each business division, raise awareness of the need to achieve them, and promote patent applications.	At least 50 applications/year
—	17.7%	○	△	18.6%	Although growth has been steady, the issue is formulating plans to promote further increase in overseas sales. Aim to develop and implement measures to support and promote each business unit	20% or above
—	—	—		—	—	3% or above
—	4.6%	○		—	In fiscal 2021, the ratio increased by 0.6% over fiscal 2020, bringing it closer to the final target of the Medium-term Management Plan for fiscal 2023. The goal is to achieve the target in fiscal 2022.	5% or above
—	16.4%	×		—	A significant deviation from the final target of the medium-term plan for FY2023. The ratio of career-track female employment ratio will be added as a new KPI item, and the personnel strategy for mid-career hiring will also be reviewed to further increase the ratio of female employees.	20% or above
—	—	—		—	—	40% or above
—	1.4*5	—	—	At least 2.0	The digital maturity score will be switched to the Information-technology Promotion Agency of Japan (IPA) diagnostic method adopted by many companies in fiscal 2022. Newly establish a DX Strategy Promotion Department in October 2021. Launch a DX Promotion Project and complete a system to promote digitalization by business function. Formulate an action plan for the introduction of a new production management system to unify all plants. Start introducing sales support tools in 1Q fiscal 2022. Improve the efficiency of sales operations while considering effective use of the system.	At least 3.0
At least 5.7% overall	6.1%	○	△	5.5%	There are concerns about the impact of high raw material prices and international instability on operating profit. Further cost reductions and pass-through to sales prices will be implemented to achieve the target.	7% or above
1	1 business operation, 5 subsidiary companies	×		1	Review the affiliate company management system (rules, evaluation categories, and withdrawal criteria). In addition, the Group's management will be reviewed from the perspective of supporting affiliate companies and reorganizing the Group's management.	Zero
—	2.5	△	△	—	There was no improvement or change in score in fiscal 2021, but a new attempt was made to conduct multifaceted observations, and we expect to see this result in future score increases. We achieved our targets for the rate of paid leave taken, for zero employees working prolonged hours, and for the ratio of male employees taking childcare leave. We will continue to promote improvements in these scores.	At least 3.0
—	2.8	△		—		
0	0	○		0	We will continue to plan and implement awareness-raising educational measures in the current fiscal year.	0
			×		Growth investment for fiscal 2021 was 3,079 million yen. Challenges in generating investment ideas. The Head Office Support Fund Program was implemented to actively promote investment. Continue to promote investment in growth.	
			△		Establish the new R&D Division in April 2022, with an Intellectual Property Department under its control in addition to an R&D Department. Mobilize cooperation on intellectual property aspects to strengthen R&D. Continue to consider effective uses of R&D funds to shorten development periods, generate ideas, and promote acquisition of new businesses, new products, and new technologies.	
			○		New DX Strategy Promotion Department established in October 2021. The department will lead and supervise the Group's overall DX advancement efforts from a comprehensive standpoint, and plan and promote the company-wide DX strategy. It will accelerate the use of digital technology not only to improve partial operational efficiency, but also to enhance operational sophistication across the entire company. DX will be achieved by transforming business processes and creating new business models to further strengthen competitiveness.	
			○		Establish a system of committees, subcommittees, and working groups with cross-departmental membership to monitor the progress of the Medium-term Management Plan and review measures (held 12 times). Meetings are scheduled to be held once a month throughout fiscal 2022.	

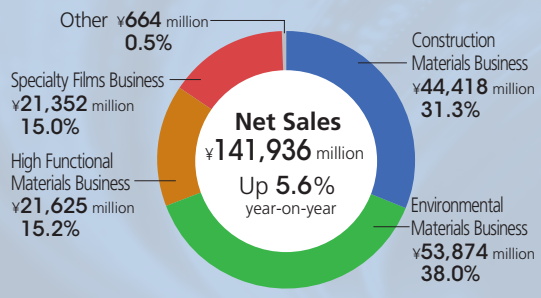
*1: Starting this year, the new definition is "products that contribute to the achievement of the SDGs," and only projects that have completed DR3 will be counted. *2: Items revised or newly established based on fiscal 2021 results. *3: Includes positions at or equivalent to management rank. *4: Leadership 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). *5: The results for fiscal 2021 are reference values based on the new diagnostic method to be adopted in fiscal 2022. *6: 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. *7: 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. *8: 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. *9: 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.

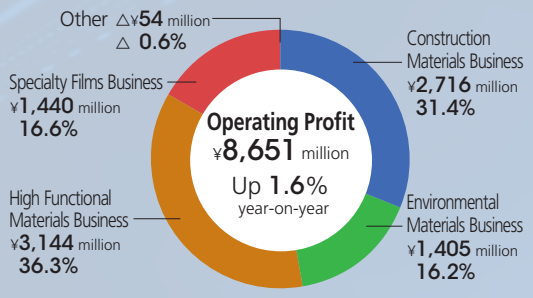
Business Overview

A Driving Force for Change

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.

FY2022 Results by Segment





Affiliate companies

[Construction Materials Div.]

●Housing Materials Business/ Flooring and Decorative Materials Business

		Capital contribution ratio
Japan	SANWA SIGNWORKS	83.24%
	C.I. TAKIRONPLUS	100%

●Flooring and Decorative Materials Dept.

		Capital contribution ratio
Japan	TAKIRON MATEX	100%
Overseas	BONLEX EUROPE	100%

[High Functional Materials Div.]

●High Functional Materials Div.

		Capital contribution ratio
Japan	TAKIRON-ROWLAND	100%
	TAKIRON POLYMER	100%
	CIK NANOTEK	100%
Overseas	SHANGHAI CIK ELECTRONICS	98.23%

[Other Affiliated Companies]

		Capital contribution ratio
Japan	TAKIRON TECH	100%
	C.I. TAKIRON LOGISTICS	100%
	DAIPLA WINTES	100%
	MAVERIQ Partners	60%
Overseas	SHANGHAI C.I. KASEI TRADING COMPANY	100%

[Environmental Materials Div.]

●Agricultural Materials Dept.

		Capital contribution ratio
Japan	HOKKAIDO SANPLUS	90%
	C.I. TAKIRONAGRI	100%
	C.I. MATEX	100%
Overseas	TAKIRON INDONESIA	75%

●Infrastructure Material Dept.

		Capital contribution ratio
Japan	DAILITE	91.62%
	C.I. TAKIRONCIVIL	100%

[Specialty Films Div.]

●BONSET Business Dept.

		Capital contribution ratio
Japan	BONPACK	95.71%
Overseas	BONSET AMERICA	80%
	BONSET LATIN AMERICA	86.0% *(56.0)

●SANZIP Business Dept.

		Capital contribution ratio
Overseas	SHANGHAI SANPLUS PLASTIC	100%

*Figures in parentheses indicate the percentage of indirect ownership (inclusive). The breakdown is as follows.
BONSET AMERICA 56.0%

Construction Materials Division

P.23

We will promote global manufacturing that contributes to solving social issues by integrating product-out and market-in approaches.

The Construction Materials Division, which provides customers with construction material products that they can see and touch directly, has set integration of product-out and market-in approaches as a theme for the Medium-term Management Plan and is working to plan and develop products that meet the needs of customers. We will further enhance our efforts to integrate manufacturing and sales both in Japan and overseas by using our advanced manufacturing technologies to create products that meet the needs of the market. In addition, to play a role in the Group's sustainability management efforts, we will focus on manufacturing that contributes to reducing environmental impact, such as the use of recycled and bio-based raw materials, and we will contribute to solving social issues by specifically addressing the SDGs through our core business.

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

Environmental Materials Division

P.25

We will accelerate our efforts to meet environmental needs by expanding our value chain to leverage our partnerships with Group companies.

In fiscal 2021, we integrated the Group's civil engineering business, and in fiscal 2022, we integrated two agricultural material sales companies, laying the groundwork to strengthen the consolidated management structure of our Environmental Materials Division. Although the business environment continues to be challenging due to such factors as the sharp rise in raw material prices since fiscal 2021, fiscal 2022 will be a year to solidify our foothold to achieve the final year of the Medium-term Management Plan. We will therefore steadily prepare for the future through efforts that include developing new environmentally friendly products, improving operational efficiency by advancing DX, and strengthening recycling and renewal initiatives. By further refining and strengthening our management foundation, we aim to achieve sustainable business growth through expansion of our value chain, which covers upstream and downstream aspects of our business, namely manufacturing, sales, and installation.

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

High Functional Materials Division

P.27

We will establish a profit base that is resistant to change, and driven by market growth in advanced technology fields such as semiconductors.

In addition to the two fields of primary plates and motors, the High Functional Materials Division balances the autonomous activities of its operating companies, which have unique technologies such as nanomaterials, machining materials, and eyewear materials, with the supply of materials and components to semiconductors and other advanced technology fields as its core business. Although these markets are expected to continue to grow at a high rate, the supply situation of raw materials and energy is changing on a daily basis against the backdrop of the uncertain international situation. The situation might be likened to a ship traveling under clear skies, yet buffeted by rough seas from all directions. Under such circumstances, we will fulfill our Medium-term Management Plan by maximizing the abilities of our workers, enhancing our product supply capacity, and achieving overwhelming cost competitiveness as we also strive to realize our ideal state for 2030.

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

Specialty Films Division

P.29

We will accelerate improvements in productivity and environmental responsiveness while enhancing functionality through structural reforms.

Among our Group businesses, the growing need for environmentally friendly products is most prominent in the market environment of our BONSET Division, and we will continue to accelerate the development and supply system for sustainable products. In fiscal 2021, the SANZIP Business Department embarked on Renovation & Innovation by reviewing its product portfolio, increasing production capacity at domestic and overseas production bases, and implementing automation and DX. In fiscal 2022, we will reap the early results of these productivity-enhancing efforts. Through these efforts, in fiscal 2022, the second year of the Medium-term Management Plan, we will become a growth driver for the Group and demonstrate our true functionality through structural reforms and value-added product improvements.

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

Construction Materials Business

Our wide-ranging product lineup supports comfortable living and urban environments

Construction Materials Business Growth Strategy

Strength
- Polycarbonate fabrication technology and the best manufacturing capacity in Japan
- Polycarbonate building materials, housing materials, and slip-resistant vinyl flooring materials, all with high market share
- Comprehensive development capabilities offering functionality to construction materials
- Global expansion through overseas production sites (BLX)

Weakness
- Overseas sales channels for housing and construction materials products
- Small flooring and decorative materials business compared to major competitors
- Limited expansion of overseas flooring and construction business sites
- Our flooring and decorative materials business is not a comprehensive interior design company

Opportunity
- Increase in long-term superior housing
- Expansion of the scope of application of the Building Energy Efficiency Act
- Changing lifestyles and values
- Aging domestic population and declining birthrate
- Expansion into untapped areas overseas
- Demand expansion due to higher living standards in developing nations
- Enforcement of the Livestock Barn Special Provisions Act

Threat
- Decrease in new housing starts
- Shrinking market due to declining domestic population
- Rapid changes in weather environment
- Soaring raw material prices
- Marine plastic pollution

Business Description

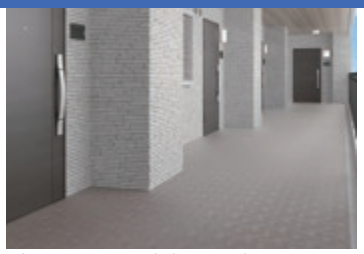
Housing Materials Business

We handle rain gutters, drainage, and other water processing products essential to housing construction, as well as a wide range of construction materials used in housing and non-residential properties, such as the Lume Wall high heat insulating honeycomb structured polycarbonate panels that contribute to a decarbonized society.

Polycarbonate plates

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.



Slip-resistant Vinyl Flooring Sheet

Creating Social Value through Business

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.

Example of high heat insulating honeycomb structured polycarbonate panels Lume Wall Installation

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. These products reduce viruses by more than 99% with newly added antibacterial and antiviral performance, providing a hygienic space.

Example of Neo Clean Flooring Installation

Ideal Form CX2023

Integrating Product-out and Market-in Approaches

- This division strives to undertake new themes from environment-friendly products to those responding to disasters founded in greater safety and peace of mind.
- We will respond to the rapidly advancing SDG trend.
- In production, we will improve technologies to save energy, recycle, and introduce raw bio-based materials.
- We will also expand overseas development of interior products even further, focusing on production sites not only in Japan but also in Europe.
- We will establish business models adapting to environmental issues from a global perspective.

Product Out
Spearhead Innovation Capitalizing on Technological Capabilities in Plastic Molding and Processing Technologies

Market In
Collect Accurate Information Leveraging Sales Channels and Exhibit Rapid Product Development Capabilities

Provide Services and Products Satisfying Latent Customer Needs

Priority measures emphasized in this project

1. Solving social issues
2. Acquire new businesses, products, and technologies
3. Accelerate borderlessness
4. Adopt digital technology
5. Restructure group management
6. Further improve our management base

CX2023 Progress and Medium-term Targets

FY2021 → FY2022 → FY2023 → Medium-term Targets

FY2021
- Optimization of Group production system for polycarbonate products
- Establishment of C.I. TAKIRONPLUS CORP. in April 2021 (integrating sales structure for building materials distribution and home centers)

FY2022
- Development of environmentally friendly and disaster prevention/mitigation products
- Sharp cost increases due to soaring raw material and logistics costs reflected in product prices

FY2023
- Cost-cutting and price revisions in response to further increases in raw material prices due to the international situation and the weak yen
- Expand sales of environmentally friendly and disaster prevention/mitigation products
- Advance rationalization through DX

Medium-term Targets
- Maximize existing business by increasing market share of key products
- Strengthen Group management and enhance competitiveness through digitalization
- Pursue a decarbonization initiative by strengthening design proposals and product development of Lume Wall high heat insulating honeycomb structured polycarbonate panels and other environment-friendly products.

(Millions of Yen)	FY2020	FY2021	Fiscal 2022 outlook
Net Sales	26,216	25,927	28,600
Operating Profit	1,237	1,099	1,650

FY2021 → FY2022 → FY2023 → Medium-term Targets

FY2021
- Developed Belbien nonflammable decorative adhesive film with antibacterial and antiviral properties, and NeoClean anti-slip vinyl floor sheet, for simultaneous release in April 2021.

FY2022
- Expansion of recycled products overseas
- Expansion of sales of Plus Care, a flooring material with anti-slip performance and elasticity for greater safety

FY2023
- Strengthen development of new products in pursuit of functions and designs that are in demand among customers
- Prompt response to changes in overseas markets in the aftermath of COVID-19

Medium-term Targets
- Pursues de facto standards embodying safety and security as basic concepts while fully distinguishing itself in the overall condominium market
- Accelerate borderless operation by shifting overseas and strengthening overseas bases (Europe, North America, China)

(Millions of Yen)	FY2020	FY2021	Fiscal 2022 outlook
Net Sales	15,930	18,491	19,100
Operating Profit	832	1,617	1,240

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. The supply area continues to expand steadily, particularly in Europe.

Example of BONLEX Installation

Flood Protection

Flood Safe Light lightweight, high-strength, detachable waterproofing panels are made of polycarbonate resin, and have a grade equivalent to Ws-6, the highest performance rating in the flood prevention performance evaluation (JISA 4716) of the JIS standard, protecting assets from flood damage caused by torrential rains and typhoons, which have been frequent in recent years.

Example of Flood Safe Light

Environmental Materials Business

Offering materials that support the function and safety of social infrastructure

Environmental Materials Business Growth Strategy

Strength

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

Weakness

- New Group product development system
- System for collaboration with external partners

Opportunity

- Expansion of demand for infrastructure redevelopment and renewal
- Expansion of demand for environmental responsiveness and product longevity
- Labor-saving needs due to shortage of human resources
- Expanding demand in emerging countries

Threat

- Decline in domestic demand in existing businesses
- Plastic materials recycling issues
- Rising installation and management costs due to a shortage of human resources
- Quality improvement among overseas manufacturers

Business Description

Agricultural Materials Business

We contribute to agricultural development by expanding a product lineup centered on highly functional agricultural films that are able to realize the optimal environments for growing vegetables and fruit to satisfy customer needs.

Agricultural Films

Infrastructure Materials Business

We support social infrastructure by developing and renewing waterproof/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.

Waterproof Geomembranes

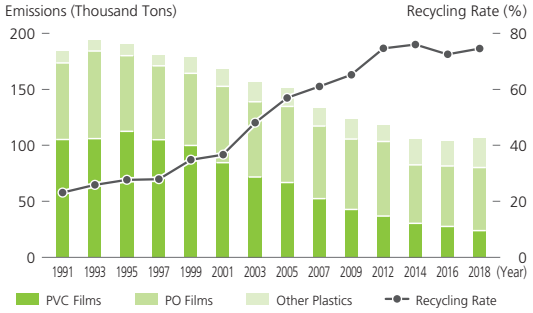
Creating Social Value through Business

Plastic Resource Recycling

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.

Biodegradable Films

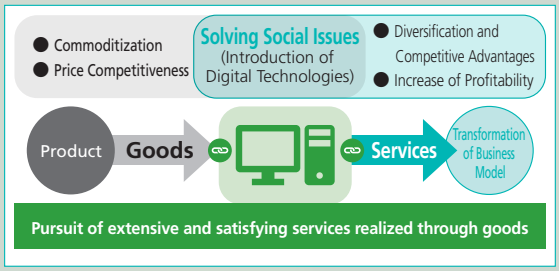
Change in Agricultural Waste Plastic Emissions and the Recycling Rate



Ideal Form CX2023

The Transition from Goods to Services

- We will leverage our strengths, such as our large industry market share, brand power, and customer support capabilities including construction.
- We will shift to a business that can sustain growth in the mature domestic market, such as maintenance, renewal, and recycling, in addition to the traditional business of making and selling products.
- Overseas, we will expand our business by developing products that meet the needs of local markets.
- We will further strengthen links with Group companies to cover everything from manufacturing to sales and installation, and expand the value chain with comprehensive Group capabilities based on our consolidated product development and sales capabilities.
- We will focus on developing products that are of high quality, highly functional, safe, secure, and environmentally friendly.



