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**Teijin Limited**

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<https://www.teijin.com>

The corporate governance of Teijin Limited (the “Company”) is described below.

## I. Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information

### 1. Basic Views

The shareholders entrust capital into the Company and thus, the Company is required to achieve profits through its business activities and to ultimately increase shareholder value over the medium and long-term. It is the basic mission of the Company to comply with such shareholders’ entrustment. Based on this basic mission, the Company must fulfill its respective responsibilities to its stakeholders (interested parties), such as employees, business partners, customers, consumers, local residents and communities, etc. In the meantime, the Company as a member of society is expected to perform business activities in full observance of social norms and contribute to society.

Amid this basic framework, we work to conduct superior corporate activities through corporate management that embraces corporate governance. By emphasizing corporate governance, we aim to contribute to the company’s prosperity, fulfill our corporate social responsibility ("CSR") and ensure accountability (full disclosure of information that we are responsible for explaining).

The Company implements a management structure that ensures transparency and fairness based on the beliefs stated above and will disclose information on a timely basis. In addition, to boost competitiveness, the Company must create an organization and mechanism that enables it to make speedy decisions and to execute those decisions. Furthermore, the Company requests each of the Group Companies and the Managers to conduct superior business activities as well as to promote with every effort the increase in the shareholder value.

The Teijin Group has formulated the Teijin Group “Corporate Governance Guide,” which is the Group’s basic view and basic policy on corporate governance. The Guide is published on the Company’s website.

<https://www.teijin.com/ir/governance/guide/>

### [Reasons for Non-compliance with the Principles of the Corporate Governance Code]

The Company complies with all of the principles provided for in the Corporate Governance Code.

### [Disclosure Based on the Principles of the Corporate Governance Code] (Updated)

#### **Principle 1.4 Cross-Shareholdings**

<Basic Policy Concerning Cross-Shareholdings>

The Company holds shares of issuing companies that it has determined to be instrumental in increasing its corporate value over the medium to long term, with the objective of maintaining and strengthening transactions with them and promoting business alliances with them. The Board of Directors regularly reviews whether or not it is appropriate to hold shares based on an examination of the holding purpose and rationale for each individual stock from a medium- to long-term perspective. In these reviews, the Board of Directors

takes into account a comprehensive range of factors, including the significance from a management strategy standpoint and business relationships, in addition to weighing dividends, transaction amounts, and other quantitative impacts against the cost of capital. After these reviews, those shares for which the purpose of holding has diminished are liquidated, in principle. Through this process, the Company endeavors to reduce cross-shareholdings.

<Standards for Exercise of Voting Rights Related to Cross-Shareholdings>

In exercising the voting rights related to shares that the Company has decided to hold, it confirms each proposal from a perspective of increasing corporate value and shareholder value over the medium to long term and determines whether to vote for or against.

### **Principle 1.7 Related Party Transactions**

The Company requires directors' transactions with competitors or transactions between directors and the Company that cause a conflict of interest to be reported to and approved by the Board of Directors in accordance with the Companies Act and the Regulations for the Board of Directors. In addition, in order to ascertain whether there are any transactions by directors and statutory auditors that could cause a conflict of interest, the Company confirms regularly every year with each director and statutory auditor whether there are any related-party transactions.

### **Principle 2.6 Roles of Corporate Pension Funds as Asset Owners**

Since October 2012, the Company has fully transitioned to a defined contribution pension plan. The Company applies a defined benefit pension plan (a closed plan comprised solely of beneficiaries) limited to employees who had retired before the Company transitioned to the defined contribution pension plan.

The Company has set up a Group Pension Asset Management and Administration Committee comprising the Chief Financial Officer (CFO) and the Chief Human Resources Officer; the general managers of human resources, general affairs, accounting and finance functions; and labor union executives as representatives of pension plan beneficiaries. The Committee undertakes appropriate management and administration of assets held, as well as monitoring the status of employees' asset management in the defined contribution pension plan.

### **Principle 3.1 Full Disclosure**

(i) Corporate Philosophy, Long-Term Vision, and Medium-Term Management Plan

The Teijin Group's Corporate Philosophy is to "enhance the quality of life through a deep insight into human nature and needs, together with the application of our creative abilities," as well as being "in harmony with society," and "empowering our people." As its Long-Term Vision, the Teijin Group relentlessly strives to be a company that supports the society of the future, by utilizing our diversity to create value for society's needs. Further information on Teijin's philosophy and long-term vision is published on the Company's website.

<https://www.teijin.com/about/philosophy>

In order to realize its Long-Term Vision, in February 2020, the Teijin Group formulated and released its Medium-Term Management Plan "ALWAYS EVOLVING" for 2020-2022, which is being implemented over three years. Further information about Teijin's Medium-Term Management Plan is published on the Company's website.

<https://www.teijin.com/ir/vision/>

The Company strives to actively provide information on these medium- to long-term management strategies and plans by holding its General Meeting of Shareholders and presentations for analysts and investors, and by distributing materials such as the Integrated Report.

(ii) The Group's basic view and basic policy on corporate governance

The Teijin Group has formulated the "Teijin Group Corporate Governance Guide," which is the Group's basic view and basic policy on corporate governance. The Guide is published on the Company's website.

<https://www.teijin.com/ir/governance/guide/>

(iii) Policy and procedure pertaining to the setting of remuneration for senior management and directors

For information on the policy and procedure pertaining to the setting of remuneration for directors and corporate officers, please refer to "Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods" under "Director Remuneration" in section II. 1. of this report.

(iv) Policy and procedure pertaining to the election and dismissal of Senior Management and nomination of candidates for directors and statutory auditors

< Policy and procedure pertaining to the nomination and election of directors >

In the nomination process for directors, Director candidates are decided by the Board of Directors as personnel that are suitable to be top management at the Company, with outstanding personality and insight, in consideration of their personal capabilities, past performance record, and so forth. The candidates are recommended at the General Meeting of Shareholders.

