

Governance

Corporate Governance

The Teijin Group seeks to strengthen its corporate governance system to ensure high transparency and prompt decision-making, and to establish relationships of trust through dialogue with shareholders and investors, for further growth.

Basic Philosophy

The Teijin Group recognizes that its basic mission as a company is to ensure sustainable growth in shareholder value. On this basis, to fulfill our responsibilities to various stakeholders, we have striven to strengthen corporate governance.

Since the late 1990s, we have implemented a series of groundbreaking management reforms relating to basic elements of corporate governance with the aim of enhancing

transparency, ensuring fairness and objectivity, accelerating decision-making, and ensuring independence. These reforms include establishing the Advisory Board, appointing independent outside directors, and separating business execution and monitoring/auditing functions. The Teijin Group Corporate Governance Guide was published to specify guidelines regarding corporate governance.

■ Initiatives for Strengthening Governance

		1999	2003	2012
Separation of management and execution	24 directors	From 1999: Reduced to 9 directors		2009: 10 directors
		From 1999: Introduced the corporate officer system (to accelerate decision-making for execution of business and clarify the system of responsibility)		
Advisory Board	1999	Advisory Board established (to enhance management transparency)		
Outside directors			2003: Introduced 3 outside directors	2012: 4 members
	1999	3 outside statutory auditors (a majority of the Board of Statutory Auditors)		
Corporate philosophy	Formulated in 1993			
Compliance	Standards of Conduct and Corporate Code of Conduct formulated in 1993		Corporate Ethics Committee established and Corporate Standards of Conduct formulated in 1998	
Teijin Group Corporate Governance Guide		Formulated in 2003		Revised in 2007 Revised in 2009

SECTION:3
ESG IN ACTION

Governance

■ Overview of the Corporate Governance System



■ Board of Directors



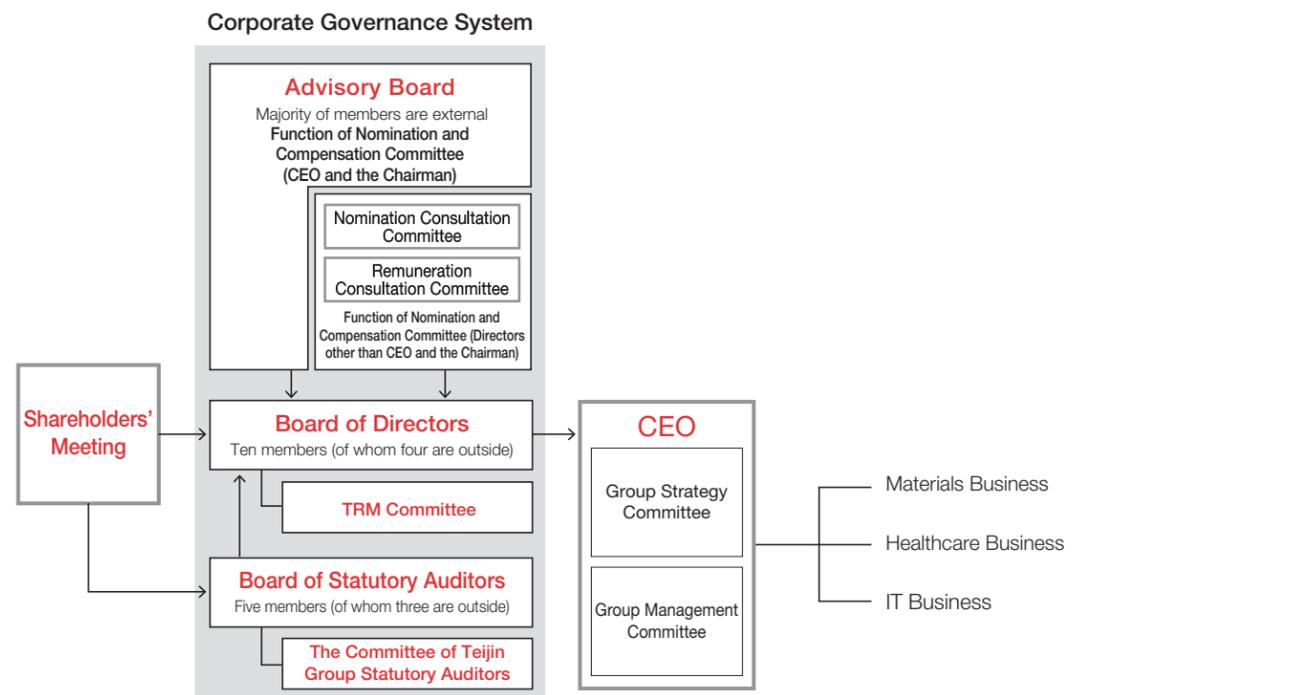
No. stipulated in Articles of Incorporation .. Up to 10
Term 1 Year
Chairman of the Board of Directors Chairman
(or, in the absence of a chairman, the senior advisor or an outside director)