Priority measures emphasized in this project

1. Solving social issues
2. Acquire new businesses, products, and technologies
3. Accelerate borderlessness
4. Adopt digital technology
5. Restructure group management
6. Further improve our management base

CX2023 Progress and Medium-term Targets

FY2021 → FY2022 → FY2023 → Medium-term Targets

FY2021

- Demand for certain greenhouse materials at the end of the fiscal year before the price revision
- Decrease in sales due to the previous year's wind damage-related demand, producers' reluctance to buy amid the COVID-19 pandemic, and delays and postponements of business properties

FY2022

- Revenue increase due to rush demand anticipating price revisions in response to soaring raw material prices
- Merger of two Group companies to form C.I. TAKIRONAGRI Corporation strengthening the supply chain

FY2023

- Launch and expansion of sales of environment-friendly products
- Increase in sales ratio of high value-added products

Medium-term Targets

- Greater ability to respond to producer needs
- Expansion of business domains by further strengthening cooperation with Group companies and deepening sales capabilities
- Advancement in commercialization of smart agriculture with horticulture-related materials
- Market penetration and expansion of Japanese-quality agricultural coverings in East Asia

(Millions of Yen)	FY2020	FY2021	Fiscal 2022 outlook
Net Sales	32,670	33,874	35,600
Operating Profit	737	753	770

FY2021 → FY2022 → FY2023 → Medium-term Targets

FY2021

- Continued strong demand for disaster reconstruction and renewal of piping
- Strong sales of Howell piping for large properties
- Construction delays due to the COVID-19 pandemic and heavy snowfall

FY2022

- Merger of two Group companies to form C.I. TAKIRONCIVIL Corporation, strengthening our presence in the civil engineering market
- Sales decreased due to delays in large projects, despite continued strong demand for disaster reconstruction and sales of pipe renewal and Howell pipe

FY2023

- Expansion of the value chain through Group consolidation
- Offer new products for disaster prevention/mitigation and clean energy, while developing environment-friendly products

Medium-term Targets

- Capture demand in the field of infrastructure renewal, including renewal and repair maintenance of highways, tunnels, sewers, etc.
- Focus effort on disaster recovery, disaster prevention, and pollution control
- Strengthening of projects related to the Linear Chuo Shinkansen

(Millions of Yen)	FY2020	FY2021	Fiscal 2022 outlook
Net Sales	22,260	20,000	21,200
Operating Profit	1,592	651	880

Disaster Prevention Measures

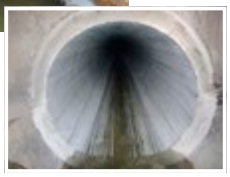
Among our main measures to help solve the problem of increasing damage caused by anomalous (extreme) weather events, our Group helps to strengthen preparations for new anti-flood ponds, dam renewals, and other storage facilities in addition to drainage facilities to collect rainfall, and embankments as well as reinforcement businesses while also actively striving to build processing facilities for the waste generated in disasters.

River Bulkhead (Sheet)

Measures to Deal with Aging Infrastructures

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.

Sewage Pipe Before Renewal



Sewage Pipe After Renewal

High Functional Materials Business

Sustainably provide products that support the accelerating growth of advanced industrial sectors and enrich people's lives

High-performance Materials Business Growth Strategy

Strength

- Abundant product Lineup
- High market share and brand strength
- Solid sales channels
- Meticulous technical support

Weakness

- Large product assortment limits production efficiency
- High dependence on the semiconductor and FPD industries

Opportunity

- AI, automation, and changing work styles
- Increasingly energy-efficient (lightweight, plastics)
- Unprecedented demand for semiconductor manufacturing equipment amid proliferation of 5G, 6G, data centers, metaverse, and EVs
- Increased public expectations for SDG initiatives

Threat

- Sharp fluctuations in demand for semiconductor and FPD manufacturing equipment
- Changes in standards and regulations
- Raw material price hikes and supply chain disruptions due to social conditions

Business Description

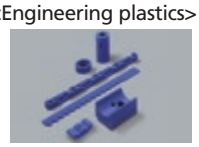
High Functional Materials Business

By improving basic performance and adding various functions, we have enhanced the added value of our products and are deploying them domestically and internationally. We provide products in a wide range of fields, from those that support industrial infrastructure, including semiconductor manufacturing equipment, to raw materials for products that enrich our lives.

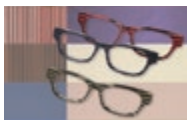
<Plates>
General-purpose and functional resin plates, mainly PVC, PC, PET, etc.

Industrial plastic plate

<Engineering plastics>


Super cast nylon

<Acetate boards>


Eyeware frame materials

<Micro motors>

Coreless and brushless motors

<Ultra-fine particles (nanomaterials)>

Ultra-fine particle materials

Creating Social Value through Business

Realization of Decarbonization and a Recycling-oriented Society

The Highly Functional Materials Business Division kicked off the Eco Plastics Project in fiscal 2021, and is moving ahead with research and study toward planning environment-friendly products that are not bound by conventional business domains, and also toward proposing business processes with sustainability in mind. In fiscal 2022, our second year of taking action, we are developing plastic recycling plans and actions to assess effectiveness.

Recycled pellets containing biomass waste

Reduction of CO_2 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 solar panel power generation system that saves about 560MWh per year. While moving forward with measures to increase production, we will continue to promote highly efficient production and activities to reduce CO_2 emissions.

TAKIRON POLYMER Solar Panels

Ideal Form CX2023

Boosting Supply Capacity, Strengthening Competitiveness, and Advancing Environmental Awareness in an Integrated Way

- Accelerate growth through proprietary technologies and access to a wide range of industrial sectors, while building a highly profitable structure and establishing a solid position for our current businesses.
- Our 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.
- Through our relentless pursuit of new technologies, we continue to provide products that support the growth of society's next generation, and contribute to the protection of the global environment.
- In the future, we will integrate our environmental initiatives with current and new businesses.

Priority measures emphasized in this project

1. Solving social issues
2. Acquire new businesses, products, and technologies
3. Accelerate borderlessness
4. Adopt digital technology
5. Restructure group management
6. Further improve our management base

CX2023 Progress and Medium-term Targets

FY2021

- We 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 and other such measures.
- PET plates also continued to perform well, especially for splash prevention panels
- Choice was made to broaden our lineup of gear heads and advanced the development of motors with encoders
- Growth in nanomaterials was driven by strong demand for telecommunications equipment and data center facilities
- The Highly Functional Materials Business Division withdrew from unprofitable businesses and consolidated unprofitable products, concentrating management resources on highly profitable businesses

FY2022

- Sales of industrial plate and engineering plastic materials for manufacturing facilities increased due to global demand for semiconductors, with new facilities installed to increase production
- Completion of gear head lineup expansion and promotion of development of motors with encoders
- Strong growth in nano-materials, especially materials for electronic circuit boards, due to strong semiconductor market
- Increase of sales of acetate plates in the eyewear sector due to the easing of COVID-19 restrictions, which stimulate consumption
- Completion of withdrawal from unprofitable businesses and progress with unprofitable product consolidation

FY2023

- Establish a system to increase production to meet growing demand
- Scheduled completion of encoder-equipped motor development
- Establish a system to increase production to meet growing nanomaterials demand
- DX promotion for operational streamlining
- Promote planning and commercialization of environment-friendly products

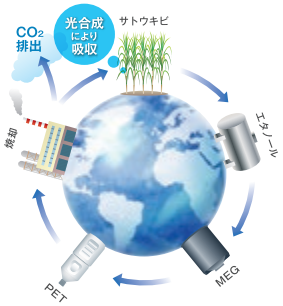
Medium-term Targets

- Promote expansion of production capacity (effective utilization of new facilities, facility modification, and introduction of new facilities) to meet increasing demand for semiconductor manufacturing equipment.
- Product development aimed at utilizing plastics in an environmentally friendly manner
- Accelerate planning and effectiveness evaluation activities to establish an environmental adaptation scheme
- In addition to individual motors, we are developing products with gearhead encoder functions for a wider variety of applications.
- Accelerate expansion of overseas sales networks
- Promote streamlining of operations by taking advantage of DX

(Millions of Yen)	FY2020	FY2021	Fiscal 2022 outlook
Net Sales	17,478	21,625	22,100
Operating Profit	1,803	3,144	2,330

Development of Environment-friendly Products

Following on fiscal 2021, the High Functional Materials Business Division is considering ways to effectively use biomass plastics and recycled materials 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 on the development of products for reducing waste, including rigid vinyl chloride sheets, which are more than half-composed with abundant natural salt. We are also examining the development of sustainable products that utilize waste materials, including those with improved durability.



Bioplastic PET Recycling Flow

Bioplastic PET

Specialty Films Business

Develop and design products that best supply the market's needs

Specialty Films Business Growth Strategy

Strength

- We can manufacture a variety of products according to application with our unique compounding technologies
- Global consumption-based production and sales system with production bases in Japan (Hiratsuka, Okayama and Tochigi) and overseas (China, U.S.A., Uruguay).

Weakness

- Few new products launched, other than existing ones
- Competition in technology development, including IP strategy

Opportunity

- Expanding demand and applications both domestically and internationally (food, chemical products, pharmaceuticals, etc.)
- Strict quality standards in Japan impede entry of inexpensive foreign products
- Increased demand for environmentally friendly products

Threat

- Increasing environmental concerns leading to a shift to alternative materials for packaging materials
- U.S.-China friction and China risk
- Securing stable raw materials for business continuity

Business Description

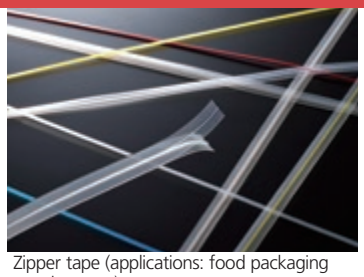
BONSET Business

BONSET is a brand of shrinkable films (heat shrinkable films) used for labels, cap seals, molded products, and many other various purposes by capitalizing on a variety of material properties.

Heat-shrinkable films (applications: labeling, etc.)

SANZIP Business

SANZIP is a brand of plastic zipper tapes used in diverse fields, including the food and pharmaceutical industries. Demand is increasing in response to the growing awareness of hygiene from the COVID-19 pandemic.

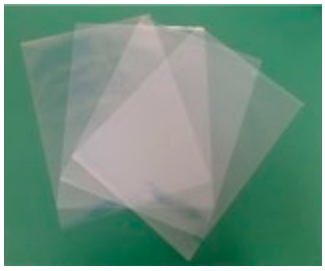


Zipper tape (applications: food packaging pouches, etc.)

Creating Social Value through Business

Development of Environment-friendly Products (BONSET Business)

The BONSET Business has completed development of botanical PS shrink films using plant-derived materials, which will contribute to the reduction of CO_2 emissions by reducing the amount of petroleum-derived plastics used (by 10%). This business will also plans to start sales of products taking into account the ease of PET bottle recycling in North American and further its adoption by major beverage companies.



Botanical PS Shrink Film

Development of Environment-friendly Products (SANZIP Business)

In both domestic and overseas markets, we intend to reduce the environmental impact of existing products by reducing their use (3% reduction in the use of resin). In addition, we will start selling mono-material zippers for material recycling of packaging materials, especially in overseas markets. This improves the recyclability of packaging materials and enables excellent bag manufacturing performance.

Circulation Cycle (mono-materials)

Ideal Form CX2023

Creating a Highly Functional "Specialty" Films Business Division

- We will strengthen our commitment to ESG (environmentally oriented) products and enhance our ability to respond promptly to customer requirements through market development at our four bases around the world.
- In line with the Renovation & Innovation Project, we will encourage greater automation, labor savings and productivity to strengthen competitiveness.
- In the BONSET business, we will accelerate our response to market needs with an eye to working with other companies.
- In the SANZIP business, we will rebuild an optimal "China + One" production and sales system.

Priority measures emphasized in this project

1. Solving social issues
2. Acquire new businesses, products, and technologies
3. Accelerate borderlessness
4. Adopt digital technology
5. Restructure group management
6. Further improve our management base

CX2023 Progress and Medium-term Targets

FY2021	FY2022	FY2023	Medium-term Targets
● BAC and BLA performed well, driving consolidated results ● Profit structure reforms began	● Strengthen collaboration with key partners to enhance environmental responsiveness ● Expand market introduction of environment-friendly products	● Replacement and expansion of products with environment-friendly products ● Diversification of materials purchasing from a BCP perspective	● Reinforce collaboration with partner companies, including raw material suppliers and users ● Launching environment-friendly products in the shrink label field in each global region

(Millions of Yen)	FY2020	FY2021	Fiscal 2022 outlook
Net Sales	15,977	17,526	19,500
Operating Profit	1,529	1,079	980

FY2021	FY2022	FY2023	Medium-term Targets
● Zipper tape sales gained momentum mainly overseas due to concentrated demand resulting from the COVID-19 pandemic ● Profit structure reforms began	● Strengthen production system to meet domestic and overseas customer demand (two production bases in Japan) ● Introduce new mono-material zippers	● Restructure China + One overseas production system ● Establish BCP system for raw materials used	● Increase production capacity to meet demand from domestic and overseas customers ● Advance expansion of production bases outside of China to expand sales in North America and Europe

(Millions of Yen)	FY2020	FY2021	Fiscal 2022 outlook
Net Sales	3,487	3,826	3,800
Operating Profit	454	361	220

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 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.

BioMassPla 登録No.327

バイオマス No.180075

バイオマス No.160009

R&D Division

Technological advancement gives rise to value only when it manifests itself in functions useful to the customer. C.I. TAKIRON focuses on areas such as abrasion resistance, light and heat control, elasticity, and high durability. We are actively working to further increase customer value in existing fields, to expand into new fields using existing functions, and to develop technologies that help solve social issues.

Overall R&D Strategy to Realize our 2030 Vision

Technological development strategy

Core Technologies	Elemental Technologies	New Product Areas
Material compounds Fabrication Evaluation Technology etc.	Multilayering, extension technologies	Mono-materialization of packaging films
	Heterogenous material separation, compatibilization, biodegradation evaluation technologies	Reduce, recycle, and make effective use of biomass and biodegradable materials
	Elastomer composite, multilayering technologies	Develop stretchable film applications
	Paint design, coating and surface decoration technologies	Functionalize specialty films and sheets
	High-quality extrusion, surface decoration, and fiber composite technologies	Reduce weight and refine design of mobility components
	Special surface treatment, slurry dispersion technologies	Increase dispersion of nanomaterials

Marketing Strategy

	Market environment changes / social issues	Perspectives on New Value Creation
1	Adaptation to a sustainable society	Climate change initiatives Helping advance resource recycling
2	Decline in the working population	Contribution to labor saving in industry
3	Aging society and declining birthrate Social Progress	Contribution to healthy and secure living
4	Creation of intelligent housing building materials	Contribution to a smart society
5	Prevalence of electric vehicles/self-driving vehicles, drones and construction machineries	CASE, MaaS, and contribution to lightweight advancement

Aggressive capital

Financial investment

- Use of outside experts
- Introduction of external technology
- Testing facilities, enhanced analytical equipment

etc.

Commit to Transformation CX2023

Existing Sectors

- Construction Materials
- Environmental Materials
- High Functional Materials
- Specialty Films

Shorter lead times

Open Innovation

- Joint development with end-users
- Collaboration with raw material manufacturers
- Collaboration with Group companies

etc.

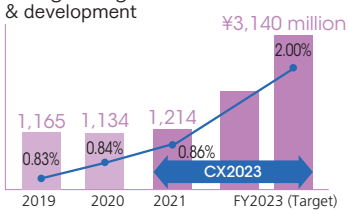
investment

Strengthen human resource development

- Utilize consulting services by outside experts
- Dispatch personnel to external research institutes and universities
- Strengthen internal knowledge utilization through DX

etc.

Strengthening investment in research & development



New Sectors

- Mobility
- Packaging Films
- Healthcare
- IoT
- Vegetable Factory

C.I. TAKIRON 2030 Vision

To become a corporate group that delivers peace of mind and comfort to the future of our planet through creative evolution.

DX Utilization

- Share know-how, know-who
- Make development process management visible
- Adopt innovation tools

etc.

Message from the Chief Operating Officer, R&D Division

Medium-term Management Plan CX2023 Boosts R&D to Further Accelerate Growth

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 environment-friendly products. We will also promote designs that take into account environmental impact assessments in order to reduce environmental impact and develop environmentally friendly new products in existing and new fields.

In addition to working toward a sustainable society, we are also seeking out needs to focus on by examining changes in the market environment, such as the spread of AI and robotics amid an aging population, declining birthrate and shrinking workforce, progress in the use of IoT in a smarter society, the shift to EVs in automobiles, the need for lighter weight and more functional interior materials, and the evolution of homes that are both economical and environmentally friendly.

As for elemental technologies and their target fields, our research and development focuses on the design of functional films and sheets using multilayering and extension technologies based on material composite and fabrication technologies, composite product design using nano- and compatibilization technologies, and surface functionalized products using paint design and coating technologies.

The CX2023 strengthens research and development by investing at least 2% of net sales into research and development. To speed up development, we will collaborate with external organizations and partners, invite in external experts, analyze information using IP landscapes, and adopt DX solutions. We will also provide problem-solving training and dispatch researchers to external organizations to foster young researchers.

Research & Development System

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

In addition to the independent activities of the research and development as well as product development departments, we aim to cultivate budding new businesses as new growth engines and build businesses as new pillars of income through cooperation across departments. We also promote joint development with end-users, collaboration with raw material manufacturers, and use of DX to speed up development and create appealing products that meet customer needs.

Through the use of consulting by outside experts and dispatching personnel to outside research institutes and universities, we actively acquire and compile knowledge from outside the company as we strive to strengthen human resource development.

Core Technology

Number of New Technologies Created (Number of Patent Filings) > **34** (FY2021)

Toward realizing our ideal as a Group that engages in creative evolution to reliably deliver security and peace of mind for the future of the earth, we aim to provide value from the customer's perspective by developing unique, superior materials and compounds, as well as new installation technologies and construction methods. We are developing high-value-added functional films and sheets, as well as building processes to create new functions by utilizing our core technologies of advanced material composite technology, various fabrication technologies, performance and analysis evaluation technology, and other core technologies. We therefore focus on development of diverse film, sheet, and panel products with unique functions and characteristics in pursuit of the full potential of materials. We also contribute to the improvement of product quality and the development of new products by enhancing our analysis and evaluation techniques for materials and materials molded during the R&D process.

TOPIC Development of Cellulose Compound Utilizing Composite Blending Technology

We are furthering the development of a cellulose compound recognized as a paper in the Containers and Packaging Recycling Law. Our special proprietary composite blending method that achieves a polyolefin compound containing 51% or more cellulose, a natural fiber that can be labeled "paper". Formulations can be designed to suit various applications and molding methods, and the reduced use of petroleum-derived resins contributes to the reduction of CO_2 emissions.

Creation of New and Environment-friendly Products

New product sales ratio > **20.8%** (fiscal 2021, non-consolidated)

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.

We are developing environment-friendly products, focusing on the 3R+Renewable environmental initiative, reducing the use of petroleum-derived resources and developing 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 cellulose, or inorganic fillers such as calcium carbonate and silica, into the polymer. Regarding recycling, we are attempting to create new products that contribute to the mono-materialization of packaging films. 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.