To expedite decision-making and clarify accountability for the execution of business, the Company's Articles of Incorporation set the maximum number of members of the Board of Directors at 10 directors in tandem with delegating substantial authority for business execution. In the Teijin Regulations for the Board of Directors, which are internal regulations, the number of outside directors has been set at four or more, in principle, in order to increase management transparency and shareholder value while giving consideration to the diversity, independence and other characteristics of the Board of Directors as a whole. The selection of the CEO and nomination of a successor are deliberated by the Advisory Board, while the selection of members of senior management other than the CEO are deliberated by the Nomination Committee, after which proposals are submitted to the Board of Directors. The Board of Directors resolves upon these matters after giving full consideration to the proposals.

< Policy and procedure pertaining to the nomination and election of statutory auditors >

Statutory auditor candidates are nominated by selecting suitable candidates with outstanding insight, ability and so forth, and are resolved upon in meetings of the Board of Directors based on the consent of the Board of Statutory Auditors. The candidates are recommended at the General Meeting of Shareholders. The number of statutory auditors has been set at 5, in principle, with a majority of outside statutory auditors, in order to ensure transparency.

< Procedure for the dismissal of members of senior management >

If a member of senior management is engaged in improper or unfair conduct, a suspected breach of trust, or other actions unbefitting senior management, the Board of Directors will deliberate such matters and decide on the dismissal of the individual concerned.

(v) Explanations for the reasons for the nomination, election and dismissal of each candidate for senior management, director and statutory auditor.

The reasons for the election of each candidate director and statutory auditor at the General Meeting of Shareholders this year are provided in the Reference Documents for the General Meeting of Shareholders in the Notice of Convocation for the 154th Ordinary General Meeting of Shareholders. The Notice of Convocation for the 154th Ordinary General Meeting of Shareholders is published on the Company's website. [https://www.teijin.com/ir/stocks/general-meeting/pdf/gm\\_200619\\_01.pdf](https://www.teijin.com/ir/stocks/general-meeting/pdf/gm_200619_01.pdf)

#### **Supplementary Principle 4.1.1 Scope of Authority Delegated to Management**

Matters to be decided by the Board of Directors include matters required by laws and regulations, as well as matters stipulated by Regulations for the Board of Directors, which are internal rules, based on the level of importance to management, such as the Teijin Group's overall management policies and overall plan.

Authority to make decisions on matters other than these is delegated to the CEO and subordinate ranks.

#### **Principle 4.9 Independence Standards and Qualification for Independent Directors**

The Company sets out the requirements for independence in the Independent Directors Regulations and elects independent directors who meet these requirements.

For further details, please see "II 1. [Independent Directors /Statutory Auditors]" in this report.

#### **Supplementary Principle 4.11.1 Views Regarding the Overall Size, Diversity, and Balance of Knowledge, Experience, and Capabilities of the Board of Directors, and Policy and Procedures Pertaining to the Election of Directors**

Information on views regarding the overall size, diversity and balance of knowledge, experience, and capabilities of the Board of Directors and policy and procedure pertaining to the election of directors, is provided in "Principle 3.1 Full Disclosure (iv)" under "I. 1. Disclosure Based on the Principles of the Corporate Governance Code" in this report.

#### **Supplementary Principle 4.11.2 Situation Regarding the Holding of Concurrent Positions by Directors and Statutory Auditors**

The Convocation Notice for the 154th Ordinary General Meeting of Shareholders lists the concurrent positions of the directors and the statutory auditors. The Convocation Notice for the 154th Ordinary General Meeting of Shareholders is published on the Company's website.

[https://www.teijin.com/ir/stocks/general-meeting/pdf/gm\\_200619\\_01.pdf](https://www.teijin.com/ir/stocks/general-meeting/pdf/gm_200619_01.pdf)

#### **Supplementary Principle 4.11.3 Analysis and Evaluation of Board of Directors Effectiveness**

In order to further ensure the effectiveness and enhance the functions of the Board of Directors, the Company conducts an analysis and evaluation of the effectiveness of the entire Board of Directors (hereinafter, the “Board of Directors Effectiveness Evaluation”) once a year. The method of the Board of Directors Effectiveness Evaluation for fiscal 2019 and an overview of the results are as follows.

#### 1) Analysis and Evaluation Method

(1) A named self-evaluation questionnaire was conducted for all directors and all statutory auditors (14, including outside directors and outside statutory auditors), making reference to advice from external experts. Furthermore, with the assistance of external experts, the Board of Directors’ secretariat created a summary of the questionnaire results, which formed the basis of a discussion within the Board of Directors regarding the effectiveness of the Board of Directors, issues to be addressed, and improvement measures.

(2) The evaluation points in the questionnaire (35) were compiled from the following eight fields. Respondents evaluated them on a five-step scale and made comments (including free writing).

- (a) Strategy and execution thereof
- (b) Risk and crisis management
- (c) Corporate ethics
- (d) Performance monitoring
- (e) Organization and business restructuring-related transactions
- (f) Management team evaluation, compensation and succession planning
- (g) Stakeholder dialogue
- (h) Composition and operation of the Board of Directors

#### 2) Overview of Results of the Board of Directors Effectiveness Evaluation

##### (1) Summary

The result of the Board of Directors Effectiveness Evaluation conducted by the above process found that there is no issue with the current corporate governance system and its implementation, and the Company’s Board of Directors is generally functioning properly and ensuring effectiveness. In addition, the questionnaire result indicated that there was a high ratio of positive evaluations for all items.