■ Board of Statutory Auditors



No. stipulated in the Articles of Incorporation..
Upper limit on the number of members is not stipulated

The Teijin Group's Corporate Governance System (As of April, 2017)



Board of Directors

The Board of Directors is comprised of 10 directors of whom 4 are outside directors that maintain independence. The Board of Directors is chaired by the chairman, to ensure the appropriate separation of responsibility for front-line management and monitoring/supervising. The main goal of the Board of Directors is to maximize shareholder value each fiscal year and over the medium and long-term. At the same time, it must pay close attention to the position of stakeholders other than the shareholders. The Board of Directors must also deliberate, determine, and approve any management policies, and the overall plans of the entire Teijin Group, and any other items required by law or other regulations. Furthermore, the Board of Directors is responsible for ensuring accountability. It must also clarify its

policies on compliance and how to manage risks surrounding the Teijin Group, and supervise those implementations.

Advisory Board

The Advisory Board is a consultative body to the Board of Directors. It is comprised of five to seven outside experts, the chairman or a senior advisor, and the CEO of the Teijin Group. Its role is to give advice and make proposals regarding corporate strategy and results, and function as the Nomination and Compensation Committee in deliberating on matters such as a change of CEO and the successor as well as systems and standards governing remuneration for Teijin Group directors, statutory auditors and corporate officers, and it evaluates the performance of the CEO.

Nomination Consultation Committee/Remuneration Consultation Committee

In addition to the Advisory Board, in order to further improve transparency with respect to executive personnel, we operate a Nomination Consultation Committee and a Compensation Consultation Committee.

Two outside directors, the Chairman of the Board, and the CEO participate as members, and outside directors chair the committees. Both committees play a consultative role for the Board of Directors, and have the function of making proposals and recommendations to the Board of Directors as regards the nomination, evaluation and remuneration of directors and senior management other than the Chairman of the Board and the CEO, and the nomination of statutory auditors.

TRM Committee

The Teijin Group has established the Total Risk Management (TRM) Committee beneath the Board of Directors, as a preventive measure to handle any risks we may face. The TRM Committee categorizes the risks into management strategy or business operating risks. The Chief Social Responsibility Officer (CSRO) is assigned in charge of business operating risks, while the CEO is directly in charge of management strategy risks. The CEO chairs the TRM Committee, whose members are the CSRO and other chief officers assigned by the CEO. The Board of Directors deliberates and determines TRM basic policies and annual plans that are proposed by the TRM Committee, as well as managing significant risks for the

Teijin Group, supporting business continuity.

Statutory Auditors and the Statutory Auditors Committee

The Board of Statutory Auditors comprises five statutory auditors, and a majority of three are outside statutory auditors who maintain independence to enhance the efficacy of monitoring and auditing, and secure transparency of the Board. All of the statutory auditors attend the Board of Directors meetings and any other important internal meetings, where they express their opinions and make recommendations. The Committee of Teijin Group Statutory Auditors is responsible for surveying and auditing the entire Teijin Group, a role that corresponds to Group management and financial consolidation management. The Committee of Teijin Group Statutory Auditors' activities include deliberating and ensuring the inclusion of the basic policy and plan for auditing and the selection of key auditing items of each business. These deliberations are based on the Teijin Group's basic auditing policy and plans decided by our Board of Statutory Auditors.

Group Strategy Committee and Group Management Committee

The Group Strategy Committee and Group Management Committee are bodies for deliberating on the decision-making of the CEO, who is responsible for execution of duties. Attended by full-time statutory auditors, the committees ensure a rapid and highly transparent decision-making process.

Advisory Board (As of July 2017)

Teijin established the Advisory Board, which is comprised mainly of outside experts, in 1999 with the objective of raising the degree of management transparency. In addition to leading experts in Japan, the Advisory Board's original members included leading global authorities on governance John A. Krol, former chairman of E. I. du Pont de Nemours and Company ("DuPont"), and Ronald Hampel, former chairman of Imperial Chemical Industries PLC. Since its establishment, the board has held two ordinary meetings each year, in the spring and autumn, and has played a substantial role in such ways as making proposals to management, assessing directors, and deliberating presidential succession plans.

The Board of Directors implements decision-making based on consideration of the advice and recommendations of the Advisory Board.