TOPIC

Developing an Environment-friendly Packaging Film Grade

Our packing film is a polyolefin film with excellent elasticity that can secure goods as a substitute for cushioning materials used in parcel delivery packaging materials. This packaging form contributes to a reduction of polymer waste by reducing the total amount of cushioning material compared to conventional products, and we are working on the development of grades that aim to further reduce the use of petroleum-derived resins.

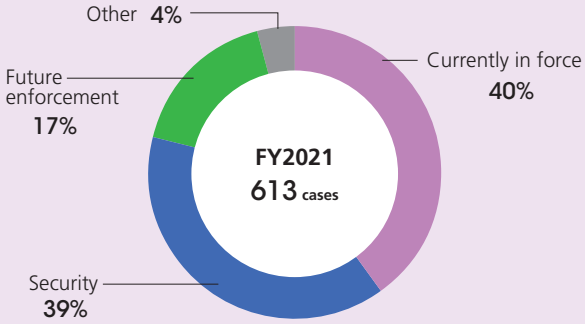
FOCUS C.I. TAKIRON's Intellectual Property Initiative

One of the priority action items in our CX2023 Medium-term Management Plan is acquisition of new businesses, new products and new technologies. We have established the following basic policy regarding investment in intellectual property to support this effort.

1. Practical action to create intellectual property to establish a competitive advantage
2. Intellectual property clearance to ensure business execution
3. Development of intellectual property human resources to support business promotion

In particular, in taking practical action to establish a competitive advantage with intellectual property, we will continue to focus not only on creating intellectual property that supports our business, but also on creating intellectual property with an eye toward future business development. In addition, in intellectual property clearance ensuring business execution, we respect the intellectual property rights of other companies and strive to ensure safe implementation, the first priority being to avoid infringement.

Patent enforcement status

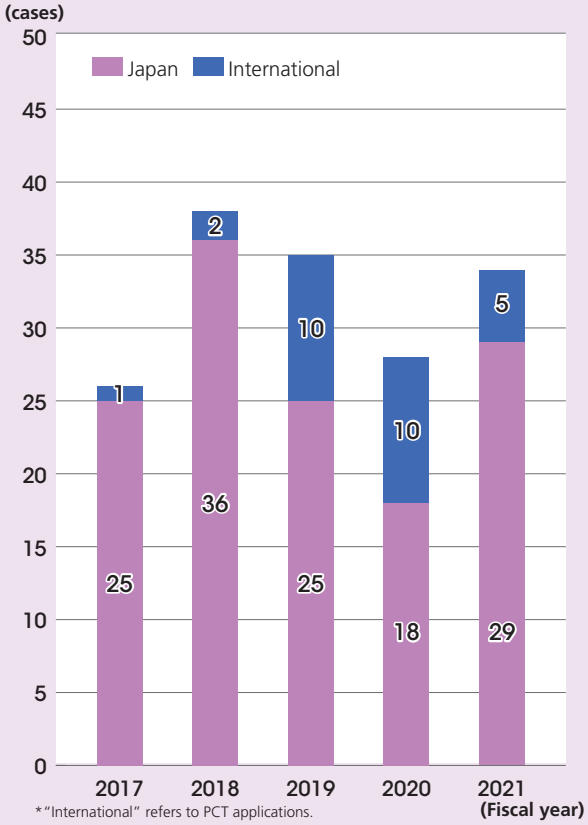


Overseas status of house mark trademark acquisition

	Registered	C.I. TAKIRON Registered
Asia	15	16
Europe*	6	6
Africa	2	2
North America	2	2
South America	2	2
Oceania	2	2
Total	29	30

*EUTM (27 countries) is counted as 1 for Europe.

Number of patent applications (domestic/international*)



*"International" refers to PCT applications.

Toward Sustainability Management

A Foundation for Transformation

We report on the E (environmental), S (social), and G (governance) activities that are the foundation for the long-term, sustainable growth of the C.I. TAKIRON Group.
Our Group views social issue-driven business as the cornerstone of our management.
We aim to actualize our Corporate Philosophy by focusing on our connection with society and transforming our ESG activities through dialogue with our stakeholders.

Environment

Taking on the Challenge of Carbon Neutrality P.39

- Environmental Management
- Initiatives to Reduce CO_2 Emissions
- Climate Change Initiatives (TCFD Disclosure)

Social

Human Resource Strategies P.43

- Message from the Executive in Charge of Human Resources
- KPIs Related to Human Resources
- Management Commitment on Enriching Lives
- Investment in Human Capital

Governance

Enhance Corporate Governance P.47

- Corporate Governance Framework
- Compliance Risk Management
- Directors, Audit & Supervisory Board Members, and Executive Officers
- Special Feature: Governance Roundtable

Stakeholder

Engagement with Stakeholders P.61

- Customers
- Business Partners
- Shareholders and Other Investors
- Local Communities / Government and Municipalities
- Employees

Materiality

The C.I. TAKIRON Group has specified ten items (priority sustainability issues) around which 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.

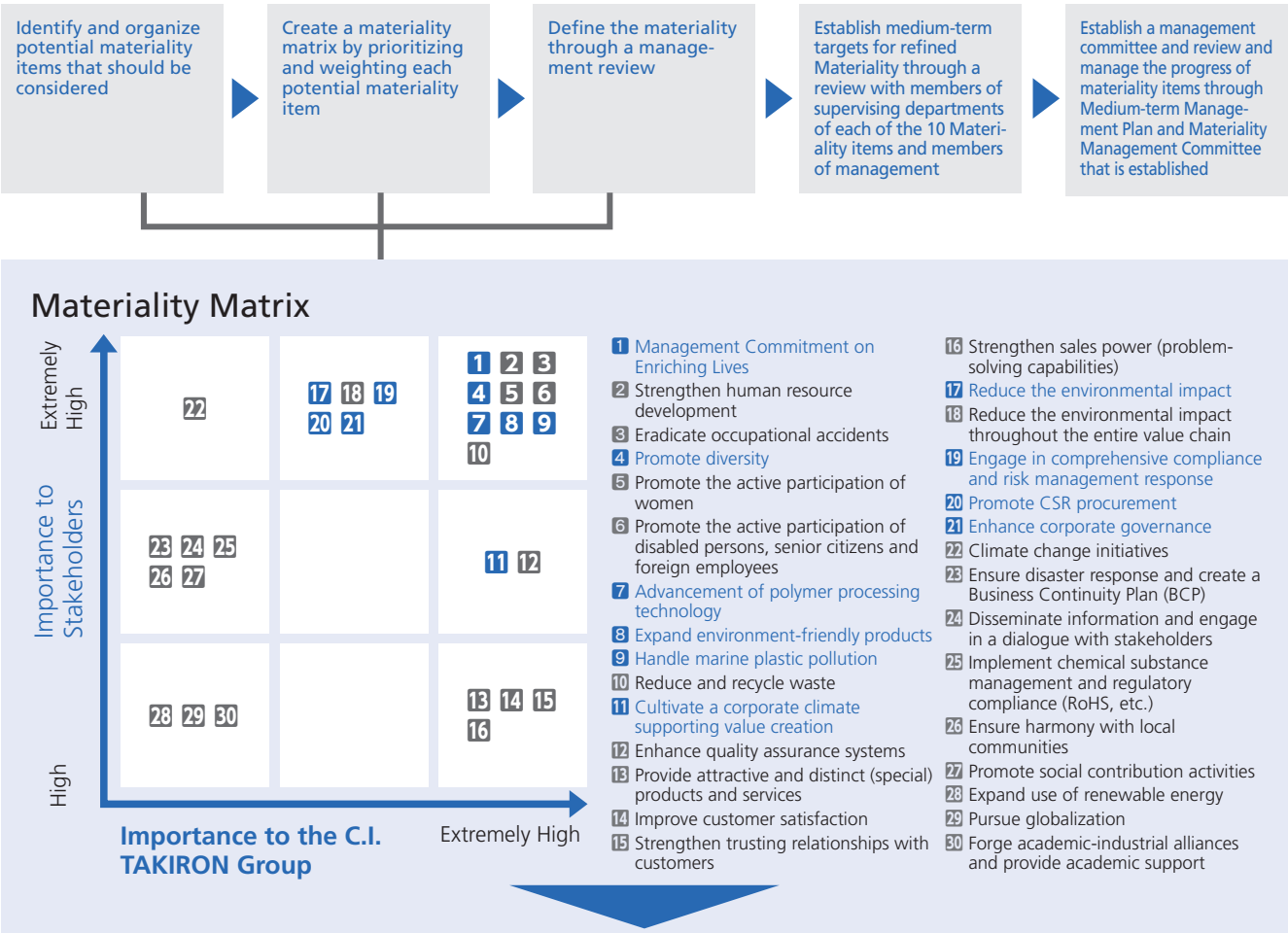
We have established a three-year Medium-Term Plan for Materiality with numerical targets for each of these issues. We have also developed a system for the practical exercise of Sustainability Management by incorporating some of the numerical targets into our KPIs for priority measures, which constitute the qualitative targets of the Medium-term Management Plan.

The Eight Subcommittees

In order to enhance the feasibility of the Medium-term Plan for Materiality, Working Groups each assigned a materiality are managed by the Eight Subcommittees which are organized with cross-functional membership and handle everything from planning to execution of specific initiatives. Progress is managed by reporting the details of these activities to Medium-term Management Plan Materiality Management Committee.

Subcommittees		
(1) Social Issues	(4) Digital	(7) Budget Management
(2) New Product and Technology	(5) Group Management	(8) Public Relations
(3) Borderlessness	(6) Management Foundation	

Process to Define Materiality



Medium-term Plan for Materiality

		Materiality Subject	Evaluation Standards (KPI)
Source of Corporate Growth	1	Cultivate a Corporate Climate Supporting Value Creation	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
	2	Advancement of Polymer Processing Technology	New product sales composition (non-consolidated)
			Number of new technologies created (number of patent filings)
Respect of Individuality	3	Promote Diversity	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 female employees in management positions (as of April 1, 2024)*1 *2
			Ratio of women in leadership positions (as of April 1, 2024)
			Ratio of female employees in career-track positions (as of April 1, 2024)
			Percentage of career-track female hirees*2
			Ratio of employees who return to work after leave
	4	Management Commitment on Enriching Lives	Employee work engagement score
			Employee loyalty score
			Recognition status as an excellent corporation for health management
Responsibilities to Society	5	Handle Marine Plastic Pollution	Number of waterside clean aid activity participants (total participants for the year, including community clean-up activities)
			Number of marine plastic related events and seminars held (total number of seminars and events held for the period)
	6	CSR Procurement	Request rate for CSR procurement policy to major domestic business partners (purchase base)
			Request rate for CSR procurement policy to major business partners by overseas group companies (purchase base)
			Level of agreement with CSR procurement policy (based on business partner survey)
	7	Reduce the Environmental Impact	CO_2 emissions reduction rate (scope 1/2) (compared to FY2018)*2
	8	Expand Environment-friendly Products	Number of themes of developing environment-friendly products
			Environment related awards
Management Platform	9	Comprehensive Compliance and Risk Management	Compliance related enlightenment and education implementation (ratio of companies)
			Critical compliance violations
			Rate of completion of response to important risk Issues within period
			Regular important risk reviews
	10	Enhance Corporate Governance	Board of directors attendance rate
			Formulation of corporate governance guidelines
			Number of times explanatory meetings were held for shareholders/investors: Financial results briefings
			Number of times explanatory meetings were held for shareholders/investors: Meetings with individuals
			Number of times explanatory meetings were held for shareholders/investors: Small-sized meetings

*1: Includes positions at or equivalent to management rank *2: Items revised or newly established based on fiscal 2021 results

Medium-term Roadmap				Relevant Sustainable Development Goals (SDGs)	Relevant Page
FY2021 Targets	FY2021 Results	FY2022 Targets	FY2023 Targets		
3	3	3	4		—
—	—	70% or above	70% or above		
15% or above	20.8%	18% or above	20% or above		P.33
35 per year	34	42 per year	50 per year		
100%	100%	100%	100%		P.46
40%	90%	—	60%		
—	2.4%	—	3.0%		
—	4.6%	—	5.0%		
—	16.4%	—	20.0%		
—	28.6%	—	40.0%		
75%	81%	—	80%		
—	2.5	—	At least 3.0		P.45
—	2.8	—	At least 3.0		
Continued	Continued recognition	Continued	Continued		
300	859	Over 1000 people	Over 1200 people		P.64
30	85	30	30		
100%	100%	100%	100%		P.63
100%	0%	100%	100%		
Operation to begin in fiscal 2022	—	100%	100%		
8% reduction	26% reduction	27% reduction	28% reduction		P.40
10 per year	16	10 per year	15 per year		P.23 -34
—	—	—	Aim to receive an environment related award by FY2025		
100%	100%	100%	100%		P.51
0	0	0	0		
80%	80%	80%	80%		
At least once	1	At least once	At least once		
85% or above	97.6%	85% or above	85% or above		P.47
Gathering data for formulation of guidelines in FY2022	Information gathering conducted (ongoing)	Policy formulation	—		
2	2	2	2		
At least three times	1	At least twice	At least three times		
—	—	—	At least once		

Taking on the Challenge of Carbon Neutrality

<Strategy for Carbon Neutrality>

C.I. TAKIRON Group is
aiming for carbon neutrality (net-zero emissions) in fiscal 2050.

As an interim target, we aim to achieve the following levels of greenhouse gas (GHG) emissions in fiscal 2030:

- Scope 1 and 2: Aim for a 35% reduction (compared to fiscal 2018)
- Scope 3 : Reduction efforts throughout the supply chain

Environmental Management

The C.I. TAKIRON Group is working toward the goal of conserving the global environment through production activities and new product development that take into consideration their environmental impact in accordance with our Environmental Philosophy and Basic Environmental Policy. In light of the world situation, we have decided to announce our Strategy for Carbon Neutrality and make our TCFD disclosures in fiscal 2022 in order to more clearly fulfill our corporate mission. Primarily through a three-part committee structure, we will promote initiatives in each department to enhance environmental responsiveness and achieve our goals.

(1) Sustainability Committee: Responsible for the arrangement of environmental measures from a medium- to long-term perspective, and for monitoring of each committee.
(2) Meeting to Promote Environmental Conservation: Committee members selected from divisions closely related to production activities report regularly on the status of environmental conservation activities and issues at each site, and manage progress.
(3) Medium-term Management Plan and Materiality Management Committee, and Subcommittees: Priority action items of the Medium-term Management Plan and measures to achieve the goals of the Medium-term Plan for Materiality are reviewed monthly by the Subcommittees and reported at Management Committee meetings.

Core Environmental Management Framework

Philosophy Framework

Mission of C.I. TAKIRON Group

Creating 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.

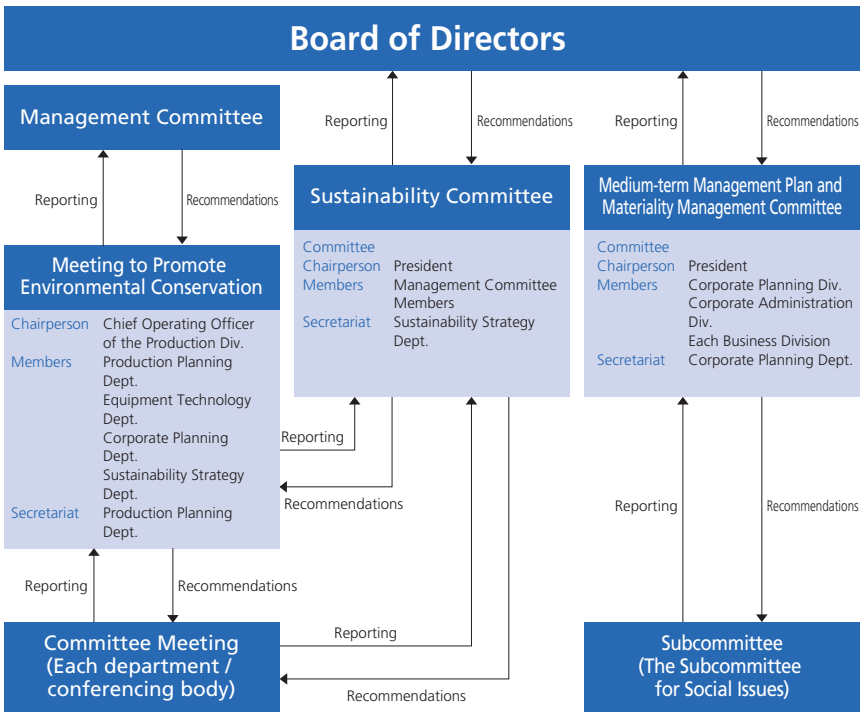
Strategies

- Strategy for Carbon Neutrality
- Medium-term Plan for Materiality

Legal & Regulatory Compliance

- Environment-related Laws

Organizational Framework



Initiatives to Reduce CO_2 Emissions

In order to demonstrate that the C.I. TAKIRON Group is a sustainable company with long-term greenhouse gas reduction targets consistent with the Paris Agreement, we have revised our target for CO_2 reduction upward from the previous target in line with the WB2°C* (a 30% reduction in Scope 1 and 2 in by fiscal 2030 relative to fiscal 2018) to 35%.

*WB2°C: Greenhouse gas reduction targets aimed at limiting global temperature increase to significantly less than 2°C above pre-industrial levels.

Emissions Analysis

Greenhouse gas (CO_2) emissions in fiscal 2021 were 625,000 (t-CO_2).

Of these, Scope 1 and 2 accounted for 81,000 (t-CO_2), or about 13% of the total, and Scope 3 accounted for 544,000 (t-CO_2), or about 87% of the total.

Scope 1 and 2 CO_2 emissions

(Unit: Thousand t-CO_2)

FY2018	FY2019	FY2020	FY2021
109	**89**	**83**	**81**

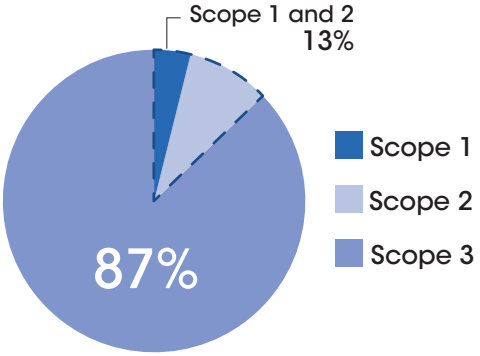
Scope 3 CO_2 Emissions

(Unit: Thousand t-CO_2)

FY2018	FY2019	FY2020	FY2021
261	**244**	**223**	**544***

*In fiscal 2021, the scope of calculation was expanded to include the entire Group and all categories, 1 through 15.