##### (2) Status of response to issues to be addressed continuously

In the Board of Directors Effectiveness Evaluations to date, “Stakeholder dialogue” and “Risk management system enhancement” were recognized as issues to be addressed continuously. The Company continued to make improvements on these issues, including continuous reporting to the Board of Directors on the analysis of stakeholder dialogues and the content of disseminated information, the holding of discussions at the Board of Directors on the content of proposals from the TRM Committee, which is conducting comprehensive risk management for the Teijin Group, and continuous reporting to the Board of Directors at regular intervals regarding the results of major business partner surveys and the status of BCP countermeasures.

##### (3) Issues recognized in the Board of Directors Effectiveness Evaluation at this time

The following issues were recognized for enabling the Company’s Board of Directors to perform its original function with greater effectiveness.

- (a) Deep discussion regarding new business creation
- (b) Deep discussion regarding the rationality of public listing of parent and subsidiary
- (c) Deep discussion regarding the positioning of consultative bodies

#### 3) Initiatives Going Forward

In fiscal 2020, the Company will continue its initiatives from fiscal 2019. In addition, based on the recent effectiveness evaluation, the Company has decided to further promote the following initiatives as a result of discussion in the Board of Directors.

- (a) Discussion in the Board of Directors about new business creation
- (b) Discussion in the Board of Directors about risk management
- (c) Discussion in the Board of Directors about the positioning of consultative bodies
- (d) Discussion in the Board of Directors about stakeholder dialogue and the ideal response to the stakeholders for matters including arguments about the rationality of public listing of parent and subsidiary

The Company aims to increase the effectiveness of the Board of Directors and further strengthen corporate governance through these measures.

#### **Supplementary Principle 4.14.2 Policy for Director and Statutory Auditor’s Training**

The Company will provide, as appropriate, the training sessions and information needed by the directors and statutory auditors to properly fulfill their roles and responsibilities.

When directors and statutory auditors are appointed, the Company will provide briefings on directors’ duties and systems, and give lectures related to the Companies Act of Japan. After their appointment, the Company

will set up opportunities for directors and statutory auditors to attend external training seminars and regularly invite external experts to serve as instructors in meetings of Group directors and statutory auditors. In these and other ways, the Company provides ongoing training opportunities to impart the knowledge that directors and statutory auditors will need to fulfill their duties and to strengthen their powers of discernment. Moreover, the Company will provide opportunities for directors and statutory auditors to develop a fuller understanding of the Company's business activities through activities such as inspection tours of factories and business offices. In addition, the Company will provide, as appropriate, the necessary training and information, including reports on business execution from business group representatives and corporate officers in meetings of the Board of Directors.

**Principle 5.1 Policy for Constructive Dialogue with Shareholders**

(1) Enhancing dialogue with shareholders

Dialogue with shareholders and investors is handled by senior management, including the officer responsible for IR. The practical implementation of this dialogue is handled by the IR Division in coordination with the relevant internal departments and offices. Feedback from shareholders and investors obtained through the dialogue is compiled by the IR Division and presented to directors, management, and statutory auditors.

Furthermore, the Company will plan and implement various briefings by senior management and visits to shareholders and investors, and will actively enhance opportunities for dialogue with institutional and individual investors in Japan and overseas.

(2) Disclosure Policy

The IR Basic Policy has been established as a disclosure policy and is published on the Company's website.

<https://www.teijin.com/ir/disclosure/>

For further information on the disclosure policy and status of establishing a structure for dialogue, please refer to "III 2. IR Activities" in this report.

**2. Capital Structure**

Shareholding Ratio by foreign nationals	More than 30%
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**[Status of Major Shareholders] (Updated)**

Name / Company Name	Number of Shares Owned	Percentage (%)
The Master Trust Bank of Japan, Ltd. (Trust account)	14,734,700	7.67
Japan Trustee Services Bank, Ltd. (Trust account)	9,092,500	4.73
Nippon Life Insurance Company	7,045,501	3.67
The Employee Stock Ownership Association of Teijin	5,314,013	2.76
JP MORGAN CHASE BANK 385151	4,470,283	2.32
Japan Trustee Services Bank, Ltd. (Trust account 7)	4,376,800	2.28
Japan Trustee Services Bank, Ltd. (Trust account 5)	3,248,100	1.69
MUFG Bank, Ltd.	2,897,287	1.50
STATE STREET BANK WEST CLIENT-TREATY 505234	2,652,351	1.38
JPMorgan Securities Japan Co., Ltd.	2,569,140	1.33

Controlling Shareholder (except for Parent Company)	----
Parent Company	None

**Supplementary Explanation (Updated)**

1. The Status of Major Shareholders is as of March 31, 2020.
2. The shareholding ratio has been calculated after excluding treasury stocks (6,013,284 shares) from the issued shares.

3. As of August 22, 2018, the statement on large-volume holdings, which is available for public viewing, indicates that there is 1 Joint Holder in addition to Nippon Life Insurance Company that held the Company's shares as of August 15, 2018 as detailed below. However, the Company was unable to confirm the actual number of shares held as of March 31, 2020. Therefore, the number of shares owned as indicated on the register of shareholders is presented in the Status of Major Shareholders above. The share ownership percentage shown in parentheses below represents the percentage of the total number of issued shares including treasury shares.

- Nippon Life Insurance Company (Joint Holders: two companies): Held 9,899 thousand shares (5.00%)

4. The statement on large-volume holdings, which is available for public viewing, indicates that the following companies hold a considerable number of shares of the Company. However, the Company was unable to confirm the actual number of shares held by these companies as of March 31, 2020. Therefore, the companies are not included in the Status of Major Shareholders above. The share ownership percentages shown in parentheses below represent the percentage of the total number of issued shares including treasury shares.

