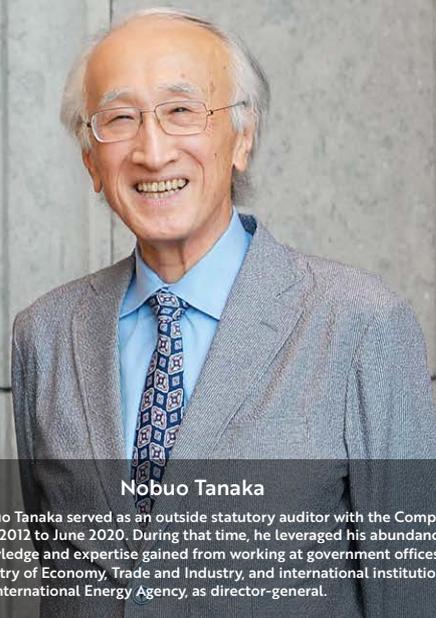


Dialogue on Corporate Governance



Masaru Onishi

Outside Director (External Affairs Representative, Japan Airlines Co., Ltd.) Masaru Onishi has been serving as an outside director with the Company since June 2019, drawing on his wealth of experience and high level of insight gained through his time as president and chairman of the board of directors at Japan Airlines Co., Ltd.



Nobuo Tanaka

Nobuo Tanaka served as an outside statutory auditor with the Company from June 2012 to June 2020. During that time, he leveraged his abundance of knowledge and expertise gained from working at government offices such as the Ministry of Economy, Trade and Industry, and international institutions such as the International Energy Agency, as director-general.

Corporate Governance for Supporting the Realization of the Long-Term Vision

For this dialogue, we welcomed back Nobuo Tanaka (resigned in June 2020)—who continuously provided keen instruction and advice to the Board of Directors for eight years as an outside statutory auditor—to exchange opinions with Masaru Onishi, who has been serving as an outside director since June 2019, regarding future issues for the Company's Board of Directors as well as for the Teijin Group itself.

Frameworks for Enhancing the Effectiveness of Governance

Tanaka How do you evaluate Teijin's Board of Directors?

Onishi Teijin's Board of Directors engages in free and open discussion and functions extremely well. However, various issues have been pointed out in the survey on the Board's effectiveness, and the Company needs to take steps to gradually make improvements. To my knowledge, many companies evaluate effectiveness-related issues through a roughly five-step process, but such an evaluation makes it difficult to take the next step forward toward genuine improvement. However, Teijin adopts much more specific evaluations within its survey, such as issues that should be improved within a year and issues that should be improved within half a year. I therefore believe that Teijin is one of the better companies at effectively making use of evaluation results from these surveys to address issues. In addition, before Board of Directors' meetings, the outside directors and outside statutory auditors have the opportunity to speak with the CEO while having lunch. These lunch meetings have given someone such as myself, who has only been with the Company since last fiscal year, an excellent chance to gain an understanding of each Board member's area of expertise.

Tanaka The statutory auditors hold meetings among themselves before Board of Directors' meetings, where we receive explanations on the agenda items and main points of the Board meetings from the full-time statutory auditors. The full-time statutory auditors have a thorough

understanding of the issues facing the Company, and as such these preparatory meetings, so to speak, were very useful. For example, when it comes to issues that may be difficult for the full-time statutory auditors to discuss directly with the CEO, such as human resources and compensation, I was able to comment extremely openly on these issues from the perspective of an outside statutory auditor. In addition, the statutory auditors maintain a shared awareness of the need to thoroughly audit overseas subsidiaries, at the moment Continental Structural Plastics Holdings Corporation, in particular, and work in collaboration with the Corporate Audit Department and accounting auditors.

Onishi I was unaware the statutory auditors also meet beforehand to discuss the main points of Board meetings. I now understand why the outside statutory auditors are able to actively make comments at Board meetings. Having the outside statutory auditors fully participate in and drive discussions at Board of Directors' meetings is extremely effective in that it helps increase the number of outside opinions even among a small number of people. I also participate in meetings of the Advisory Board, which provides a framework for enhancing the transparency to Teijin's governance. One meeting of the Advisory Board can last up to two days for issues such as the performance evaluation and compensation of the CEO and CEO succession plans, as we discuss these topics extremely thoroughly. In addition to the outside directors, other outside

members include a professor from the University of Amsterdam and the CEO of the American Chemical Society. These two external experts broaden the horizon of discussions as they provide us with their opinions from a global perspective. At meetings of the Advisory Board, discussions are never dull or held simply for the sake of formality. When I served as chairman during the time an

agenda item was proposed regarding the advisory functions for nomination and compensation, Advisory Board members exchanged opinions in such a lively manner that we were almost unable to come to a conclusion, making my duties as chairman quite difficult. That is how deep the discussions can be on the Advisory Board.