*The C.I. TAKIRON Group has been working to reduce unit CO_2 emissions by 1% from the previous year, which is shown in the non-financial data (p. 68).



Scope 1 and 2 Emission Reduction Measures

Action we have taken for Scope 1 and 2 reduction has included energy conservation efforts at each of the C.I. TAKIRON Group's production sites in addition to energy creation through the installation of solar panels at some production sites in fiscal 2021.

In order to achieve our goals, we will work to optimize energy use by further strengthening our existing energy conservation activities in parallel with the study of more drastic reduction measures.

Yasutomi Plant

Scope 3 Calculation and Emission Reduction Measures

For Scope 3, calculations were expanded in fiscal 2021 to cover the Group as a whole and all categories from 1 to 15. This resulted in an emissions figure 320,000 (t-CO_2) higher than in 2020. Category 1 (purchased goods and services) and Category 12 (disposal of sold products) account for about 59% and 25% of Scope 3 emissions, respectively. We will continue to improve the accuracy of our calculations while prioritizing reductions in categories 1 and 12, and working to reduce Scope 3 emissions throughout the supply chain.

Unit: Thousand t-CO_2

Category	FY2019	FY2020	FY2021
1 **Purchased Goods and Services**	177.0	178.0	318.7
2 **Capital Goods**	24.0	8.0	14.7
3 **Fuel and Energy Activities Excluded from Scope 1 and 2**	13.0	13.0	17.2
4 **Upstream Transportation and Distribution**	25.0	22.0	38.5
5 **Waste Generated from Business**	1.0	2.0	2.0
6 **Business Travel**	3.0	1.0	3.0
7 **Employee Commuting**	0.4	0.4	1.0
8 **Upstream Leased Assets**	Outside Scope	Outside Scope	Outside Scope
9 **Downstream Transportation and Distribution**	(Not Calculated)	(Not Calculated)	4.0
10 **Processing of Sold Products**	(Not Calculated)	(Not Calculated)	Outside Scope
11 **Use of Sold Products**	(Not Calculated)	(Not Calculated)	8.0
12 **Disposal of Sold Products**	(Not Calculated)	(Not Calculated)	137.7
13 **Downstream Leased Assets**	(Not Calculated)	(Not Calculated)	Outside Scope
14 **Franchise**	(Not Calculated)	(Not Calculated)	Outside Scope
15 **Investment**	(Not Calculated)	(Not Calculated)	Outside Scope

Climate Change Initiatives

C.I. TAKIRON has identified climate change issues as one of its key challenges, and in May 2021, the company pledged support for the Task Force on Climate-related Financial Disclosures (TCFD).

We view events related to the climate change issue as a management risk, and actively promote reduction of greenhouse gas emissions and development and provision of environmentally friendly products while identifying new opportunities to enhance corporate value.

We will continue to analyze and assess the impact of climate change on our business activities in line with the TCFD recommendations, formulate response measures based on multiple scenarios, improve the resilience of our business, and communicate these efforts to our stakeholders in a more easily understood manner.

TCFD Initiatives

Governance

As part of our governance structure, we have established a Sustainability Committee to ensure overall control from a bird's eye view and a long-term perspective. The structure and roles are as follows.

(Structure)
The committee is chaired by the President, its members are members of the Management Committee, and it meets at least twice a year.

(Roles)
Assessment of identified risks and opportunities in each project due to climate change.
Disclosure of information on progress monitoring, and incorporation into business plans.
Expansion and promotion measures to address these risks and opportunities from a medium- to long-term perspective.

Important resolutions, including issues related to climate change, are reported to the Board of Directors through the Sustainability Committee, and a system is in place to ensure appropriate oversight by the Board of Directors.

Strategies

A TCFD project team was formed to conduct the following scenario analysis in fiscal 2022.

- Identify risks and opportunities associated with a 1.5°C and 4°C increase in temperature with time horizons of 2030 and 2050, then complete the study of impact factors, impact elements, and business impact assessments to finalize the results.
- Conduct studies to identify relevant parameters and formulas for financial impact assessments.

In the future, we will continue to expand the number of categories subject to scenario analysis and conduct more sophisticated and accurate scenario analyses in order to enhance disclosure information. We will also reflect the clarified risks and opportunities in the environmental strategies of each business, incorporate them into environmental targets and action plans, and build a process to monitor and provide feedback on the status of response to measures related to literacy improvement and risk management, aiming to reduce risks and ensure that opportunities are captured.

Risk Management

We have established and are operating a Risk Management System by which we assess and render visible any critical risks facing the company, and manage them organizationally on an annual basis to avoid or reduce losses. In the event that such risks materialize, we consider and implement measures to minimize their impact.

Climate change issues are also managed within the Risk Management System, and specific measures to address risks and opportunities identified in scenario analyses are studied and advanced.

Metrics and Targets

In our Environmental Vision, we have newly set forth our "Strategy for Carbon Neutrality" for fiscal 2022, aiming to achieve net-zero greenhouse gas emissions by 2050. In addition, we have set 2030 as a milestone, the halfway point to 2050, and will take measures to address climate-related risks and opportunities as we target a 35% reduction in Scope 1 and 2 compared to FY 2018.

FY2050 Greenhouse gas emissions: Net zero
FY2030 Scope 1 and 2: Aim for a 35% reduction (compared to fiscal 2018)

Scenario Analysis

With time horizons of 2030 and 2050 in mind, C.I. TAKIRON initiated a scenario analysis based on the TCFD recommendations and proceeded with a qualitative business impact assessment of each of the identified risks and opportunities in light of overall scenarios featuring a 1.5°C and 4°C increase in temperature. We will continue to analyze the risks and opportunities by progressively considering specific measures to address them as we move forward with the financial impact assessment.

Anticipated Risk Items			Antic-ipated Element	Anticipated Business Impact			
Broad Cate-gorization	Intermediate Categorization	Detailed Categorization		Risks	Evalu-ation	Opportunity	Evalu-ation
Transition Risk	Policy / legal / regulatory	GHG emissions prices (Carbon pricing, carbon tax, etc.)	Net sales Costs	• Increased costs due to the introduction of a carbon tax • Increased costs due to purchase of emission credits	Major	• Increase in use of low-carbon raw materials that lead to reduction of GHG emissions • Market expansion through expansion of low-carbon products	Major
	Technology	Development of energy conservation and renewable energy	Costs	• Increased energy costs • Increased costs due to investment in power generation facilities	Mod-erate	• Increasing the ratio of renewable energy to eliminate the impact of carbon pricing	Mod-erate
	Market	Changes in customer need	Net sales Costs	• Decrease in demand due to delay in low-carbon transition	Major	• Expanded product sales due to switching to and development of low-carbon products	Major
		Changes in water and raw materials procurement volumes	Net sales Costs	• Cost increase due to transition to low-carbon raw materials • Danger of product type consolidation due to restrictions on procurement of fossil-derived raw materials • Decrease in demand due to shift to unit sales prices	Major	• Securing stable supply through by establishing circulatory business operations	Mod-erate
Physical Risk	Acute Risk	Natural disasters	Net sales Costs	• Damage and suspension of operations due to disaster • Supply chain fragmentation • Decrease in demand due to suspension of shipping operations	Major	• Reputation improvement through enhanced disaster preparedness training • Expanded sales and market for disaster countermeasure products	Major
	Chronic risks	Change in precipitation patterns	Net sales Costs	• Damage and suspension of operations due to disaster • Increased costs related to heavy rainfall countermeasures expenses • Supply chain fragmentation	Major	• Reputation improvement through enhanced disaster preparedness training • Expanded sales and market for disaster countermeasure products	Mod-erate
		Average temperature increase	Net sales Costs	• Increased energy costs • Increase in GHG emissions • Increased risk of heat stroke among employees • Increased risk of quality deterioration	Major	• Cost reduction through DX • Expanded sales for and market for extreme heat mitigation products	Major
		Sea level rise	Net sales Costs	• Increased risk of damage to production sites near oceans and rivers • Supply chain fragmentation	Major	• Reinforcement of production backup systems • Expanded sales and market for products in demand for disaster recovery	Major

Material Flow and Total Emissions Management

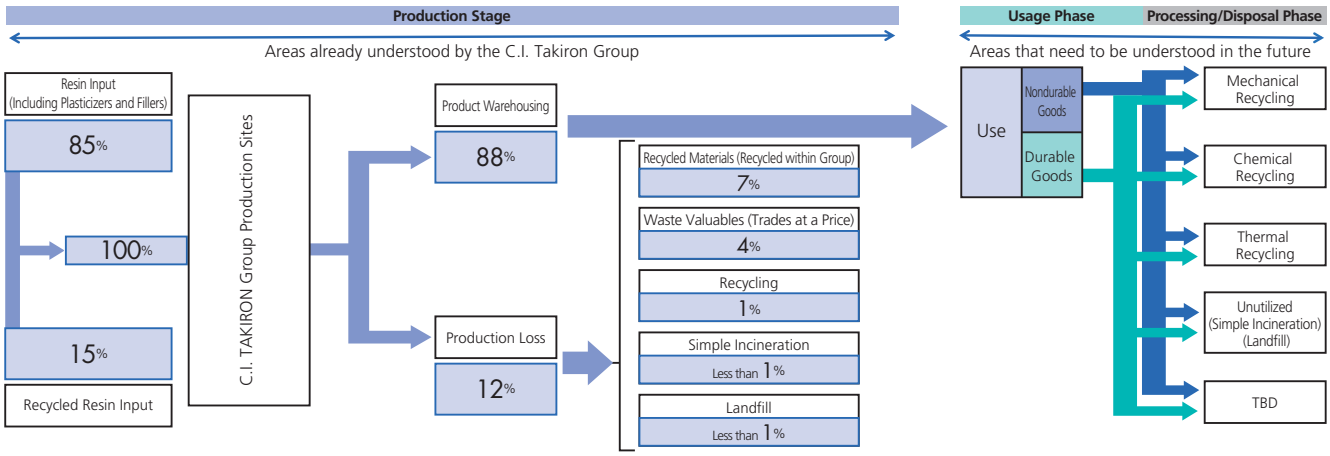
(1) Reduce Emissions of Plastic Industrial Waste

Our definition is: total waste emissions (waste + exclusive use materials) ÷ incoming volume = total waste emissions per unit of production. Using this definition, we achieved our target of a 1% year-on-year reduction in fiscal 2021.

Of our resin input, 88% is warehoused as finished product, while the remaining 12% is subject to emissions reduction action including recycling.

(2) Development of Environment-friendly Products

The environmental impact assessment checklist for the design review system used in internal product development was revised to link it to the environmental considerations in the government's Guidelines for the Design of Products Using Plastics, and the SDGs. We will continue our efforts to develop products and systems from a 3R + Renewable perspective.



Human Resource Strategies

Message from the Executive Officer in Charge of Human Resources

We aim for human resource management that matches the growth of the individual with the direction of the company.

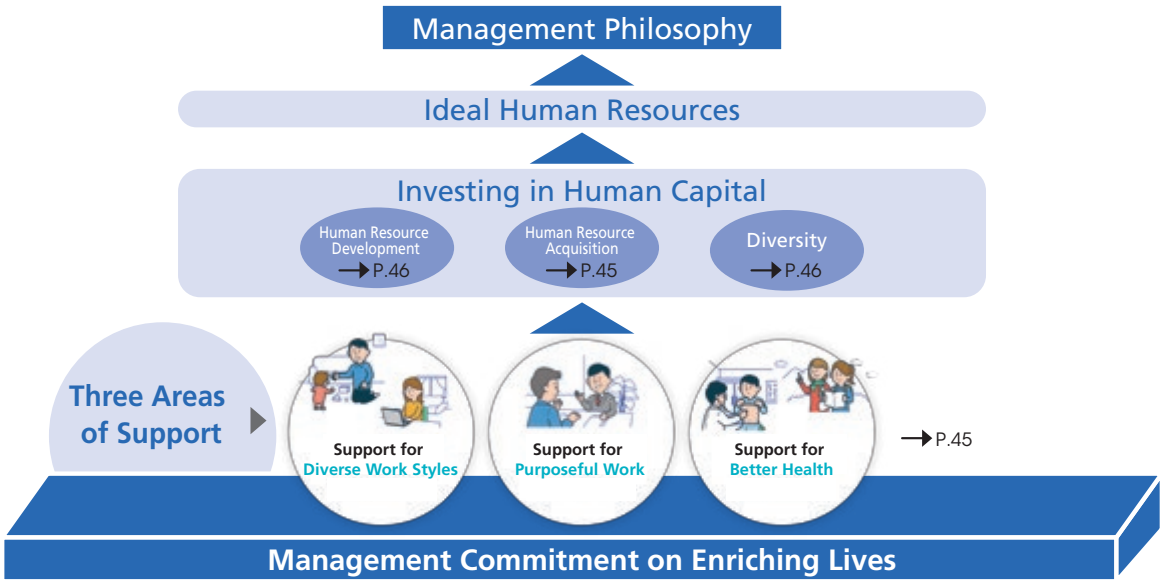
Since fiscal 2019, under the name of Management Commitment on Enriching Lives, we have been working to build systems and raise awareness for our initiatives to support diverse work styles, support purposeful work, and support better health. In response to the advances in uses of information technology and new ways of working that have taken root amid the COVID-19 pandemic, we are working to improve the work environment with an eye toward the post-COVID era.

In order to achieve the goals of our CX2023 Medium-term Management Plan launched in fiscal 2021, we need to quickly assign the right personnel to the right positions based on the early establishment of a company-wide human resources strategy. While focusing on strengthening the recruitment and training of excellent human resources with taking medium- to long-term health management into account, we will also flexibly promote the acquisition and deployment of personnel who can be immediately effective players.

On the other hand, it is essential that each employee take responsibility for his or her work and develop the skills and mindset it takes to be highly motivated to get things done. In fiscal 2023, we will establish a talent management system and improve the skills of each individual in accordance with a meticulously designed and systematized human resource development plan. Also, keeping in mind our stated materiality, Cultivating a Corporate Climate Supporting Value Creation, we aim to improve employee's engagement in work and promote the active participation of women, thereby deepening our growth from that of the individual to that of the Group.

Noboru Fukushima
Executive Officer
Chief Operating Officer of the Corporate Administration Div.

Human Resource Strategy System



Human Resource KPIs

Item		KPI				
		FY2021 Targets	FY2021 Results	Corporate Self-assessment	▸	FY2023 Targets
Diversity-related	Ratio of women in leadership positions*	—	4.6%	—	▸	5.0%
	Ratio of female employees in career-track positions*	—	16.4%	—	▸	20.0%
	Ratio of employees who return to work after leave	75%	81%	○	▸	80%
	Rate of in-house D&I course participation	100%	100%	○	▸	100%
	Level of understanding regarding D&I identified through surveys conducted after training	40%	90%	○	▸	60%
Engagement-related	Employee work engagement score	—	2.5pt	—	▸	3.0pt
	Employee loyalty score	—	2.8pt	—	▸	3.0pt

*Items newly established based on fiscal 2021 results

Initiatives to Evolve the Management Base

Improve Employee Work Engagement

Career formation support for employees

(1) Feedback interview for achievement-based assessment of the prior-year
(2) Interviews for current fiscal year goal-setting (once a year)
(3) Mid-term review interview for current fiscal year goals (once a year)
(4) Skill-based assessment interview (once a year)
(5) Career consulting (once a year)

Survey of All Employees Conducted

Aggregate analysis of engagement scores based on response results by company/department

Safety Activities at Group Production Sites

→See page 66 for details

Human Resource Acquisition

[Ideal Human Resources]

Communicate, Commit, Be Proactive.

Take Initiative and Drive Forward

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

Toward Success with the Medium-term Management Plan CX2023

Toward Improving Employee Work Engagement

Tatsuya Uchida
Chief Operating Officer of the Corporate Administration Div. and Human Resources and General Affairs Dept.

We will promote human capital investment by setting Work Engagement and Loyalty scores as medium-term KPIs for the growth of each employee and the productivity of our company.

Medium-term Management Plan and Materiality Management Committee, established in fiscal 2021 under the direct control of the Board of Directors, monitors KPI progress monthly, identifies issues based on quantitative measurements, and works to resolve them through planning and improving measures.

We conduct an annual employee survey to measure how successfully the Management Commitment on Enriching Lives is spreading and taking root. The results are analyzed using HR technology, leading to the definition of issues and the development of specific actions. In fiscal 2021, we specified "a sense of accomplishment" as our key phrase for efforts to improve employee engagement. In fiscal 2022, Management Training for all Managers was implemented as a measure to improve employee achievement.

Management Commitment on Enriching Lives

充実人生
経営宣言

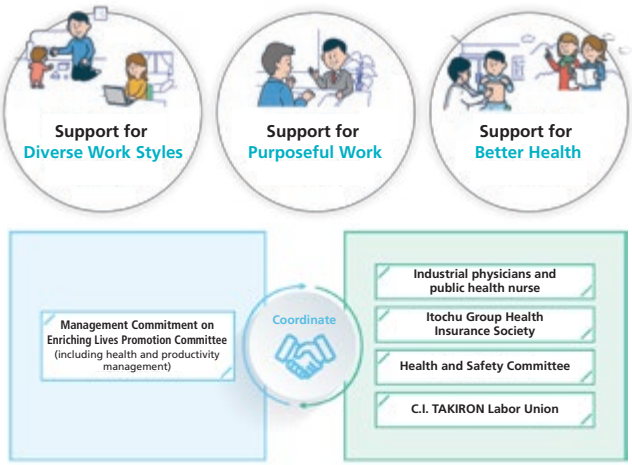
Our company provides a quality workplace where employees can work easily in accordance with the Management Commitment on Enriching Lives, and employees contribute to the lasting growth of the company through realization of the Ideal Human Resources concept.

2022
健康経営優良法人
Health and productivity

In fiscal 2022, C.I. TAKIRON was certified for the third consecutive year as an outstanding organization for health management under the Certified Health & Productivity Management Organization Recognition Program 2022. We will continue to strengthen our Management Commitment on Enriching Lives related initiatives with the aim of becoming a White 500 company.

Important Measures for the Management Commitment on Enriching Lives

C.I. TAKIRON strives to encourage the formulation and use of programs with these important measures at the core to support a better life for our employees. 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.



- Telework Implementation Rate
  FY2020 48% to 69% ▶ FY2021 48% to 67%
  *Scope: Employees working at offices.
- Smoking Rate
  FY2020 29.6% ▶ FY2021 27.1%
- Rate of Paid Leave Taken by Employees
  FY2020 88.2% ▶ FY2021 89.4%
- Specific Health Guidance Implementation Rate
  FY2020 32.8% ▶ FY2021 60.2%

Investing in Human Capital

Human Resource Acquisition

With an eye on rapid technological advances in the business field and an increasingly uncertain and opaque business environment, we are strengthening the hiring of new graduates in order to nurture the next generation of human resources from a medium- to long-term perspective. In mid-career hiring, we acquire personnel with the experience and expertise to become immediately effective, in order to respond quickly and flexibly to changes in the business environment. In both new graduate and mid-career hiring, we select personnel in accordance with our workforce plan and our Ideal Human Resources Concept.