- BlackRock Japan Co., Ltd. and 7 other holders: Held 12,017 thousand shares (6.10%) as of May 15, 2017 (Amended statement as of May 19, 2017)
- Mitsubishi UFJ Financial Group, Inc. and 3 other holders: Held 12,046 thousand shares (6.08%) as of August 13, 2018 (Amended statement as of August 20, 2018)
- Nomura Securities Co., Ltd. and 2 other holders: Held 10,208 thousand shares (5.11%)\* as of October 31, 2019 (statement on large-volume holdings as of November 6, 2019)

\* The number of share certificates, etc. held by Nomura Securities Co., Ltd. and 2 other holders includes the number of dilutive share certificates held in connection with the ownership of corporate bond certificates with share options.

### 3. Corporate Attributes (Updated)

Listed Stock Market and Market Section	Tokyo Stock Exchange First Section
Fiscal Year-End	March
Type of Business	Textiles & Apparels
Number of Employees (consolidated) as of the End of the Previous Fiscal Year	More than 1000
Sales (consolidated) as of the End of the Previous Fiscal Year	From ¥100 billion to less than ¥1 trillion
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	From 100 to less than 300

### 4. Policy on Measures to Protect Minority Shareholders in Conducting Transactions with Controlling Shareholder

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### 5. Other Special Circumstances which may have Material Impact on Corporate Governance (Updated)

1) Perspectives and Policies on Group Management  
 To help realize a sustainable society, the Company aims to be “a company that supports the society of the future” by providing value to society in the three key fields of 1) environmental value solutions, 2) safety, security and disaster mitigation solutions, and 3) demographic change and increased health consciousness solutions. The Company believes that doing so will lead to the Teijin Group's sustainable growth and increase its corporate value over the medium and long terms.

In February 2020, the Company announced its new medium-term management plan for 2020-2022, “ALWAYS EVOLVING.” In order to realize the plan’s vision, the Company seeks to “create growth platforms” toward sustainable growth. This will be done by creating new value while leveraging the Company’s strengths as a unique entity comprising materials and healthcare, two core business fields developed over the years, in addition to the IT business.

Investments in Teijin’s Group companies are made with the goal of obtaining ownership of a majority of shares in those companies, either directly or indirectly, in principle. Wherever possible, the Company aims for an investment ratio that enables it to establish absolute control over the Group companies. However, the Company has a Group company that is publicly listed in consideration of securing independence in such ways as the special features of its business field, its unique corporate culture and recruitment of human resources.

The Company regularly reviews the economic rationale for maintaining the listing of its publicly Group company. In addition, from the perspectives of maximizing the corporate value of the Teijin Group, the Company will fulfill its accountability by explaining the rationale for maintaining the listing and the governance structure of the publicly listed Group company.

## 2) Significance of Holding Shares of a Publicly Listed Subsidiary

The Company holds shares of Infocom Corporation, a publicly listed subsidiary (listed on the First Section of the Tokyo Stock Exchange).

Infocom Corporation is developing an online business field that provides electronic comic distribution services to general consumers and an IT service field to provide system building services and package products for companies, healthcare and public institutions. As a Group company that promotes an IT business unique to the Teijin Group, Infocom Corporation is expected to contribute to earnings growth and improvement in the corporate value of the Teijin Group as a whole.

Moreover, in the Company’s Healthcare Business Field, it has become increasingly important to utilize IT, which is evolving at an exponential pace, in order to expand business and create opportunities for the entire Group. For example, in the run-up to the creation of new businesses related to comprehensive community healthcare systems, these businesses are expected to contribute to the generation of synergies with the IT business. Accordingly, the Company believes that its ownership of the shares of Infocom Corporation is highly significant.

Swift decision-making and execution of resource allocation are particularly crucial to generating innovation in the Teijin Group’s IT business. Moreover, enhanced social credibility and recognition in the IT industry can pave the way for securing talented human resources. For these reasons, the Company believes that the best way to increase the corporate value of both Infocom Corporation and the Teijin Group is to maintain the public listing of Infocom Corporation, while preserving the autonomy and independence of the Infocom Corporation’s management and fund procurement.

## 3) Measures to Ensure the Effectiveness of the Governance System of the Publicly Listed Subsidiary

Considering that there is a risk of conflicts of interest between the Company and the ordinary shareholders of its publicly listed subsidiary, it is necessary to ensure Infocom Corporation’s independent decision-making. To this end, the Company has built an effective governance system through the measures listed below.

(1) Infocom Corporation’s final decision-making body for management decisions is its Board of Directors to ensure shareholder equality, which is fundamental to the governance of publicly listed companies. The Company’s regulations stipulate that the Company may not be directly involved in Infocom Corporation’s management decisions, in principle. Meanwhile, in order to fulfill its disclosure obligations and address related issues, the Company requests Infocom Corporation to report in advance on subjects limited to matters related to voting at the general meeting of shareholders, matters that will have an impact on the Company’s timely disclosure, and matters that will have a material impact on the Company’s consolidated financial statements.

(2) From the perspective of protecting minority shareholders, Infocom Corporation has appointed four outside directors / statutory auditors (three outside directors and one outside statutory auditor) who have no possibility of conflicts of interests with ordinary shareholders, and they have been designated as independent directors / statutory auditors as defined by the Tokyo Stock Exchange. The Board of Directors of Infocom Corporation comprises seven members, of whom there are three outside directors who satisfy independence criteria, and one director on assignment from the parent company. This Board composition is in compliance with Principle 4.8 Effective Use of Independent Directors of Japan’s Corporate Governance Code.