Discussions at Board of Directors' Meetings

Onishi At Board of Directors' meetings, general managers of each business have the opportunity to report on their respective business execution. These reports include not only information on the current status of the business but also its future outlook. The outside directors and statutory auditors are then able to actively ask questions regarding the details of these reports. Holding long discussions on not only business plans themselves but also on medium- to long-term perspectives in this manner is a unique characteristic of Teijin's Board meetings. Furthermore, in these discussions on medium- to long-term perspectives, particularly in the case of challenging projects, there are instances where opinions differ between directors. In these cases, the CEO passionately states his way of thinking and is often able to get the majority of Board members to reach a consensus. I have witnessed such cases numerous times during my year with the Company, and it is extremely positive to see the Board of Directors eventually come to an agreement when differences of opinion occur at meetings. When it comes to projects that are difficult to decide upon, while the rationality of the project is obviously important, the level of determination that the CEO has is another vital aspect. Accordingly, members of the Board monitor whether or not the CEO has the proper level of determination as he explains matters at Board meetings.

Tanaka One issue I spoke strongly about together with Outside Director Yukako Uchinaga was the gender gap. The Chief Human Resources Officer (CHO) collected data on this issue in fiscal 2019, and, based on this data, we held around three discussions on the gender gap at Board of

Directors' meetings. I hope to see Teijin continue to engage in these discussions because it will be impossible to bring about change regarding this issue if we do not disclose the information and take a genuine look at our actions to consider whether or not we are doing enough for the issue. Meanwhile, we are making relatively solid progress with disclosing information on environmental issues, and Teijin's prompt announcement of its support for the recommendation of the Task Force on Climate-related Financial Disclosures (TCFD) is an example of how my suggestion at a Board meeting turned into concrete action. Also, in our various discussions at meetings, I constantly observed whether all members maintained an awareness of ESG issues and whether the CEO considered ESG when making investment decisions. In fact, when the price of coal was cheap, there was a proposal to build coal-fired power stations. I voiced strong opposition to this proposal and my opinion led to the Board deciding against it. I am extremely glad we did not adopt this proposal as Japan was one of three countries to receive a satirical "Fossil of the Day" award from a group representing environmental NGOs around the world for its refusal to abandon coal-fired power.

Onishi I also pay particularly close attention to Teijin's environmental efforts. Under the new medium-term management plan, the Company has set out clear environmental targets for fiscal 2030 and fiscal 2050. These targets are extremely well thought out because, in addition to CO₂ emissions, they also cover water use.

Future Issues from the Perspective of the Outside Directors

Tanaka The Teijin Group engages in a wide range of businesses, and as such there is the opinion that the Group should narrow this scope down to focus on key areas. However, the Group is now being supported heavily by its Healthcare and IT businesses amid the impact from the spread of COVID-19, and the Group's involvement in these businesses is the result of its decision to remain active in a broad range of businesses while also being sure to exit from unprofitable businesses and sell off certain businesses. I believe that staying determined to remain in these businesses and enabling them to grow has allowed Teijin to become the company that it is today.

Onishi Without a doubt, the Group's efforts to genuinely pursue structural reforms and other matters from the 2010s on is what has enabled it to enjoy a relatively stable management structure that has not been significantly

disrupted by the impact from the spread of COVID-19. However, I feel that the stable nature of the Group's management also presents a risk. Companies that are on the verge of going under are making necessary changes and taking on bold new challenges to survive. Companies not facing such circumstances are approaching their operations with less of a sense of crisis. From the perspective of mentality, it is imperative that all employees consider whether they can continue to pursue challenges in the work they are currently engaging in, and within these relatively stable circumstances it can be difficult for employees to realize the importance of this idea. As encapsulated by the slogans "ALWAYS EVOLVING" and "Ceaseless Evolution and Ambition," Teijin has the spirit of taking on challenges engrained in its DNA, and I believe it is important for each employee to once again become aware of this fact going forward.