We also encourage the use of reemployment programs so that senior personnel can work longer with their wealth of experience.

Strengthening New Graduate Employment

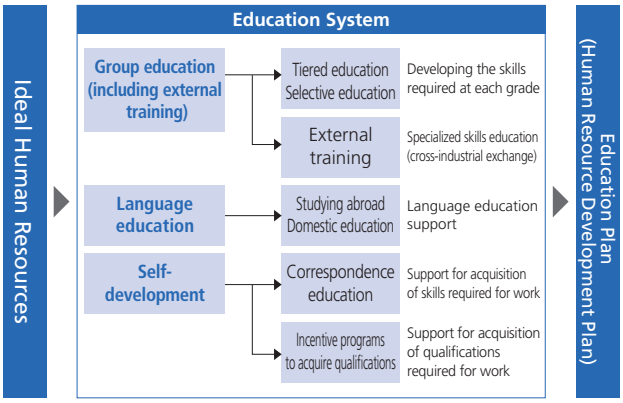
In 2021, we overhauled our graduate recruitment process. Employees of various ages and job types participate in company information sessions and initial screenings (group discussions). This increases contact with employees other than those in charge of human resources, and helps students better envision what it would be like to work at our Company. A competency interview is introduced in the second round (personal interview). We evaluate students by focusing on their behavioral characteristics, aiming to hire people who are closer to our Ideal Human Resources Concept. As a follow-up to the job offer, we go on to hold informal social gatherings and pre-employment training sessions.

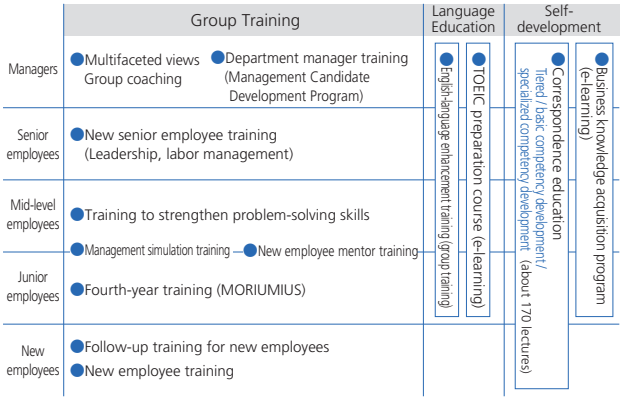
Throughout the entire selection process, our aim is to increase the desire to join C.I. TAKIRON by helping people understand our strengths and encourage them to empathize with our business, thereby increasing their loyalty once they join us.

Human Resource Development / Company-wide Education Policy

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 to grow on their own initiative. We have designed education programs according to the career paths of our employees, ranging 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, and incentive programs to acquire qualifications.

Group-wide Education System





Diversity & Inclusion

We believe that respect for diverse human resources regardless of physical or non-physical differences as well as understanding 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.

The Minister of Health, Labor 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.

- New Female Graduate Employment Ratio
  FY2020 30.8% ▶ FY2021 28.6%
- Acquisition Ratio of Childcare Leave for Employees
  FY2020 100% ▶ FY2021 100%
- Number of Career Employees Hired
  FY2020 — ▶ FY2021 8
- Number of Employees Taking Childcare Leave
  FY2020 36 ▶ FY2021 32
- Employment Ratio of Disabled Persons
  FY2020 2.34% ▶ FY2021 2.12%
- Ratio of Employees Returning from Childcare Leave
  FY2020 100% ▶ FY2021 100%
- Ratio of Employees Who Return to Work after Leave
  FY2020 76% ▶ FY2021 81%
- Rate of In-house D&I Course Participation
  FY2020 — ▶ FY2021 100%
- Level of Understanding Regarding D&I Identified through Surveys Conducted after Training
  FY2020 — ▶ FY2021 90%

TOPIC MORIUMIUS Training

C.I. TAKIRON offers training for junior career-track employees at MORIUMIUS, a lodging facility in Ogatsu-cho, Ishinomaki City, Miyagi Prefecture. After the five-day, four-night training camp, participants work in groups, then present their results to the President and Division Chief Operating Officer.

MORIUMIUS is a sustainable training facility that utilizes an abandoned school that is over 90 years old. The purpose of the training program is to think about a recycling-oriented society, how to contribute to the local community, and the meaning of one's own work, while interacting with rich nature using all five senses and learning diverse values.

Comment from a Participant in the Fiscal 2022 Training

"My understanding of a recycling-oriented society was deepened by this hands-on experience with agriculture, forestry, and fishery that I lack in my day-to-day life. Listening to the stories of people with diverse values and careers made me think very deeply about how to develop a vision for my own career.

"The task of trying to imagine C.I. TAKIRON 30 years from now was a difficult one, but it was very informative, since we were able to exchange opinions from sales, technology, development, and other perspectives. I was able to meet with my colleagues, which wasn't possible during the COVID-19 pandemic, and I feel that we have become more united."

Employees who participated in the training

Enhance Corporate Governance

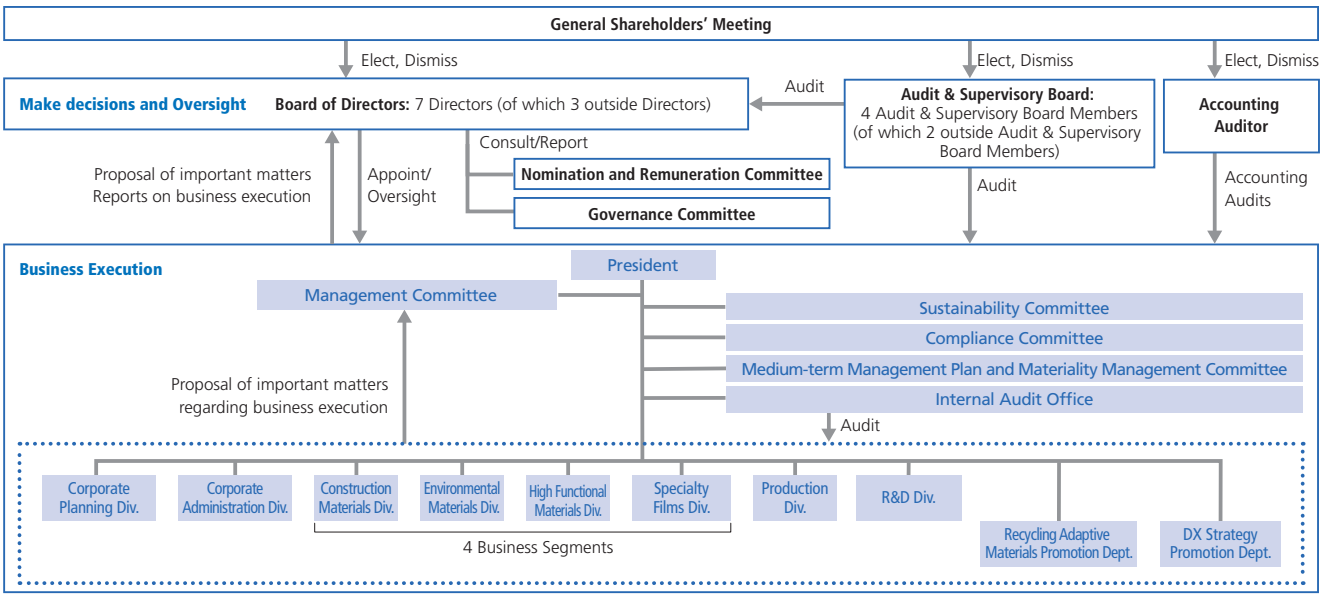
Basic Philosophy

C.I. TAKIRON earns the trust of all of its shareholders and other stakeholders by improving the efficiency and transparency of management. We recognize that strengthening corporate governance is a top management priority in achieving sustainable enhancement of corporate value.

Basic Policy on Corporate Governance

1. We will strive to rapidly disclose information to ensure effective equal treatment of shareholders 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 the relevant laws and regulations 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 oversight 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 investors, to bring understanding about its corporate management strategy and management plan.

Corporate Governance Framework



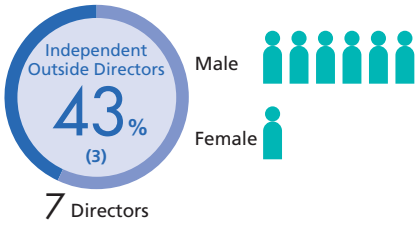
*For details, see the Corporate Governance Report. https://www.takiron-ci.co.jp/corporate/governance.php

Initiatives to Strengthen Corporate Governance

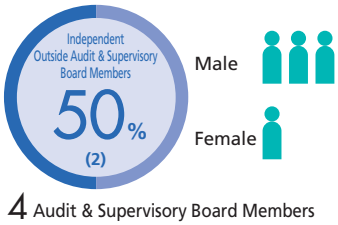
	FY2000 -	FY2015 -	FY2020 -
Organizational Structure	2000 ● Introduction of an executive officer system	2018 ● Establishment of the Nomination and Remuneration Committee	2020 ● Introduction of the Group Executive Officer System 2021 ● Establishment of the Governance Committee
Directors Audit & Supervisory Board Member	2000 ● Amendment to the number of directors in the Articles of Incorporation (no more than 20 to no more than 12) ● Changes in the number of Directors (17 to 9) 2011 ● Appointment of an independent outside director (1)	2018 ● Increase in the number of independent outside directors (1 to 2)	2020 ● Increase in the number of independent outside directors (from 2 to 3, comprising more than 1/3) ● Increase in the number of independent outside Audit & Supervisory Board Members (0 to 2) ● Diversity of the Board of Directors and Audit & Supervisory Board Members (Appointed one female director and one female Audit & Supervisory Board Member)
Effectiveness Evaluation		2017 ● Implementation of an effectiveness evaluation for the Board of Directors (conducted every year since implementation)	
Nomination and Remuneration		2018 ● Introduction of a Stock Remuneration System (Share Delivery Trust)	2020 ● Appointment of an Independent Outside Director to Chair the Nomination and Remuneration Committee 2021 ● Revision of Existing Stock Remuneration System (Share Delivery Trust) and Introduction of a Performance-Linked Stock Remuneration System ● Introduction of a Restricted Stock Remuneration System ● Disclosure of the Skills Matrix for Directors and Corporate Auditors
Other		2019 ● Strengthening Systems for Dialogue with Shareholders (Investors) (established a new department specializing in IR)	2021 ● Enhancement of Feedback to the Board of Directors on IR activities

Composition of the Board of Directors and Audit & Supervisory Board

Board of Directors



Audit & Supervisory Board



Nomination and Remuneration Committee

C.I. TAKIRON set up a Nomination and Remuneration Committee as an advisory body to the Board of Directors with majority of the members made up of independent Outside Directors, 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.

Results

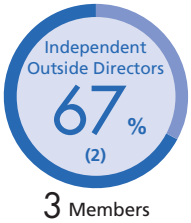
The committee met 10 times in accordance with the annual plan (from July 2021 to June 2022) formulated after the election of officers in June 2021.

Main Committee Agenda

1. Election criteria for director, Audit & Supervisory Board Members, and executive officer candidates
2. Examination of independent election proposals for directors, Audit & Supervisory Board Members, and executive officers
3. Matters related to the appointment and dismissal of representative and executive directors
4. Remuneration system for directors and executive officers
5. Examination of processes to determine remuneration for directors and executive officers

Composition of the Committee

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



Governance Committee

We set up a Governance Committee made up of a majority of independent Outside Directors as members, including its chairperson, as an advisory body to the Board of Directors in order to enhance the level of our corporate governance.

Results

The Governance Committee met 9 times in accordance with the annual plan (from August 2021 to June 2022) formulated upon its establishment.

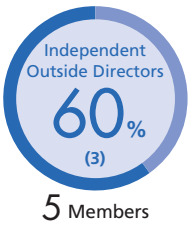
Main Committee Agenda

1. Important governance matters
2. Effectiveness Evaluation of the Board of Directors
3. Material transactions or actions that conflict with the interests of the controlling shareholder and minority shareholders*

*Deliberations only involve committee members with autonomy, including independent Outside Directors.

Composition of the Committee

Committee Chairperson	Kenichi Hatano Independent Outside Directors
Members	Kazuya Saito Director President Yoshiko Kosaka Independent Outside Directors Takeshi Kaide Independent Outside Directors Takashi Araki Independent Outside Audit & Supervisory Board Members

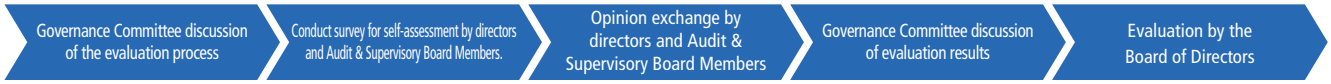


Initiatives to Improve Effectiveness

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 2021 is shown below.

Analysis/evaluation methods



Items Improved in FY2021

● **Enhancement of discussions from a medium- to long-term perspective:**
In April 2021, the Medium-term Management Plan and Materiality Management Committee began operating as a mechanism to implement systematic, ongoing deliberations.

● **Strengthening of the system to improve governance:**
Effective August 1, 2021, C.I. TAKIRON established the Governance Committee to deliberate important governance-related matters and serve as an advisory body to the Board of Directors.

● **Broader diversity on the Board of Directors:**
We identified the skills that we believe are necessary for our Board of Directors in light of our medium- to long-term management strategy, and then created a skills matrix to gain an understanding of the current situation.

● **Building officer remuneration systems that are consistent with the management strategy:**
We revised the existing stock remuneration system (share delivery trust) and introduced a performance-linked stock remuneration system, as well as a restricted stock remuneration system at the June 2021 General Shareholders' Meeting to raise awareness of Directors to contribute to improving the medium- to long-term performance and dramatically enhancing corporate value.

● **Feedback from dialogue with shareholders (investors):**
We reported to the Board of Directors on the status of IR activities and opinions received from shareholders and investors.

FY2021 Effectiveness Evaluation and Future Measures

● **Evaluation results:**
C.I. TAKIRON received an overall positive evaluation for its measures to strengthen the governance structure and invigorate deliberations by the Board of Directors, which was determined to be functioning appropriately and ensuring effectiveness.
We will promote measures to improve the five items below as priority issues in an effort to further enhance the effectiveness of the Board of Directors.

● **Priority Issues:**
(1) Expansion of discussions from a medium- to long-term perspective
(2) Compilation of basic ideas for deepening governance
(3) Expansion of management support programs
(4) Strengthening measures on sustainability issues
(5) Enhancement of dialogue with shareholders and investors

Executive Officer Training Policy

C.I. TAKIRON operates under the basic policy of supporting the development of directors and Audit & Supervisory Board Members necessary to properly fulfill their roles and responsibilities. We conduct the training below for directors and Audit & Supervisory Board Members. When Directors and Audit & Supervisory Board Members are newly appointed, training is provided on matters including compliance and corporate governance. In addition, when new Outside Directors and Outside Audit & Supervisory Board Members are appointed, they are briefed on our business and other matters.

We provide training opportunities on an ad hoc basis so that Directors and Audit & Supervisory Board Members can continue to acquire and study the knowledge necessary to fulfill their responsibilities after assuming office.

We build an environment to nurture awareness and skill from an early stage even in executive officers and other management who are future director and Audit & Supervisory Board Members candidates, such as mandatory participation in external training about matters necessary to corporate management.

Lectures and Other Events on Specific Themes (FY2021)

Corporate culture reforms to achieve the Medium-term Management Plan	Dept. Manager and above
Decarbonized society and climate change	Dept. Manager and above
Risk management: critical risk identification	Management Committee members

*For details, see the Corporate Governance Report. https://www.takiron-ci.co.jp/corporate/governance.php

Executive Remuneration

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

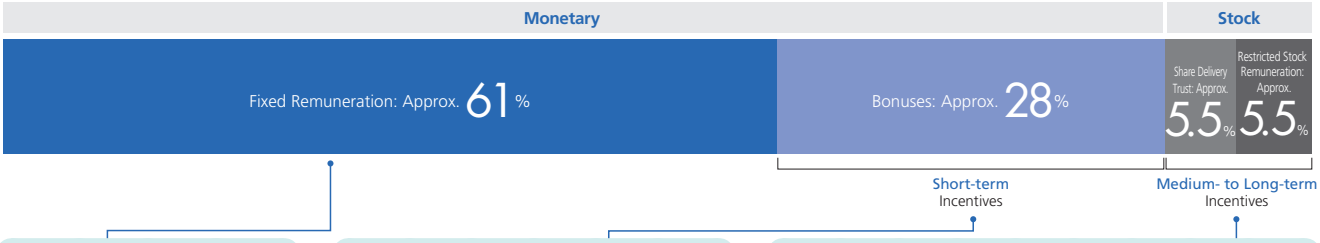
Basic Policy

1. We shall provide remuneration linked to medium- to long-term corporate value to realize sustainable growth.
2. We shall encourage all to independently and actively take on challenges without fearing failure.
3. We shall assess our competitors and set standards thought appropriate for C.I. TAKIRON in recruiting and retaining outstanding human resources.
4. 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, short-term incentives (bonuses) as performance-linked remuneration, and 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 Composition Ratio



Fixed Remuneration

C.I. TAKIRON determines fixed remuneration as monthly compensation based on the role assigned according to the performance and skills of executive officers as well as an evaluation of the magnitude of contributions to management in that role.

Short-term Incentives (Bonuses)

Bonuses should raise awareness about improving business performance each fiscal year and must reflect the level of achievements related to annual consolidated operating profit and net income. C.I. TAKIRON also reflects qualitative and quantitative evaluations of each executive officer in the calculation of bonuses to pay at a certain time each year.

Medium- to Long-term Incentives (Stock Remuneration)

Medium- to long-term incentives consist of a share delivery trust (performance-linked remuneration) and restricted stock remuneration.

In regard to the share delivery trust, converts and pays shares in proportion to the number of points assigned to each executive officer according to the level of success in accomplishing medium-term management plans is converted and paid at the time of retirement. Restricted stock is paid in advance at a certain period each year to enhance corporate value and share values with shareholders.