■ Advisory Board Members

Chairman, Member of the Board, Teijin Limited	Shigeo Ohyagi (Board chairman)
Special Assistant to the Minister for Foreign Affairs	Yutaka Iimura
Former President/Chairman, Chiyoda Corporation	Nobuo Seki
President & Chairperson, The Industry-Academic Collaboration Initiative (NPO)	Kenichiro Senoh
Special advisor to Panasonic Corporation	Fumio Ohtsubo
Professor, University of Amsterdam, Netherlands	Alexander H.G. Rinnooy Kan
Executive Director and CEO, American Chemical Society	Thomas Connolly
President and CEO, Representative Director of the Board, Teijin Limited	Jun Suzuki

■ Primary Agenda Items

- May 2017
- Report on the Medium-Term Management Plan (Fiscal 2017–2019) and the Fiscal 2017 Short-Term Management Plan
 - CEO succession plan
 - Deliberations on the performance review and remuneration of the CEO in the previous fiscal year
 - Deliberations concerning the CEO's targets for the new fiscal year

Outside Directors and Outside Statutory Auditors

The Teijin Group has prescribed “Requirements for Independent Directors” for outside directors, including candidates. These conditions for appointment are designed to increase the level of precision and ensure the transparency of the management supervisory function of the Board of Directors. In the same way, we have also prescribed “Requirements for Independent Statutory Auditors,” which cover outside statutory auditors, including candidates. These are designed to increase the level of precision and ensure the transparency of the auditing function of the execution of duties of the internal directors and the management.

With regard to independent director and independent statutory auditor requirements, we have formulated and operate our own regulations.

Independent Director and Independent Statutory Auditor Requirements (Overview)

- (1) Persons having no significant special interests in the Teijin Group.
- (2) Persons to whom items (a) through (e) below do not apply are deemed to be Independent Directors or Independent Statutory Auditors having no significant special interest in the Teijin Group.
 - (a) Internal officers or employees and former internal officers or employees of the Teijin Group
 - (b) Providers of specialized services to the Teijin Group
 - (c) Persons having customer or business partner relations with the Teijin Group
 - (d) Persons having “inter-directorship” relations with the Teijin Group
 - (e) Persons having other special interests in the Teijin Group

Director Compensation

Compensation for directors is based on consolidated ROA, with consideration also given to consolidated ROE and operating income—specifically to whether targets have been met and improvements seen from the previous year—as well as to a qualitative assessment of each individual director’s execution of duties. The Advisory Board deliberates systems and standards governing remuneration for Teijin Group directors, statutory auditors and corporate officers and evaluates the performance of the CEO and representative directors.

* Began implementation under a new system governing remuneration for Teijin Group directors, statutory auditors and corporate officers from fiscal 2017.

■ Compensation for Directors in Fiscal 2016

(Millions of yen)		
Position	No. of people	Compensation amount
Director	11*1	475
Of which, outside directors	5	57
Statutory auditor	6*2	89
Of which, outside statutory auditors	3	32

*1 The number of salaried directors includes one director who retired in fiscal 2016.

*2 The number of salaried statutory auditors includes one statutory auditor who retired in fiscal 2016.

Investor Relations Activities

The Teijin Group behaves as a company that takes requests from shareholders and society into consideration to achieve a higher degree of accountability. Under the charge of the Chief Financial Officer, we conduct investor relations activities including information disclosure and communication with shareholders and investors. In disclosing information, our

basic policy is to disclose the same content both in and outside Japan simultaneously. In addition to disclosing legally stipulated financial information, we proactively disclose corporate information from the perspective of good CSR. General meetings of shareholders are “open meetings,” wherein communicating with shareholders is our first priority.

■ Main Investor Relations (IR) Activities in Fiscal 2016

Activity	Details
Presentations for analysts and institutional investors	Presentations were held every quarter. A presentation on our medium- to long-term strategy was also held. (Fiscal 2016 result: Held 5 presentations in total)
Presentations for overseas institutional investors	The CEO or CFO visited overseas investors and held individual meetings (three times). Apart from this, the CEO or CFO actively participated in conferences held by securities firms (three times).
Presentations for individual investors	Teijin proactively participated in presentations for individual investors organized by securities firms and other parties (ten times). Moreover, at management presentations held every year for individual shareholders, the CEO explains management policies and provides an overview of business operations.
Disclosure of IR materials on website	When quarterly earnings and medium-term management plans are announced, Teijin simultaneously publishes related materials on its website in both Japanese and English. Materials for individual investor presentations and other events are also published on the website. (Japanese: https://www.teijin.co.jp/ir/library/) (English: https://www.teijin.com/ir/library/)

Reason for Selection and Status of Activities of Directors and Statutory Auditors