(3) Infocom Corporation’s role as a Group company is to conduct the IT business within the Teijin Group. As such, Infocom Corporation primarily develops information and telecommunications systems and provides operation and management services related to those systems to the Teijin Group. The Company believes that the independence of Infocom Corporation is assured because it is free to conduct its business activities without any hindrance given that its businesses are not similar to other businesses in the Teijin Group.

Moreover, prices and transaction conditions related to transactions with the Teijin Group at Infocom Corporation are resolved by Infocom Corporation's Board of Directors, taking into consideration market prices and other factors. Accordingly, the Company believes that the rights of other shareholders are protected.

## II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management

### 1. Organizational Composition and Operation

Organization Form	Company with Statutory Auditors Board
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#### [Directors]

Maximum Number of Directors Stipulated in Articles of Incorporation	No more than 10
Term of Office Stipulated in Articles of Incorporation	1 year
Chairperson of the Board	Outside Director
Number of Directors	9
Appointment of Outside Directors	Appointed
Number of Outside Directors	4
Number of Independent Directors	4

#### Outside Directors' Relationship with the Company (1)

Name	Attribute	Relationship with the Company*											
		a	b	c	d	e	f	g	h	i	j	k	
Fumio Ohtsubo	From another company									△			
Yukako Uchinaga	From another company												
Yoichi Suzuki	Others												
Masaru Onishi	From another company									△			

\* Categories for "Relationship with the Company"

\* "○" when the director presently falls or has recently fallen under the category;

"△" when the director fell under the category in the past

\* "●" when a close relative of the director presently falls or has recently fallen under the category;

"▲" when a close relative of the director fell under the category in the past

a. Executive of the Company or its subsidiaries

b. Non-executive director or executive of a parent company of the Company

c. Executive of a fellow subsidiary company of the Company

d. A party whose major client or supplier is the Company or an executive thereof

e. Major client or supplier of the listed company or an executive thereof

f. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as a director/statutory auditor

g. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)

h. Executive of a client or supplier company of the Company (which does not correspond to any of d, e, or f) (the director himself/herself only)

i. Executive of a company, between which and the Company outside directors/ statutory auditors are mutually appointed (the director himself/herself only)

j. Executive of a company or organization that receives a donation from the Company (the director himself/herself only)



k. Others

Outside Directors' Relationship with the Company (2) (Updated)

Name	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons of Appointment
Fumio Ohtsubo	○	<p>Fumio Ohtsubo, Outside Director, comes from Panasonic Corporation, a client of the Company's products, but as transactions between Panasonic Corporation and the Company are minimal, accounting for less than 1% of the Company's consolidated sales (the results for the fiscal year ended March 2020), we deemed that there is no risk of his independence being affected, and have omitted a summary of our transactions with Panasonic Corporation.</p>	<p>Fumio Ohtsubo has served as President and Chairman of the listed company, and he revitalizes the Board of Directors and enhance its effectiveness based on his abundant business experience and high level of insight. As the Director, he is providing appropriate advice and suggestions regarding the Company's business strategy and governance, as well as officer appointments and compensation. Furthermore, as a member of the Advisory Board, he has fulfilled his duties sufficiently in deliberation of important matters such as appointment and dismissal of the CEO, evaluation of the CEO's performance, and recommendations for overall management. We continue to select him as a candidate for Outside Director. As he satisfies both the requirements of "independent director" stipulated by the Company and the requirements of independent directors/statutory auditors stipulated by stock exchanges, the Company has judged there to be no risk of conflicts of interest arising between him and the general shareholders.</p>
Yukako Uchinaga	○	-	<p>Yukako Uchinaga has served as Vice President and she has extensive business experience, broad knowledge of the information technology field, and deep insight in matters concerning diversity. Based on this, she provides appropriate advice and points out diversity activities including active participation by women and IT / healthcare business. Furthermore, as a member of the Advisory Board, she has fulfilled her duties sufficiently in deliberation of important matters such as appointment and dismissal of the CEO, evaluation of the CEO's performance, and recommendations for overall management. We continue to select her as a candidate for Outside Director. As she satisfies both the requirements of "independent director" stipulated by the Company and the requirements of independent directors/statutory auditors stipulated by stock exchanges, the</p>

			Company has judged there to be no risk of conflicts of interest arising between her and the general shareholders.
Yoichi Suzuki	○	-	Yoichi Suzuki has a wealth of knowledge and experience in negotiations on international economics and trade issues as a diplomat. As the Director, he provides appropriate advice and points out business strategies from a global viewpoint in addition to our business strategy and governance. Furthermore, as a member of the Advisory Board, he has fulfilled his duties sufficiently in deliberation of important matters such as appointment and dismissal of the CEO, evaluation of the CEO's performance, and recommendations for overall management. We continue to select him as a candidate for Outside Director. As he satisfies both the requirements of "independent director" stipulated by the Company and the requirements of independent directors/statutory auditors stipulated by stock exchanges, the Company has judged there to be no risk of conflicts of interest arising between him and the general shareholders.
Masaru Onishi	○	Masaru Onishi, Outside Director, comes from Japan Airlines Co., Ltd., a client of the Company's products, but as transactions between Japan Airlines Co., Ltd. and the Company are minimal, accounting for less than 1% of the Company's consolidated sales (the results for the fiscal year ended March 2020), we deemed that there is no risk of his independence being affected, and have omitted a summary of our transactions with Japan Airlines Co., Ltd.	Masaru Onishi has served as President and Chairman of the listed company, and he has abundant business experience and high level of insight. As the Director, he is providing appropriate advice and suggestions regarding the Company's business strategy and governance, as well as officer compensation and appointments. Furthermore, as a member of the Advisory Board, he has fulfilled his duties sufficiently in deliberation of important matters such as appointment and dismissal of the CEO, evaluation of the CEO's performance, and recommendations for overall management. We continue to select him as a candidate for Outside Director. As he satisfies both the requirements of "independent director" stipulated by the Company and the requirements of independent directors/statutory auditors stipulated by stock exchanges, the Company has judged there to be no risk of conflicts of interest arising between him and the general shareholders.