Calculation Formula for Performance-linked Compensation

Bonuses = (standard amount × performance achievement rate*) + (standard amount × individual evaluation coefficient)

* Consolidated operating profit and consolidated net income

Stock remuneration (Share Delivery Trust) = basic ownership points by position × Medium-term Management Plan achievement rate

Protection of Minority Shareholders

In order to protect minority shareholders, C.I. TAKIRON determines transactions with parent ITOCHU Corporation in a fair and appropriate manner based on reasonable judgments, paying attention to the necessity of each transaction and the fact that the terms of each transaction do not differ significantly from those of ordinary transactions with third parties. Purchase transactions for raw materials and other items are determined based on market prices.

In addition, we strictly manage all transactions in accordance with the various rules and regulations established in advance. In particular, for important transactions with the parent company, we confirm the appropriateness and reasonableness of such transactions after consulting and receiving a report from the Governance Committee. The Board of Directors believes that the appropriateness and rationality of the transactions are ensured and that the transactions are not detrimental to our interests.

The following is an excerpt from the ITOCHU's Policy on the Governance of its Listed Subsidiaries of ITOCHU Corporation.

ITOCHU Corporation

ITOCHU's Policy on the Governance of Its Listed Subsidiaries (excerpt)

"ITOCHU respects the autonomy of listed subsidiaries and prohibits any acts that contradict the principle of shareholder equality. In particular, with the recognition that there is a potential conflict of interest between ITOCHU and the minority shareholders of these listed subsidiaries and in order to secure the independent decision-making of these listed subsidiaries, we request these listed subsidiaries to set up a governance structure under which functions of their independent Outside Directors are well assured."

Compliance Risk Management

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

Compliance

Basic Philosophy

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

Also, 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 defines the following four items as a basic policy.

In anticipation of revisions to the Whistleblower Protection Act, we have revised the program and established a system adapted to the revised law.

Basic Policy

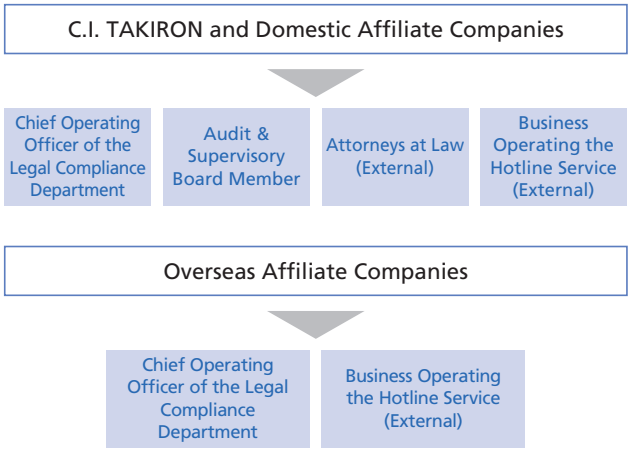
1. Create a sound organizational culture and climate
2. Establish and maintain a proper system
3. Maintain a high level of awareness about compliance
4. Fair and impartial compliance

Main Compliance Results for FY2021

Violations of laws and regulations in the socio-economic sector	There are no such violations in FY2021.
Violations of environmental laws and regulations	There are no such violations in FY2021.
Number of Internal Report Submissions	55

Compliance System

Internal Reporting System (Hotline)



Main Activity Results for FY2021

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
	In anticipation of revisions to the Whistleblower Protection Act, revision of the compliance program and preparation of a manual for employees to ensure that all are aware of the revised law
Education/ Enlightenment	Compliance Training for all officers and employees (either by webinar or by viewing recorded materials)
	Harassment e-learning for all officers and employees
	Publication of guidebook on the Internal Reporting System (Hotline) and dissemination of its content among all officers and employees
	Dissemination of compliance-related information (twice) among all officers and employees
	Training for persons in charge of compliance (webinar)
Surveys	Compliance awareness-raising among all officers and employees
	Year-end monitoring review questionnaire for all persons in charge of compliance

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, production planning department, purchasing department, finance and accounting department, quality assurance department, legal affairs department, intellectual property department, business support department, human resources and general affairs 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

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

Identification and Evaluation of Risk | **Review**

Conduct Risk Surveys ⇒ Analyze/Evaluate Risk ⇒ Identify Critical Risks ⇒ Determine Measures Against Risks ⇒ Gain Management Approval ⇒ Execute Measures Against Risks ⇒ Report to Management

(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 Conference based on the results of the measures against risks for the current fiscal year.

FY2022 Selection of Critical Risk Management Items

Risk Management Items	Risk Category	Supervising Department	Risk Items	Assessment Department
Purchasing Risks	Corporate	Purchasing Department	(1) Procurement risk due to dependence on specific suppliers that do not have BCP measures in place (2) Risk of discontinuation of production of key business products due to poor raw material procurement	Corporate Planning Department
Quality Assurance Risks	Operational	Quality Assurance Department	(1) Risk of loss of social credibility and termination of transactions due to non-performance of external quality-related contracts (third-party certifications, customer-submitted documents). (2) Risk of serious product accidents and recalls due to product defects	–
Plant disaster risk	Operational	Production Planning Dept.	(1) Occupational accident risk (2) Plant fire risk	–
Human resources risk	Operational	Human Resources and General Affairs Department	(1) Risk of labor shortages in Group companies	–

Directors, Audit & Supervisory Board Members, and Executive Officers (as of June 28, 2022)

Directors

Representative Director President
Kazuya Saito

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

Representative Director Executive Vice President
Yuji Fukuda

1979 Joined ITOCHU Corporation
2022 Representative Director Executive Vice President of C.I. TAKIRON (current position)

Director
Kenichi Hatano Outside Independent

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

Director
Yoshiko Kosaka Outside Independent

2003 Registered as attorney at law
2016 Joined Irokawa Law Office (currently Irokawa Legal Professional Corporation) (current position)
2020 Director of C.I. TAKIRON (current position)
2022 Outside Audit & Supervisory Board Member of Kanemitsu Corporation (current position)

Audit & Supervisory Board Members

Audit & Supervisory Board Member
Toshiro Okajima

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

Audit & Supervisory Board Member
Masamichi Kanatomi

1990 Joined ITOCHU Corporation
2022 CFO of the Energy & Chemicals Company, ITOCHU Corporation (current position)
2022 Audit & Supervisory Board Member of C.I. TAKIRON (current position)

Skills Matrix for Directors and Audit & Supervisory Board Members

	Skills	Corporate Management	Environment/ Social	Finance/ Accounting	Talent Development	Legal/ Governance	Sales/ Marketing	Technology, R & D	Global
Directors	Kazuya Saito	●	●			●	●		●
	Yuji Fukuda	●		●	●	●	●		●
	Takahisa Miyake	●					●	●	
	Akihiro Ueda	●				●	●		●
	Kenichi Hatano Outside Independent	●			●		●	●	
	Yoshiko Kosaka Outside Independent			●		●			
	Takeshi Kaide Outside Independent	●					●		●
Audit & Supervisory Board Members	Toshiro Okajima		●		●	●		●	
	Masamichi Kanatomi	●		●		●			●
	Masako Osuna Outside Independent	●	●		●		●		●
	Takashi Araki Outside Independent	●		●		●			

*For details, see the Corporate Governance Report. https://www.takiron-ci.co.jp/corporate/governance.php

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

Takahisa Miyake

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

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

Akihiro Ueda

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

Director

Takeshi Kaide

Outside Independent

1979 Joined Mitsui Petrochemical Industries, Ltd. (currently Mitsui Chemicals, Inc.)
2022 Director of C.I. TAKIRON (current position)

Audit & Supervisory Board Member

Masako Osuna

Outside Independent

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)
2022 Outside Director of EIZO Corporation [Audit & Supervisory Committee Member] (current position)

Audit & Supervisory Board Member

Takashi Araki

Outside Independent

1996 Joined Aoyama Audit Corporation (currently PwC Aarata LLC)
1997 Registered as 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 Registered as licensed tax accountant
2015 Head of Takashi Araki Tax Accounting Office (current position)
2020 Audit & Supervisory Board Member of C.I. TAKIRON (current position)

Nomination and Remuneration Committee	Governance Committee	FY2021 Board of Directors Meetings Attended	FY2021 Audit & Supervisory Board Meetings Attended
○	○	17/17	—
		—	—
		17/17	—
		17/17	—
○	◎Committee Chairperson	17/17	—
◎Committee Chairperson	○	17/17	—
	○	—	—
		17/17	19/19
		—	—
		15/17	19/19
	○	17/17	19/19

Managing Executive Officers

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

Executive Officer

General Manager of the Business Support Dept.	Tsutoshi Miki
General Manger of the Flooring and Decorative Materials Dept.	Kenji Matsui
Deputy Chief Operating Officer of the Production Div.	Kenji Watanabe
General Manger of the Tokyo Plant	Yukio Hiraiwa
DX Strategy Promotion Supervisor and General Manager of the DX Strategy Promotion Dept.	Ryojiro Ogawa
General Manager of the R&D Dept.	Akihiko Shiraishi
Chief Operating Officer of the High Functional Materials Div.	Takashi Yamasaki
General Manager of the Corporate Planning Dept.	Kazuhiro Kinpara
General Manager of the High Functional Materials Dept.	Tetsuya Tsukaguchi
Chief Operating Officer of the Corporate Administration Div.	Noboru Fukushima

Special Feature | Governance Roundtable

Listening to Our Governance Committee Members

What role should the Governance Committee play in enhancing corporate value?

Takashi Araki
Independent Outside Audit & Supervisory Board Member

Yoshiko Kosaka
Independent Outside Director

Kenichi Hatano
Independent Outside Director

Takeshi Kaide
Independent Outside Director

The revised Corporate Governance Code (CGC), which went into effect in June 2021, calls for the establishment of an agile risk management system that takes into account the rapidly changing business environment and ensures a higher level of corporate governance that is considerate of stakeholder demands.
In August 2021, C.I. TAKIRON established a Governance Committee to advise the Board of Directors. By deliberating on important governance matters and reporting back to the Board of Directors, the Governance Committee ensures the transparency and soundness of management and further enhances governance to increase corporate value.
Four Outside Officers who are members of the Governance Committee for fiscal 2022 and 2023 participated in this roundtable discussion on the role of the committee and its future prospects.

Members of the Governance Committee

Committee Chairperson	Independent Outside Director	Kenichi Hatano
Members	Director President	Kazuya Saito
	Independent Outside Director	Yoshiko Kosaka
	Independent Outside Director	Takeshi Kaide (new election)
	Independent Outside Audit & Supervisory Board Member	Takashi Araki (new election)

Agenda items for fiscal 2021 and 2022

- Conflict of interest (including system design for deliberation)
- Items for the Revised CGC (Portfolio)
- Effectiveness Evaluation of Board of Directors (evaluation process and results)
- Rearrangement of the Nomination and Remuneration Committee's organizational design
- Review of Governance Committee activities for fiscal 2021 and 2022
- Annual Plan for fiscal 2022 and 2023

Q1. It has been one year since the Governance Committee was established. What impressions do you have as you look back on your first year of activities?

Hatano: The Governance Committee convened seven times in its first year of establishment (August 2021 to June 2022). Discussions focused mainly on the revised Corporate Governance Code, including matters such as improving management transparency and strengthening the auditing function of the Board of Directors. In particular, much time was spent on deliberating potential conflicts of interest among controlling and minority shareholders, and on evaluating the effectiveness of the Board of Directors. As a result, we had to carry over some of our initial plan to the next fiscal year, but for the first year, I believe we were still able to operate and implement the program in a generally systematic and effective manner.

The committee engaged in lively discussions that included objective and professional perspectives from outside the company, three of its four members being independent Outside Directors. We believe that we were able to have a very effective discussion with President Saito, with input from the executive side. Director Kaide and Audit & Supervisory Board Member Araki will join the committee this fiscal year, bringing the total number of committee members to five. With this more fully enhanced structure, we plan to expand our discussions from medium- and long-term perspectives, including corporate governance guidelines and business portfolios, which are important issues for the current fiscal year.

Kosaka: I have been a member of the Governance Committee since last year. We established this committee with the ambitious idea of using it as a deliberative body that discusses our vision and strategy in ways that lead to increased corporate value, rather than a passive approach strictly limited to the mandates of the Corporate Governance Code. Because of our small membership, we are able to focus on enriching the discussions, and everyone actively expresses their candid opinions. Opinions are sometimes divided, but we are able to deepen discussions and come up with countermeasures, so I think we are functioning in a well-balanced manner.

Q2. What kind of discussions have you engaged in regarding conflict of interest, and what results have they produced?

Kosaka: We devoted a lot of time to deliberating conflict of interest between controlling and minority shareholders because this is a requirement of the revised Corporate Governance Code, and because it is one of the reasons the Governance Committee was established. As a result, we were able to identify a vast number of contracts and transactions with the parent ITOCHU Group, and after identifying trends, we were able to create new rules for deliberation. We appreciate the fact that the committee has established deliberation criteria through which we can explain to all stakeholders, including minority shareholders, that a given transaction has been determined to be fair and sound through the multi-perspective discussions involved in the deliberation process for new transactions, and in the formulation of items for deliberation. In examining transaction data, we received enormous cooperation from everyone in the secretariat. We are also very pleased with the way the board members and the corporate department were able to work together to make this happen.

Hatano: That really is true. I am grateful to the secretariat for the enormous task they accomplished. In order to create standards that can be applied on an ongoing basis, we started by organizing all transactions with the ITOCHU Group by category, and establishing rules to narrow down the scope of matters subject to deliberation. Specifically, these matters include the percentage increase in the ITOCHU Group's share associated with each transaction under consideration, and the minimum transaction value. We were also able to confirm the validity of the transaction price through quite specific verification, such as by comparing price quotes with those of other companies. At the same time, we have found that the ITOCHU Group provides us with useful support for the Group's stable business operations. This includes information on

PICK UP | Conflict of Interest Between Controlling and Minority Shareholders

The Corporate Governance Code requires listed companies with shareholders with a majority of voting shares (controlling shareholders) to ensure a highly transparent governance system and protect the interests of minority shareholders. Supplementary Principles 4-8 (3) states that "a special committee composed of independent persons, including independent Outside Directors, should be established," with a strong expectation that independent Directors will fulfill their functions.

procurement of raw materials from overseas and the outsourcing of certain operations. We believe that continued appropriate collaboration will lead to an increase in corporate value for both parties.

Based on the rules thus established and the information collected, we identified and scrutinized the transactions to be discussed, and found no unreasonable points from the perspective of protecting the interests of our minority shareholders, and confirmed that there were no problems with the transactions. The rules will be reviewed for appropriateness as we gain experience in deliberations, and will be revised as appropriate.

Kaide: I have thought long and hard about working relationships with parent companies in my recent career. Before taking on my current position as an Outside Director in June of this year, I was engaged in the management of a core operating firm in the Mitsui Chemicals Group, and one of my major themes was how to build a relationship of co-existence and co-prosperity with the parent. The solution we came up with was that the role of the operating company is to contribute to the Group's search for new business and to ensure a return to the parent company by generating a steady profit. In addition, it is critical to take full advantage of the parent company's management resources, and to eagerly link these to the operating company's own growth.

The greatest strength of the ITOCHU Group is its global network. I expect that it will be a very strong supporter of ours as we strengthen our overseas growth business. In the manufacture and sale of environment-friendly products using bioplastics, for instance, they could collaborate in the procurement of raw materials and the expansion of sales channels. I believe that we also need to be smart enough to take advantage of our parent company to ensure that these efforts will result in a return for our minority shareholders.

Araki: Last fiscal year, I was on the Board of Directors, on the side receiving the reports. There are no general guidelines regarding the investigation of ongoing transactions with controlling shareholders. It must have been a very arduous task building this from the ground up, but your reporting was very organized and clear. I think we have a great indicator for future deliberations.

Quantitative evaluation is essential for making accurate management decisions. My specialty, accounting, is one of the tools of governance in that it serves to coordinate the interests of stakeholders through figures. I have been participating as a committee member since fiscal 2022, and I would like to help develop a system to objectively determine whether the merits of parent-subsidiary listings are being fully utilized. I hope to do this by making use of my career of working with fairness that is not biased toward any particular stakeholder and valuation that quantitatively assesses corporate value.

PICK UP | Comments from the Secretariat (Sustainability Strategy Department)

Under the direction of the Governance Committee, the verification process began by extracting all transaction records with the ITOCHU Group during the previous year from the Finance & Accounting Department, Purchasing Department, and other related departments. I am glad that the analysis of basic information and categorization contributed to the smooth deliberation of conflict of interest in the committee. Now that you have specified clear criteria, from the second year, we have a system in place to check efficiently and with a high degree of accuracy.

The department's mission is also to deepen communication with external parties on all sustainability-related topics, including governance and the environment. We will continue to promote high-quality dialogue with our stakeholders, taking suggestions from the committee members.

Q3. What are the results of your efforts to evaluate the effectiveness of the Board of Directors, and what future challenges do we face?

Hatano: In the past, the results of self-assessment questionnaires by all Directors and Audit & Supervisory Board Members were discussed by the Board of Directors and utilized in the next year's initiatives, but the PDCA cycle was not fully implemented. We have therefore introduced a process whereby after the Board of Directors discusses the results of the survey, the Governance Committee summarizes the year's activities and identifies priority issues for the following year, then reports back to the Board of Directors on the results of the discussion. We feel that this has made future issues clearer and improved the effectiveness assessment process.

Kosaka: That's right. One of the issues highlighted was the need to expand discussion of medium- and long-term perspectives. While management issues for sustainable growth are of course discussed at board meetings, we believe it is necessary to look at business models and business portfolios from an objective, bird's-eye, and long-term perspective, and to propose specific issues that are more in-depth. Together with you, we were able to confirm that our policy is to have the Governance Committee take on that role in the future.

As a start, the Governance Committee decided to develop Corporate Governance Guidelines. Each one of the agenda items for the revised Corporate Governance Code has a lot of depth, so I think that redefining them in light of our company's current situation is very meaningful.

Hatano: Ms. Kosaka is right about the need for discussion from a medium- to long-term perspective. The business environment is undergoing drastic change, and there are a number of issues that will have a significant impact on our operations, such as decarbonization and the waste plastics problem. While addressing these issues, I believe we need to discuss from a broad perspective how to optimize and upgrade our business portfolio and improve our corporate value over the medium to long term.

In addition, in order to achieve sustainable growth for the entire Group, including its subsidiaries, it is necessary to accelerate aggressive management measures such as adding high value to existing businesses and creating new businesses. With regard to reorganization of the Group's management, since the business integration, we have been working to liquidate unprofitable businesses while reorganizing and integrating Group companies. It is vital that we continue to flexibly reorganize and integrate Group companies to improve management efficiency while developing a vision for new value creation and putting it into action.