Name	Reason for selection	Advisory Board	Independent director / statutory auditors	Attendance at meetings of the Board of Directors and Board of Statutory Auditors in Fiscal 2016
Shigeo Ohyagi	Appointed for his experience as our President and Chairman and for working on our restructuring initiatives. We expect him to apply his management capabilities as Chairman of the Board of Directors to conduct appropriate supervision of Executive Directors, etc.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Attended 12 of 12 Board of Directors meetings
Jun Suzuki	Appointed for his experience as President and then formulating the revised medium-term plan. On this basis, we expect him to complete the restructuring initiatives which he inherited from his predecessor, and promote the transformation and growth strategy for the future based on the new medium-term management plan formulated in February 2017.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Attended 12 of 12 Board of Directors meetings
Kazuhiro Yamamoto	Appointed for his knowledge and insight accumulated in the finance and accounting field and management strategies field, together with his business experience in the IT business field, of which we expect him to take full advantage. As CFO, head of the accounting administration field, and CIO, we expect him to put efforts into cost management, IR activities and the promotion of information strategies.	<input type="checkbox"/>	<input type="checkbox"/>	Attended 12 of 12 Board of Directors meetings
Directors				
Hiroshi Uno	Appointed for his business experience and insight accumulated in the healthcare business field, of which we expect him to take full advantage. As the Director Responsible for the Healthcare Business of the Teijin Group, we expect him to make efforts to expand the profits of the Healthcare Business, promote the transformation and growth strategy and work on inter-business integration.	<input type="checkbox"/>	<input type="checkbox"/>	Attended 12 of 12 Board of Directors meetings
Yasumichi Takesue	Appointed for his knowledge and insight accumulated in the human resources and general affairs fields and the electric materials and performance polymer products fields, of which we expect him to take full advantage. As the Director Responsible for the Materials Business of the Teijin Group, we expect him to expand the profits of the Materials Business and put efforts into promoting the transformation and growth strategy.	<input type="checkbox"/>	<input type="checkbox"/>	Assumed the post in June 2017
Yoshihisa Sonobe	Appointed for his knowledge and insight accumulated in the finance and accounting field and management strategies field, of which we expect him to take full advantage. As the Director Responsible for Corporate Strategy, Legal and Intellectual Property, and Global Strategy, we expect him to make efforts to plan strategies toward the achievement of the execution of restructuring initiatives and the promotion of transformation and growth strategies, which are our most important issues.	<input type="checkbox"/>	<input type="checkbox"/>	Attended 12 of 12 Board of Directors meetings
Yutaka Iimura	Appointed for his considerable knowledge and experience as a diplomat and his global perspective on business management, based on which we expect him to provide us with advice and recommendations on our business operations.	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	Attended 11 of 12 Board of Directors meetings
Nobuo Seki	Appointed for his considerable business experience and deep insight developed as the president and chairman of a listed company, based on which we expect him to provide us with advice and recommendations on our business operations.	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	Attended 12 of 12 Board of Directors meetings
(Outside)				
Kenichiro Senoh	Appointed for his deep insight developed by serving as a director and committee member for many organizations, mainly in the industry and business fields, based on which we expect him to provide us with advice and recommendations on business operations.	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	Attended 12 of 12 Board of Directors meetings
Fumio Ohtsubo	Appointed for his considerable business experience and deep insight developed as the president and chairman of a listed company, based on which we expect him to provide us with advice and recommendations on our business operations.	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	Attended 8 of 9 Board of Directors meetings
Statutory Auditors				
Atsushi Mugitani	Appointed for his knowledge and insight accumulated in the finance and accounting field, together with his experience as general manager of the Internal Audit Department. Accordingly, we expect him to contribute to internal control.	<input type="checkbox"/>	<input type="checkbox"/>	Attended 12 of 12 Board of Directors meetings Attended 12 of 12 Board of Statutory Auditors meetings
Noriaki Endo	Appointed for his business experience accumulated in the healthcare business field, together with his experience as CSRO and Supervisor of the Internal Audit Department. Accordingly, we expect him to contribute to internal control.	<input type="checkbox"/>	<input type="checkbox"/>	Attended 9 of 9 Board of Directors meetings Attended 9 of 9 Board of Statutory Auditors meetings
Nobuo Tanaka	Appointed for his deep insight and abundant experience developed in national government positions including within the Ministry of Economy, Trade and Industry, as well as international institutions such as the Organization for Economic Co-operation and Development, based on which we expect him to contribute to maintaining and enhancing corporate governance.	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Attended 12 of 12 Board of Directors meetings Attended 12 of 12 Board of Statutory Auditors meetings
(Outside)				
Gen Ikegami	Appointed for his deep insight and abundant experience developed as a certified public accountant, based on which we expect him to contribute to maintaining and enhancing our corporate governance.	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Attended 12 of 12 Board of Directors meetings Attended 12 of 12 Board of Statutory Auditors meetings
Hitomi Nakayama	Appointed for her deep insight and abundant experience developed as a lawyer, based on which we expect her to contribute to maintaining and enhancing our corporate governance.	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Assumed the post in June 2017