Voluntary Establishment of Committee(s) Corresponding to Nomination Committee or Remuneration Committee	Established
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Committee's Name, Composition, and Attributes of Chairperson

	Committee's Name	All Committee Members	Full-time Members	Inside Directors	Outside Directors	Outside Experts	Other	Chairman
Committee Corresponding to Nomination Committee	Advisory Board (*)	8	1	1	4	2	0	Outside Director
Committee Corresponding to Remuneration Committee	Advisory Board (*)	8	1	1	4	2	0	Outside Director

Supplementary Explanation (Updated)

(1) The Advisory Board (\*)

The Advisory Board, comprising both Japanese and non-Japanese experts, has been established to provide advice to management in general and to evaluate the top managements, and operates as a consultative body to the Board of Directors. The Advisory Board is made up of five to seven outside advisors (currently, the Advisory Board comprises four outside directors and two non-Japanese experts) as well as the Chairman of the Board (or the senior advisor in case of a vacancy in the Chairman of the Board post) and the President & CEO. The Chairman of the Board (or the senior advisor in case of a vacancy in the Chairman of the Board post) chairs the Advisory Board.

The Advisory Board has set up nomination and remuneration committees chaired by outside directors (currently, outside directors, Mr. Fumio Ohtsubo and Mr. Masaru Onishi chair the nomination and remuneration committees, respectively) when proposals concerning nomination and remuneration are on the agenda. Such proposals consist of making recommendations regarding the alternation of the CEO and nomination of a successor, deliberating the election of chairman, deliberating the system and levels of compensation for Teijin Group directors and officers, and evaluating the performance of the CEO. For matters concerning the CEO, the CEO leaves the room and does not participate in the discussion. For matters concerning the chairman, the chairman leaves the room and does not participate in the discussion.

The composition of the Advisory Board is as follows.

Shigeo Ohyagi (chairman/ senior advisor), Fumio Ohtsubo (chairman of Nomination Committee / outside director), Yukako Uchinaga (outside director), Yoichi Suzuki (outside director), Masaru Onishi (chairman of Remuneration Committee / outside director), Alexander H.G. Rinnooy Kan (non-Japanese experts), Thomas M. Connelly, Jr. (non-Japanese experts), Jun Suzuki

(2) The Nomination Advisory Committee and the Compensation Advisory Committee

In addition to the above Advisory Board, the Company shall establish and manage the Nomination Advisory Committee and the Compensation Advisory Committee, as consultative bodies of the Board of Directors to further enhance the transparency concerning the appointment of directors and officers. Both committees are made up of two outside directors, the Chairman of the Board (In case of a vacancy in the Chairman of the Board post, the place is left vacant) and the CEO. Outside directors chair the committees. The committees shall have functions to make proposals and recommendations to the Board of Directors with respect to the nomination, evaluation and amount of compensation of Directors and the Senior Management other than the Chairman and CEO.

The composition of the Nomination Advisory Committee is as follows.

Fumio Ohtsubo (chairman/ outside director), Masaru Onishi (outside director), Jun Suzuki

The composition of the Compensation Advisory Committee is as follows.

Masaru Onishi (chairman/ outside director), Fumio Ohtsubo (outside director), Jun Suzuki

[Statutory Auditor]

Establishment of Statutory Auditor Board	Established
Maximum Number of Statutory Auditors Stipulated in Articles of Incorporation	There is no maximum number.

Number of Statutory Auditors	5
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### Cooperation among Statutory Auditors, Accounting Auditors and Internal Audit Departments (Updated)

The Company's Board of Statutory Auditors receives a summary explanation from the accounting auditor regarding the accounting audit plan, the internal control audit plan, and the quarterly review plan, along with accounting audit reports, internal control audit reports, quarterly review reports, and Group company on-site audit reports. Through these reports, the Board of Statutory Auditors receives an explanation of issues related to accounting and internal control, discusses important matters related to audits, and undertakes the required countermeasures. On the other hand, the accounting auditor receives an explanation of the audit policy, audit plan and so forth, from the statutory auditors and they exchange opinions. Moreover, the Company's Board of Statutory Auditors receives an explanation of matters indicated in the Group company audits from the accounting auditor that conducts the Group company audits and the information is shared throughout the Group.

Furthermore, the Group Board of Statutory Auditors receives explanations from the accounting auditor regarding the short-term and medium-term revision trends in the Japanese accounting standards and international accounting standards, as well as their impact on the Teijin Group, issues that should be coped with, and so forth. The "Corporate Audit Department," which is an internal auditing body, also has links with the accounting auditor in the same way as the statutory auditors.

The Board of Statutory Auditors and the Corporate Audit Department exchange opinions when proposing the internal audit plan for the fiscal year, regarding the audit scope, companies and departments to be audited, and so forth. On the other hand, the Corporate Audit Department reports on the internal audit execution status through the Committee of Teijin Group Statutory Auditors, extraordinary meetings, monthly reports, and so forth. This enables internal audit information to be grasped constantly and comprehensively, and the required action to be shared. Moreover, the audit information of the statutory auditors is also shared with the Corporate Audit Department.

With regard to the relationship between the statutory auditor audits, accounting audits, and internal audits (hereafter, "various audits") and the internal control departments (functional departments such as CSR, corporate strategy and information systems), the internal control departments develop internal control systems and provide related operational support, and provide reporting to each audit organization regularly and as necessary, along with receiving various audits.

In terms of the reporting system for internal control over financial reporting based on the Financial Instruments and Exchange Act of Japan, an Internal Control Report is prepared in consideration of factors such as independent monitoring by the Corporate Audit Department, and the report is audited by the accounting auditor.