Kaide: The other day, as I was shown the report of the Medium-term Management Plan and Materiality Management Committee, I found that the number of unprofitable projects in fiscal 2021 is a bit wide of the fiscal 2023 target, which was zero. Particularly in Japan, exiting a business is not a smooth process, and it takes time, so we would like to carefully check the monitoring process to see how each business condition is evaluated and how they are trying to improve it, and the conditions under which they would withdraw from it.

In addition, to achieve greater growth than organic growth, the company will also look at collaborations with other companies and mergers and acquisitions. The Governance Committee will be prepared to function robustly in examining potential risks in the event of an M&A with the ITOCHU Group. I hope that the executive side will be proactive in making proposals, and conversely, I think it would be good for us to encourage them to do so.

Araki: Having been involved in the management of C.I. TAKIRON for two years, my honest impression is that the foundations of the Group's management are well in place. We have established a consolidated budget management method and set up appropriate regulation of authority, including at affiliates and subsidiaries. You have brought up redevelopment of Group management as an issue, which I think comes down to how we can nurture budding growth with an eye to our future earnings portfolio. I believe we should increase the resolution of this discussion. How much risk and investment are you willing to tolerate based on future growth potential, assuming that the current profit base is secured? Personally, I would like to deepen this discussion with you all, drawing on my own experience and knowledge accumulated as a financial advisor involved in M&A and corporate restructuring, including PMI support.

PICK UP | Effectiveness Evaluation of the Board of Directors

Effectiveness of the Board of Directors is evaluated each year in order to improve its function. Since fiscal 2021, the Governance Committee is deliberating the evaluation process and the results to strengthen structure of promoting measures for priority issues concerning governance.

Q4. What are your thoughts on strengthening human capital for medium- to long-term growth?

Kosaka: We are aware of this as a topic we should focus more on in the future. Although we are committed to implementing the Management Commitment on Enriching Lives for all employees, the current employee work engagement scores and employee loyalty scores have not reached the target values. It is essential that we properly analyze the causes for this in order to strengthen our human capital. This is not just about numbers. It is an issue directly tied to the promotion of active participation of women, and the securing of excellent human resources in the future, which is naturally the most important factor that determines sustainable growth. The department in charge of human resources is also taking various steps, such as conducting multifaceted observations, and we will closely monitor the results.

Araki: I also see expansion of our human resource base as an unavoidable challenge in ensuring sustainability. In accomplishing that, I think it is indisputable that we need to take steps to encourage greater participation by women.

I once had the opportunity to visit the Okayama Plant during the lingering heat of summer, and saw more active participation by women than I had ever imagined amidst the heat of the film production facilities. While it is important to achieve targets for quantitative indicators such as the ratio of female managers, I feel that it is also important to make efforts to support women in demonstrating their abilities at manufacturing sites. Furthermore, I hope we can think in terms of how to create a workplace where not only women but also men, and employees in all positions can work loyally.

Kosaka: I agree with Mr. Araki's thoughts. As I spoke with people in the divisions responsible for initiatives to promote active participation of women, I sometimes hear comments such as "Why are women being told to be more 'active' when they are already working so hard?" or "Becoming a manager is not the only way to participate 'actively'." Indeed, I feel that the most important thing is for each employee, whether female or male, to be able to achieve a work style that brings happiness and fulfillment. On the other hand, in order to reflect diverse perspectives and sensibilities in management decisions, I believe that proactively increasing opportunities for women to participate in management is also a meaningful measure.

Kaide: I've come into business contact with European and American manufacturers with petroleum refineries, and saw how they actively promote women and non-white people. There were a few women who were selected to head business units overseeing global operations, and they were competent, talented, and sometimes formidable negotiators. When I asked an old acquaintance, a white male employee, about his true feelings, he expressed some dissatisfaction with personnel practices that appeared to be biased toward minorities. But even in those companies, the board members at that time were almost exclusively men. In Western companies where business management and execution are separated, diversity seems to have been promoted from the executive side. According to the data, meanwhile, Japan lags behind the rest of the world in terms of active professional participation and career promotion of women. We need to reflect on this greatly and take a serious strategic approach to working on it. I think it is necessary for us to make bold appointments during the transitional period while we recruit and train our employees well.

PICK UP | Site Visits by Outside Officers

The C.I. TAKIRON Group has more than 20 offices and manufacturing sites in Japan, including those of Group companies. Outside Officers are provided with opportunities to gain first-hand information through on-site inspections and to use this information as a basis for making management decisions. Outside Officers also appreciate the opportunity to learn more about the status of each location and affiliate company through plant tours and discussions with employees.

Q5. What are your thoughts on the role we should play in deepening Sustainability Management?

Kosaka: In our company, Sustainability Management means management that sees business and management from a societal perspective, and emphasizes communication with stakeholders, aiming for our corporate philosophy "Creating a people- and earth-friendly future".

As a manufacturer and seller of plastic products, we have developed many environmentally friendly products that meet the needs of society and help solve societal issues such as extreme weather and aging infrastructure, while pursuing the usefulness and potential of plastics. However, since our business is mainly B-to-B, I feel that we have not been able to introduce these efforts to the public at large. In light of the current situation where the toxicity of plastics has become an issue for society, I believe that it would be effective in enhancing our corporate value for us to actively communicate our vision for growth as a company that handles plastics to the outside world.

Kaide: I believe there are three necessary conditions for a company to be sustainable. The first is to be competitive. The second is the ability to respond flexibly to changes in the environment. The third is a rewarding sense of job satisfaction. The exact same thing goes for any industry. The sense I have from meetings and documents is that C.I. TAKIRON Group is a company that builds up its work in a very meticulous manner. Our base is well established, and I would like to use my experience as a manager in the plastics processing industry to support the executive side of the company's efforts to further evolve toward sustainable growth.

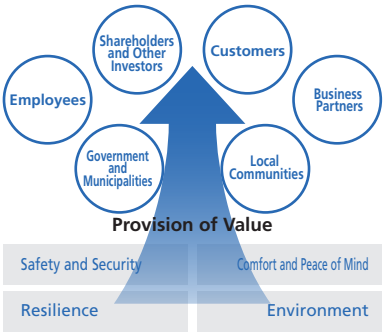
In addition, as a former manufacturer, I would like to consciously convey the attitude that safety takes precedence over everything else. We will ensure safety awareness throughout the workplace, and reemphasize our determination not to allow even a single accident to occur in our daily workplace operations. This is the kind of steady groundwork through which I want to support well-balanced management.

Araki: The key to Sustainability Management is to manage from a long-term perspective. I feel that the C.I. TAKIRON Group, which has been in business for over 100 years, has inherited the long-term perspective mindset that represents the beauty of traditional Japanese-style management. In this context, I still believe that the challenges are to clarify our vision for the environmental impact and environmental contribution of plastics, to evolve our management foundation in ways that are inclusive of women, and to revise our portfolio. As Mr. Kaide mentioned, the most important thing is to maintain competitiveness over the long term, so we need to simulate situations as we discuss what bottlenecks impede our progress, and what direction the industry will take in the future. Through the activities of the Governance Committee, I hope to be of help in any way I can.

Hatano: I think you're all exactly right about the direction we should take our Sustainability Management in, and the issues we face. The concept of Sustainability Management has already been systematically organized in the form of our Corporate Philosophy, Sustainability Vision, Action Guidelines, and definition of materialities, led by the Sustainability Strategy Department. We are currently in the phase of accelerating our efforts from a societal perspective, reviewing our materialities as needed in light of changes in the external environment and our contribution to the SDGs.

The most important thing is that all employees of the Group share these policies and act in unison. As we take pride in the accumulated traditions and culture that our Group has built, while contributing to society and cherishing dreams for the future, I believe that each and every one of us must take concrete actions to make Sustainability Management happen. Through the activities of the committee, I intend for us, the Outside Officers, to take the initiative in advancing discussions that will encourage everyone to pioneer the future.

Engagement 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.

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 and investors, we will strive to increase corporate value through high capital efficiency, fair and impartial information disclosure, proper return of profits, and sustainable growth.	Corporate Governance Department	General Shareholders' Meeting	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
		Sustainability Department	Integrated Report	Once a year
			ESG rating agency survey responses	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.	PR Department	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
			Inspection certificates	Daily basis
			Delivery specifications	Daily basis
		Customer Support Department	Contact Point for Inquiries	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
		Sustainability 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.	Sustainability 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.	PR Department	Messages from the President	Occasionally
			Various employee surveys (Implementation of surveys published in-house for each category of job training, etc.)	Occasionally
			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
			Regularly	Regularly/ Occasionally
		Each department	Personal interviews with superiors/ subordinates	Regularly

Customers

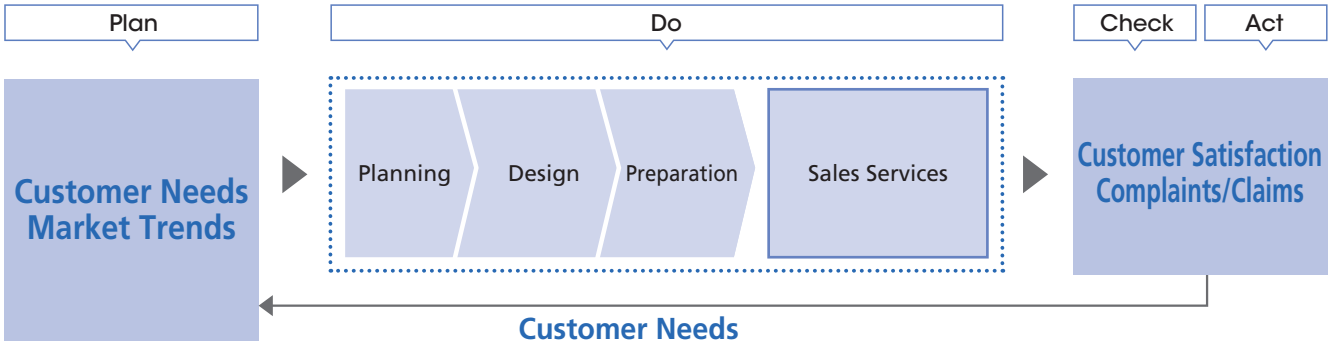
Quality Assurance Initiatives

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 standard as the core framework of our quality assurance activities (see the diagram below). Customer requests relating to products serve to clarify product and service needs, which we then reflect in at every stage of product planning, design and mass production. We have also established a system to provide new and improved products while closely examining such items as safety, quality, cost, and environmental impact. In order to respond to changes in the external environment and realize a sustainable society, we conduct SDG contribution evaluations and environmental conservation evaluations at the product design stage. We are particularly focused on strengthening our perspective on helping solve social issues.

Framework of the Quality Management System

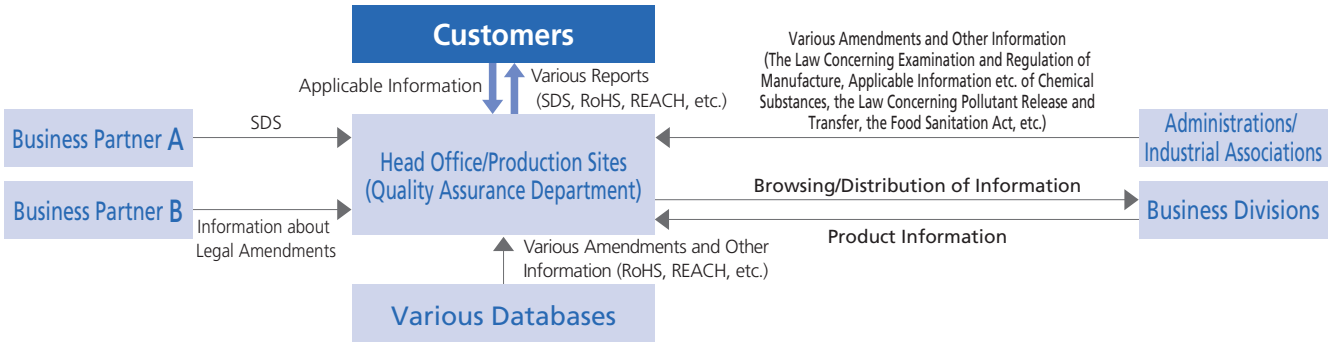


Handling Chemical Substances Contained in Products

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. Given our position in the middle of the supply chain, however, we will remain constantly aware of how we are handling substances of very high concern (SVHC), which are added from time to time, and we will communicate this information to our customers and respond appropriately.

We will respond appropriately to the recent strengthening of chemical substance regulations worldwide based on our response flow and provide information to our customers.

Handling Framework for Substances Contained in Products



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 understand our Material Procurement Policy and 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.

In fiscal 2021, the C.I. TAKIRON Group established our CSR Procurement Policy in order to build a sustainable supply chain. To date, our parent Company and domestic Group companies have explained our CSR Procurement Policy and CSR Procurement Policy Guidelines to suppliers whose transaction amounts exceed a size specified as equivalent to 90% of the total, and we have obtained their consent. In fiscal 2022, we will make further efforts to understand the status of our suppliers' ESG-related activities by utilizing the CSR Procurement Questionnaire.

C.I. TAKIRON Group CSR Procurement Policy (April 1, 2021)

1. Respect human rights and the labor environment
2. Safety and health considerations
3. Maintaining and strengthening environmental activities
4. Securing and improving safety and quality of finished products
5. Maintaining and strengthening information security
6. Complying fair trade and ethics
7. Promoting dialogues with local communities and actively contributing to society

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.

Flow of Internal System for Timely Disclosure

Promotion of Constructive Dialogue with Shareholders and Investors

We have put in place the policies below to establish systems and initiatives to encourage constructive communication with all shareholders, 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.

Local Communities / Government and Municipalities

The C.I. TAKIRON Group hopes to be a good neighbor to the local citizens of each community 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. As a manufacturer and seller of plastic products, we have identified addressing the global problem of marine plastic waste as one of our materialities in fulfilling the SDG of "Responsible production and consumption." Our related project is called "Waterside Clean Aid," in which employees and their families participate in volunteer activities to clean up beaches, rivers, lakes, and other areas as part of activities organized by each business and production site.

In addition, as a member of the community entrusted with society, we actively work to support sports promotion.

Coexisting with Communities in Areas around Business and Production Sites

Main Community Activity Results for fiscal 2021 Although some activities were canceled or curtailed due to the spread of COVID-19 infections, a total of 113 were held.

The number of Waterside Clean Aid activities, which are specified in our Medium-term Plan for Materiality as Item No. 5, Addressing the Marine Plastic Problem, was 85 compared to our target of 30, and the number of participants was 859, far exceeding the target of 300. In addition to (1) coping with the problem of marine plastic waste and contributing to the resolution of social issues, this activity is also part of our efforts to (2) learn about the environmental pollution caused by plastic products so that we can apply this knowledge to our own product development and 3R + Renewable initiatives, and (3) improve communication within the Group. Under our official banner of boosting our Waterside Clean Aid activities, we will increase the target number of participants in our activities to more than 1,000 in fiscal 2022 and beyond.

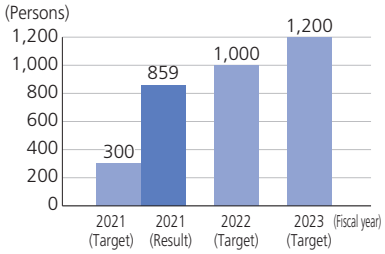
We will continue to work within the C.I. TAKIRON Group in each region to interact with local communities and support social activities.

Fiscal 2021 Community Activity Results

Waterside Clean Aid and Beautification Activities	85
Donations to local communities	14
Participation in weeding activities	5
Participation in community events and activities	2
Volunteer activities for community welfare	2
Cooperation with local school education	3
Blood drive, lifesaving and firefighting activities	2
Total number of times conducted	113

Official Mark of Waterside Clean Aid

Participants in Waterside Clean Aid Activities



Lake Biwa Beautification Campaign (Shiga Plant)

Seto River Beautification Association (Ibogawa Office)

Ibogawa Clean Project (TAKIRON TECH)

Riverbed cleanup and bulb planting (Hiratsuka Plant)

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 poolside's 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.

Employees

Message from the Chief Operating Officer of Production Div.

Building A Safe and Comfortable Workplace by Cultivating Employee Safety Awareness

This is the C.I. TAKIRON Group's health and safety policy for fiscal 2022. The safety and health of our employees takes precedence over everything else. This is because living an enriching life and maintaining safety and health will stimulate corporate activity, which will lead to value creation. Our Group therefore continues activities to improve a workplace where we can work safely and actively.

Through all-hands participation in "5S" activities (Sort, Set in Order, Shine, Standardize, and Sustain) and small-group improvement projects, we will first establish an open corporate culture in which employees can freely express their opinions, and then exchange opinions and standardize equipment specifications, work environment, and operational procedures in order to work safely within this culture. By enhancing each individual's sensitivity to hazards in this way, we will work to create a safe and comfortable workplace.

Hironori Kikuchi
Managing Executive Officer, Chief Operating Officer of the Production Division

Health and Safety Management System

Based on the C.I. TAKIRON Group's stated health and safety policy of "Building a safe and comfortable workplace by cultivating employee safety awareness," each C.I. TAKIRON Group company is developing and promoting health and safety activities to prevent occupational accidents and recurrences. We also mutually share and utilize information among our Group companies to build a system that promotes a higher level of health and safety as well as risk reduction.

Important Safety Measures

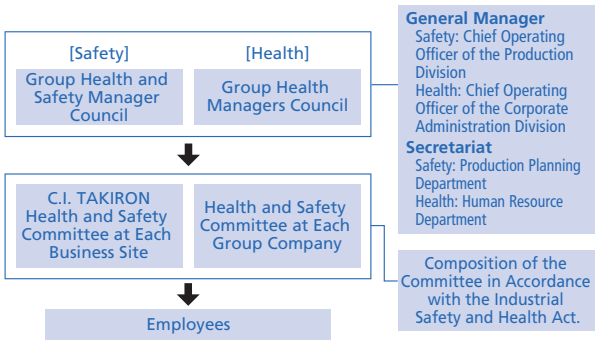
Important Measures

(1) Ensure awareness of and compliance with basic safety rules
(2) Foster safety awareness by reviewing rules that cannot be followed
(3) Practice measure to mitigate risks by thoroughly investigating accident factors
(4) Comply with relevant laws and regulations and fully respond to legal reforms

Provide education and practice basic safety activities

(5) Ensure candidates undergo secondary examinations necessary due to the results of physical examinations
(6) Ensure candidates undergo specific health guidance
(7) Ensure that no employees work prolonged hours due to overtime work

Framework of Health and Safety Activities for Group Companies



TOPIC Aiming for Zero Occupational Accidents through Safety Hands-on Training

Sensory training to heighten the ability of employees to anticipate danger is vital to prevent industrial accidents. TAKIRON introduced safety simulation equipment at the Aboshi Plant in fiscal 2017 and conducted this sensory training to heighten the ability of employees to anticipate danger. We conducted this training primarily at production sites around the Aboshi Plant in fiscal 2017. In fiscal 2018, we brought in safety simulators to production sites throughout Japan in order to provide on-site simulation training. As a result, at the end of fiscal 2019, the first phase of simulation training had been conducted at all C.I. TAKIRON plants and Group company production sites.