Appointment of Outside Statutory Auditors	Appointed
Number of Outside Statutory Auditors	3
Number of Independent Statutory Auditors	3

### Outside Statutory Auditors' Relationship with the Company (1) (Updated)

Name	Attribute	Relationship with the Company*												
		a	b	c	d	e	f	g	H	i	j	k	l	m
Gen Ikegami	CPA													
Hitomi Nakayama	Lawyer													
Jun Arima	Other													

\* Categories for "Relationship with the Company"

\* "○" when the director presently falls or has recently fallen under the category;

"△" when the director fell under the category in the past

\* "●" when a close relative of the director presently falls or has recently fallen under the category;

"▲" when a close relative of the director fell under the category in the past

- a. Executive of the Company or its subsidiary
- b. Non-executive director or accounting advisor of the Company or its subsidiaries
- c. Non-executive director or executive of a parent company of the Company
- d. Statutory auditor of a parent company of the Company
- e. Executive of a fellow subsidiary company of the Company
- f. A party whose major client or supplier is the Company or an executive thereof
- g. Major client or supplier of the Company or an executive thereof
- h. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as a statutory auditor
- i. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)
- j. Executive of a client or supplier company of the Company (which does not correspond to any of f, g, or h) (the statutory auditor himself/herself only)
- k. Executive of a company, between which and the Company outside directors/statutory auditors are mutually appointed (the statutory auditor himself/herself only)
- l. Executive of a company or organization that receives a donation from the Company (the statutory auditor himself/herself only)
- m. Others

Outside Statutory Auditors' Relationship with the Company (2) (Updated)

Name	Designation as Independent Statutory Auditor	Supplementary Explanation of the Relationship	Reasons of Appointment
Gen Ikegami	○	-	Gen Ikegami is expected to contribute to the maintenance and improvement of compliance by the Company with his abundant knowledge and experience as Certified Public Accountant. Therefore, the Company judges that he is able to perform duties as outside statutory auditor properly. As he satisfies both the requirements of "independent statutory auditor" stipulated by the Company and the requirements of independent directors/statutory auditors stipulated by stock exchanges, the Company has judged there to be no risk of conflicts of interest arising between him and the general shareholders.
Hitomi Nakayama	○	-	Hitomi Nakayama is acting as a lawyer and has filled several member posts on several governmental policy boards, she is expected to maintain and improve compliance of the Company and risk management based on her abundant wisdom. As she satisfies both the requirements of "independent statutory auditor" stipulated by the Company and the requirements of independent directors/statutory auditors stipulated by stock exchanges, the Company has judged there to be no risk of conflicts of interest arising between her and the general shareholders.
Jun Arima	○	-	Jun Arima has been involved in resource and energy, global environmental and economic issues at

			government ministries and agencies such as the Ministry of Economy, Trade and Industry (METI) and international organizations such as the Organization for Economic Co-operation and Development (OECD). We expect that he will contribute to maintaining and improving our compliance and provide advice and suggestions for the environmental management that we aim for based on his wealth of knowledge and experience, so we judge that he will be able to properly perform his duties outside statutory auditor. As he satisfies both the requirements of “independent statutory auditor” stipulated by the Company and the requirements of independent directors/statutory auditors stipulated by stock exchanges, the Company has judged there to be no risk of conflicts of interest arising between him and the general shareholders.
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**[Independent Directors/ Statutory Auditor] (Updated)**

Number of Independent Directors/Statutory Auditors	7
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Matters relating to Independent Directors/Statutory Auditors

There are no special interests between the Company and the outside directors and outside statutory auditors. The status of concurrent positions held by outside directors and outside statutory auditors at other companies and so forth is as reported in “Outside Directors’ and Statutory Auditors’ Relationship with the Company (1).” There are no special interests between the Company and the respective companies and so forth where the concurrent positions are held.

The outside directors’ role is to contribute to improving the transparency and accountability of the Board of Directors by performing an oversight function over inside directors as well as a management advice function based on their expertise.

Moreover, of the Company’s five statutory auditors, a majority of three are outside statutory auditors who maintain independence. This maintains transparency, and achieves the management oversight and audit function including audit of total risk management.

On April 1, 2003, the Company prescribed requirements for independent directors by the Board of Directors as “Independent Director Regulations,” which serves as the basis for the election of outside directors. 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. At the same time, with the approval of the Board of Statutory Auditors the Board of Directors prescribed requirements for independent statutory auditors as “Independent Statutory Auditor Regulations,” which serves as the basis for the election of outside statutory auditors. These conditions for appointment are intended to enhance the precision and transparency of the auditing of duties of inside directors and the management team. These regulations are posted on the Company’s website (<https://www.teijin.com/ir/governance/requirements/>) and a summary of the standards is published in the Notice of Convocation of the General Meeting of Shareholders. In these requirements, the Company has voluntarily adopted independence requirements equivalent to those have been established as rules for US stock exchanges in order to rigorously ensure independence. Moreover, the Company’s outside directors and outside statutory auditors also meet the independence requirements specified by the Tokyo Stock Exchange.

The outside statutory auditors receive reports and so forth from the statutory auditor audits, accounting audits, Corporate Audit Department audits through the Board of Statutory Auditors and Committee of Teijin Group

Statutory Auditors. They exchange opinions appropriately based on these reports, and mutual contact is maintained with the outside directors by having them receive these audit reports and so forth.