In addition, we started providing the second phase of simulation training in fiscal 2020. While the first phase focuses on hands-on experience with the dangers inherent in machinery, the theme of the second phase is to avoid underestimating hazards by taking behavioral psychology as the point of departure. The third phase of training focuses on unsafe behaviors through reflection on one's own behavior. By participating in multiple training sessions like these, we also aim to maintain ability to predict danger by employees.

Safety simulation room

We will continue to utilize VR-based experiential equipment to cultivate an intuitive understanding 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.

Safety Activities at Group Production Sites

C.I. TAKIRON Group conducts various activities at each production site with the health and safety committees at the core. In fiscal 2021, the following priority action items were implemented: (1) in-depth investigation of the causes of occupational accidents and implementation of more effective countermeasures by the Safety Review Board, and (2) identification of the level of safety management through safety management level assessment. Implementation of (1) and (2) will continue in fiscal 2022.

(1) Safety Review Board

Until fiscal 2020, we had primarily been pursuing causes and implementing countermeasures only at our own plants where occupational accidents had occurred. However, since the exclusive focus on our company's own plants lacked objectivity and was insufficient for studying countermeasures, we established a Safety Review Board with the participation of managers from neighboring plants. The purpose of the Safety Review Board is to receive suggestions from a third-party viewpoint, to identify in depth the causes of occurrences that would be difficult to notice in our own plants alone, and to take effective countermeasures. In addition, when we encounter cases that are applicable to other plants, we deliberate and share them cross-organizationally.

(2) Evaluated the Level of Safety Management

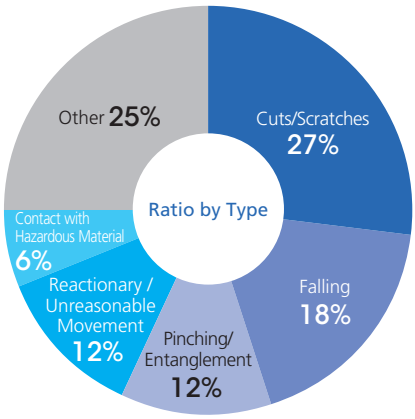
In fiscal 2020, a safety management level assessment was conducted for C.I. TAKIRON's plants, and in fiscal 2021, the scope of the assessment was expanded to include the plants of all Group companies. The purpose is to identify the strengths and weaknesses related to safety management at each site, and to improve the Group's overall level through comparative and horizontal implementation across plants.

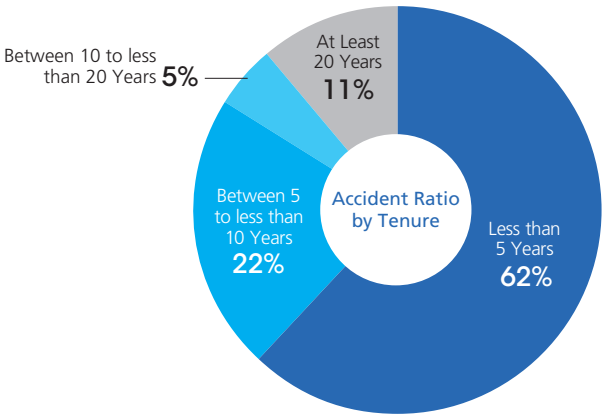
(3) Preventing Near Misses with Preemptive Measures

According to Heinrich's Law, for every one serious accident or disaster, there are 29 minor accidents, with another 300 anomalies or near misses hidden in the background. Reducing these 300 near misses is the key to preventing occupational accidents.

Until fiscal 2021, our focus, including that of the Safety Review Board noted in (1), was on "mopping up" actions after the fact, such as implementing remedial countermeasures once an industrial accident had already occurred. In fiscal 2022, however, we are implementing preventive countermeasures at the near miss stage before an industrial accident can occur, in a sense "mopping up in advance," to preempt industrial accidents.

FY 2021 Industrial Accidents (Including Injuries with No Leave of Absence for All Group Companies)





Feedback from Trainees

The following is a sampling of comments from a total of 521 participants in fiscal 2021.

By experiencing the fear for myself in a realistic way, I was able to learn how hazardous machinery is, and what a frightful thing carelessness can be. I will keep what I learned and felt today in mind as I go about my work.

A new C.I. TAKIRON employee

I learned that pointing and calling, which I had already been doing without thinking about it, can prevent accidents from occurring. I knew that nearby machinery posed a hazard in my daily work, but I did not understand how dangerous it was, so I was glad to learn about it in this training.

TAKIRON TECH

I realized that we need to extend our awareness to what lies beyond our unconscious actions. This is my third experiential training, and it has been a good opportunity to reflect on my own behavior.

C.I. TAKIRON CIVIL Yokaichi Plant

Since I always have danger next to me, I felt that it's good to err on the side of being too careful. I felt the importance of checking with those around me if I have any questions, and of always remembering the conscientious attitude I had as a beginner.

TAKIRON-ROWLAND

I was reminded that there are many dangers in the places where we work. I learned that accidents involving pinching and entrapment occur the most, and I intend to work safely from now on. I realized the cumulative importance of little things like pointing and checking.

C.I. TAKIRON CIVIL Ako Plant

To be honest, there have been countless times in the past when I figured pretty good was good enough. This training program made me suddenly realize that that's exactly when accidents can happen.

Shiga Plant

Main Financial/Non-financial Data (Quinquennial Data)

Financial Data

Unit: Millions of Yen

	FY2017	FY2018	FY2019	FY2020	FY2021
Management Performance					
Net Sales	147,805	150,650	139,432	134,470	**141,936**
Operating Profit	8,363	9,080	7,372	8,511	**8,651**
Ordinary Profit	8,204	9,200	7,611	8,807	**9,084**
Current Net Income Attributable to the Owners of Parent	6,579	6,391	13,091	5,332	**6,660**
Depreciation	4,896	4,533	4,682	5,378	**5,244**
Capital Investment	3,969	7,430	12,388	5,149	**4,145**
Research & Development Expenses	1,288	1,109	1,165	1,134	**1,214**
Financial Status					
Total Assets	141,116	138,251	144,956	142,743	**147,061**
Net Assets	69,909	74,310	82,840	87,367	**92,055**
Equity Capital	68,332	72,680	81,362	85,707	**90,243**
Interest-bearing Liabilities	11,729	4,911	5,085	4,438	**3,914**
Accumulated Surplus	22,031	26,571	36,738	38,757	**43,175**
Cash Flow					
Cash Flow from Business Activities	9,328	9,805	11,017	4,365	**11,942**
Cash Flow from Investment Activities	(1,575)	(9,620)	(5,922)	(2,191)	**(7,516)**
Cash Flow from Financial Activities	(9,160)	(9,160)	(3,115)	(4,292)	**(3,166)**
Free Cash Flow	7,752	184	5,095	2,174	**4,425**
Balance of Cash and Cash Equivalents (End of Term)	15,800	6,835	8,746	6,712	**7,790**
Stock Information					
Total Number of Issued Shares (Thousand Shares)	97,500	97,500	97,500	97,500	**97,500**
Dividends Per Share (Yen)	18	26	37	22	**27**
Payout Ratio (%)	26.7	39.6	27.5	40.2	**39.5**
Information about One Share of Company Stock					
Current Net Income Attributable to the Owners of Parent (Yen)	67.49	65.62	134.47	54.77	**68.47**
Net Assets (Yen)	700.99	746.42	835.82	880.28	**928.28**
Management Index					
ROA (%)	4.7	4.6	9.2	3.7	**4.6**
ROIC (%)	7.3	8.1	5.9	6.6	**6.4**
ROE (%)	9.6	8.8	17.0	6.4	**7.6**
Debt-to-Equity Ratio (D/E Ratio)	0.17	0.07	0.06	0.05	**0.04**
Operating Profit on Sales (%)	5.7	6.0	5.3	6.3	**6.1**
Capital-to-Asset Ratio (%)	48.4	52.6	56.1	60.0	**61.4**
Overseas Net Sales Ratio (%)	15.9	15.5	15.8	16.0	**17.7**

*The user count represents the number of people who started using the service during the fiscal year.

Non-financial Data

Environmental Index

	FY2017	FY2018	FY2019	FY2020	FY2021
Energy Consumption Rate (GJ/Manufacturing Ton)	13.1	13.0	12.2	12.6	12.4
Unit CO_2 Emissions (t-CO_2/Manufacturing Ton)	0.67	0.63	0.55	0.52	0.50
Total Waste Emissions (t)	13,428	13,083	13,210	12,627	12,657
Water Consumption (Thousand m^3)	1,174	1,176	1,053	1,000	981
Waste water (Thousand m^3)	897	1,004	809	801	796

Social Indicators

Number of Consolidated Employees (Persons)	3,369	3,412	3,369	3,299	3,227
Number of Non-consolidated Employees (Persons)	1,143	1,186	1,180	1,167	1,084
Male (Persons)	986	1,009	997	969	906
Female (Persons)	157	177	183	198	178
Number of Female Career-track Employees (Number of Management Positions) (Persons)		47(1)	48(2)	53(4)	61(5)
Ratio of Female Employees in Management Positions (%)		0.43	0.90	1.81	2.40
Average Years of Service (Years)		18.3	18.4	18.0	19.4
Male (Years)				18.6	20.2
Female (Years)				14.9	15.0
Employment Ratio of Disabled Persons (%)	2.11	2.11	2.26	2.34	2.12
Rate of Paid Leave Taken by Employees (%)	55.4	62.4	91.2	88.2	89.4
Number of Employees Taking Childcare Leave* (Persons)				36	32
Male (Persons)				29	27
Female (Persons)				7	5
Ratio of Employees Returning from Childcare Leave (%)				100	100
Turnover Rate (Voluntary Retirement Only) (%)			0.90	1.05	1.02
Number of New Graduate Employment (Persons)	22	14	11	13	14
Male (Persons)	16	10	5	9	10
Female (Including Clerical Positions) (Persons)	6	4	6	4	4
Female Employment Ratio (%)	27.3	28.6	54.5	30.8	28.6
Labor Union Membership Rate (%)	69.07	68.71	69.70	66.69	71.1

Governance Indicators (6 years)

		July 2017	July 2018	July 2019	July 2020	July 2021	July 2022
Number of Directors		12	8	9	8	6	7
	Number/Ratio of Outside Directors	1／8.3%	2／25.0%	2／22.2%	3／37.5%	3／50.0%	3／42.9%
	Ratio of Male/Female Directors (Male/Female)	12／0	8／0	9／0	7／1	5／1	6／1
Number of Audit & Supervisory Board Members		4	4	3	4	4	4
	Number/Ratio of Outside Audit & Supervisory Board Members	2／50.0%	2／50.0%	2／66.7%	2／50.0%	2／50.0%	2／50.0%
	Ratio of Male/Female Audit & Supervisory Board Members (Male/Female)	4／0	4／0	3／0	3／1	3／1	3／1

Corporate Profile and Stock Information (As of March 31, 2022)

Corporate Profile

Trade Name	C.I. TAKIRON Corporation
Established	October 10, 1919
Incorporated	December 20, 1935
Head Office Address	3-1-3 Umeda, Kita-ku, Osaka 530-0001, Japan (North Gate Building)
TEL	+81 (6)-6453-3700
Website	https://www.takiron-ci.co.jp
Capital	¥15,204 million (As of August 22, 2022)
Number of Employees (Consolidated)	3,227

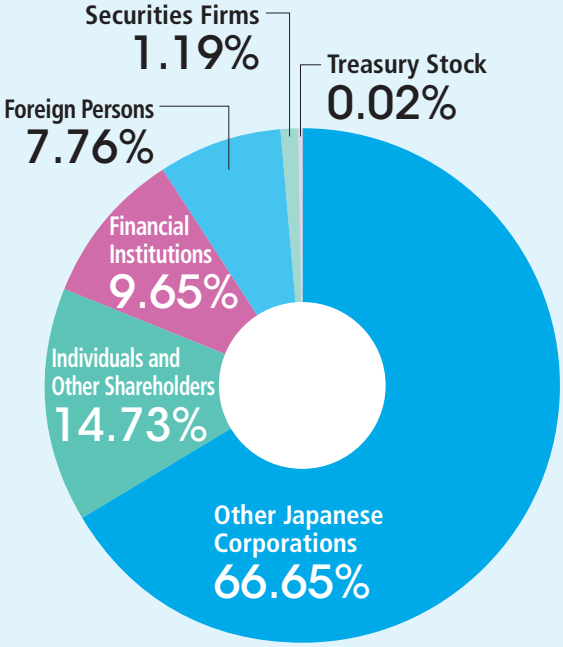
Main Affiliations (As of May 30, 2022)

- Kansai Chemical Industry Association
- Kansai Economic Federation
- Japan Clean Ocean Material Alliance (CLOMA)
- Japan PVC Pipe and Fittings Association
- JA Packaging & Horticulture Materials Association
- Nippon Interior Association
- Japan Vinyl Goods Manufacturer's Association

Stock Information

Securities Code	4215
Total Number of Issued Shares	97,553,655 (As of August 22, 2022)
Number of Shareholders	12,681
Stock Listing	Tokyo Stock Exchange Prime Market
Share Unit	100
Administrator of Shareholder Registry	Sumitomo Mitsui Trust Bank, Limited
Accounting Auditor	Deloitte Touche Tohmatsu LLC

Distribution of Shares by Shareholder

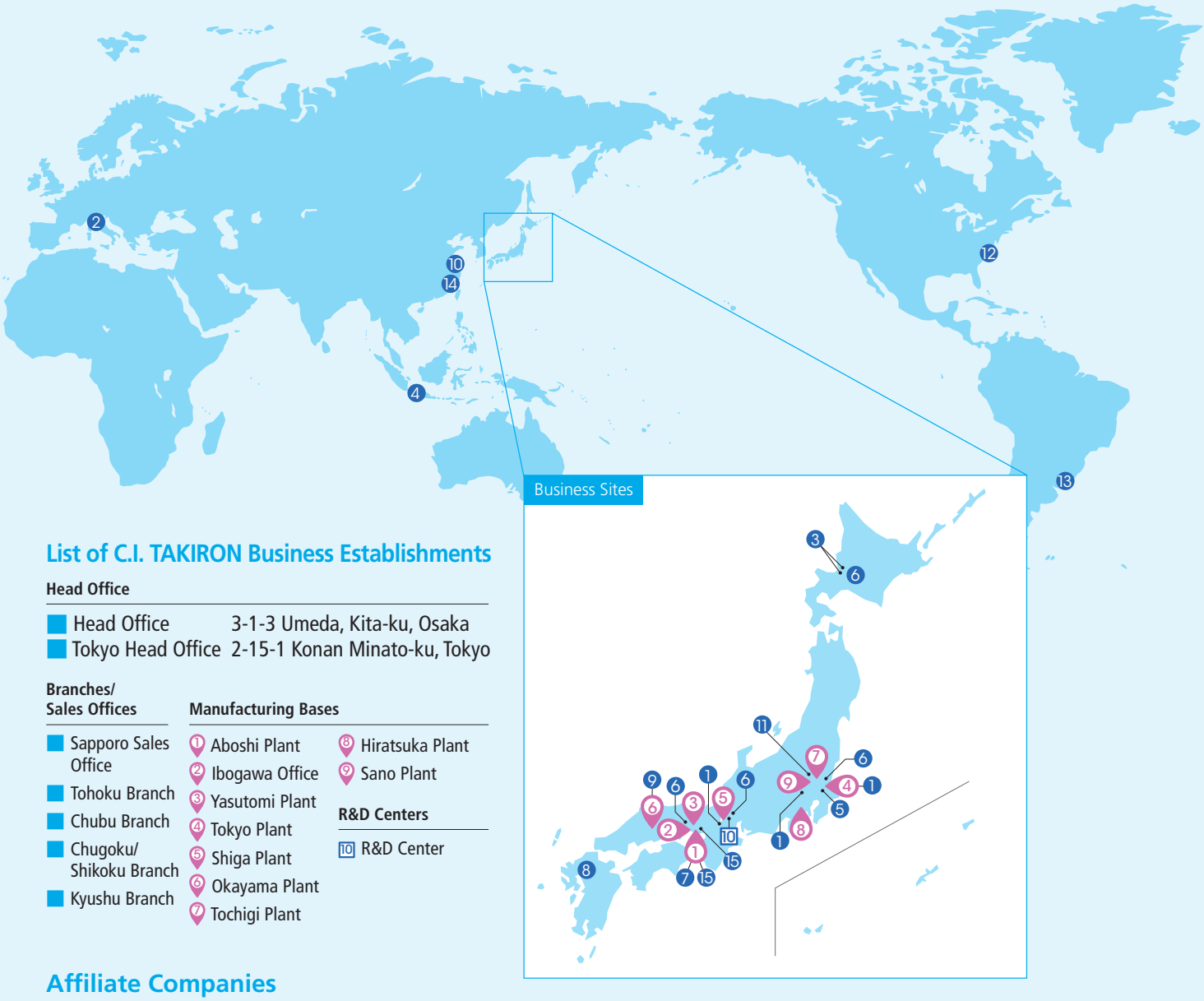


Major Shareholders (Top 10)

Name of Shareholder	Ratio of Share Holding (%)
ITOCHU Corporation	55.54
The Master Trust Bank of Japan, Ltd. (trust fund)	6.28
Custody Bank of Japan, Ltd. (trust fund)	1.85
Sekisui Jushi Corporation	1.40
KANEKA CORPORATION	1.35
TAKIRON Employee Stock Ownership Association	1.17
DFA INTL SMALL CAP VALUE PORTFOLIO	1.09
Watanabe Pipe Co., Ltd.	0.90
RE FUND 107-CLIENT AC	0.66
GOVERNMENT OF NORWAY	0.52

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

Business Sites (As of June 30, 2022)



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
- Chubu Branch
- Chugoku/ Shikoku Branch
- Kyushu Branch

Manufacturing Bases

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

R&D Centers

10 R&D Center

Affiliate Companies

Construction Materials Business

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

Environmental Materials Business

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

*YOKOBI CO., LTD. and C.I. AGRO CORPORATION merged as of April 1, 2022, and the company name was changed to C.I. TAKIRONAGRI 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. [China]
- C.I. TAKIRON LOGISTICS CO., LTD.
- DAIPLA WINTES CO., LTD.
- MAVERIQ Partners Inc.

C.I. TAKIRON Corporation

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