With regard to the relationship between the supervision provided by outside directors and outside statutory auditors and the internal control departments (functional departments such as CSR, corporate strategy and information systems), the internal control departments report appropriately on operational risk, strategic risk, and so forth to the outside directors and outside statutory auditors, mainly through the Board of Directors meetings, and in turn receive necessary counsel and advice from the outside directors or outside statutory auditors. If necessary, outside directors or outside statutory auditors may exchange opinions with the administrator overseeing the internal control departments and make proposals for effective improvements for the internal control system and other matters.

The Company has executed a Liabilities Limitation Agreement with outside directors which limits the respective liabilities of each outside director to the higher amount of ¥20 million or the minimum liability amount stipulated in Article 425, Paragraph 1, of the Companies Act. The Company has also executed a Liabilities Limitation Agreement with outside statutory auditors which limits the respective liabilities of each outside statutory auditor to the higher amount of ¥20 million or the minimum liability amount stipulated in Article 425, Paragraph 1, of the Companies Act.

### [Incentives]

Incentive Policies for Directors	Performance-linked Remuneration / Stock Options
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Supplementary Explanation

For details, please see “Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods.”

Recipients of Stock Options	Inside Directors / Other
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Supplementary Explanation

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### [Director Remuneration]

Disclosure of Individual Directors’ Remuneration	Partially disclosed
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Supplementary Explanation (Updated)

Remuneration for Directors and Statutory Auditors and Remuneration for Audit  
From April 1, 2019 to March 31, 2020, the remuneration paid to the Company’s directors and statutory auditors and the remuneration paid for audits were as follows.

[Director Remuneration]

· As “remuneration based on the Articles of Incorporation or the resolution of the General Meeting of Shareholders,” the Company paid ¥350 million to six inside directors, ¥66 million to five outside directors, making a total of ¥416 million to 11 directors.

1. Inside directors means directors other than outside directors.
2. The Company has no director who is also an employee of the Company.
3. Two directors who retired this fiscal year is included in the number of directors paid remuneration.
4. The maximum annual remuneration for directors is ¥700 million, of which ¥630 million is for annual salary and ¥70 million is for the fair value of compensation-type stock options (as resolved by the 140th Ordinary General Meeting of Shareholders, held on June 23, 2006).
5. Performance-based remuneration was not paid to outside directors. The amounts of above remuneration include ¥19 million as compensation-type stock options granted to inside directors for their duties performed during the subject fiscal year. Stock options were not granted to outside

- directors.
6. The details of individual compensation for directors who received, in the aggregate, consolidated compensation of ¥100 million or more are disclosed in the annual Securities Report.

[Statutory Auditor Remuneration]

· As “remuneration based on the Articles of Incorporation or the resolution of the General Meeting of Shareholders,” the Company paid ¥69 million to three inside statutory auditors, ¥36 million to three outside statutory auditors, making a total of ¥105 million to six statutory auditors.

1. Inside statutory auditors mean corporate auditors other than outside statutory auditors.
2. One statutory auditor who retired this fiscal year is included in the number of statutory auditors paid remuneration.
3. The maximum monthly remuneration for corporate auditors is ¥12 million (as resolved by the 133rd Ordinary General Meeting of Shareholders held on June 25, 1999).

The above information is included in the Business Reports and Securities Reports. The Business Reports are posted on the Company’s website as part of the Notice of Convocation of the General Meeting of Shareholders.

[https://www.teijin.com/ir/stocks/general\\_meeting/](https://www.teijin.com/ir/stocks/general_meeting/)

Policy on Determining Remuneration Amounts  
and Calculation Methods (Updated)

Established

Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods

(1) Basic policy on compensation systems

- The system should enhance awareness of contributing to medium- to long-term increase in earnings and corporate value
- The system should be closely linked to performance of the Company, and highly transparent and objective
- The system should be primarily focused on enhancing shared awareness of interests with shareholders and shareholder-focused management awareness
- The system should maintain sufficient remuneration levels to secure high-quality management human resources

(2) Remuneration level

- The remuneration level for internal directors and outside directors is determined each year after verifying the appropriateness of the level of total remuneration for each position, based on the results of a remuneration survey conducted among major corporations in Japan each year.

(3) Composition of remuneration for directors and statutory auditors

- Internal director remuneration is composed of fixed basic remuneration, variable performance-based remuneration (short-term incentive remuneration), and compensation-type stock options (medium- to long-term incentive remuneration), with the aim of instilling awareness of short-term achievement of performance goals and medium- to long-term improvement of corporate value.
- Remuneration for outside directors and statutory auditors is solely fixed remuneration, not linked with the performance of the Company.

For internal directors, the composition ratio is as follows:

- (a) Basic remuneration as fixed remuneration: 65%
- (b) Performance-based remuneration as variable remuneration: 25%
- (c) Compensation-type stock option as variable remuneration: 10%

Note1: The ratio of the above is based on 100% achievement of relevant targets on the performance-based remuneration and compensation-type stock options.

Note2: From fiscal 2020, the composition ratio of remuneration was revised to 60% for basic remuneration, 25% for performance-based remuneration and 15% for compensation-type stock options.

(4) Overview of remuneration elements for internal directors

(a) Basic remuneration

The amount paid to each director is determined according to their position and paid as fixed remuneration.



(b) Performance-based remuneration

The payment ratio of performance-based remuneration varies depending on the achievement level of consolidated ROE, the achievement versus forecast of consolidated EBITDA and consolidated ROIC based on consolidated operating income, and the individual performance evaluation of the director.

(c) Compensation-type stock options

The Company's stock options are designed based on a compensation-type stock option plan where the exercise price is ¥1 (the stock option recipient pays ¥1 per stock). The number of stock options allocated varies depending on the achievement of consolidated ROE and the achievement versus forecast of consolidated EBITDA. Moreover, the allocated stock options have a condition that allows the recipient to exercise the options within a five-year period after retiring as a director.

(5) Indicators for variable remuneration and reason for their selection

Three indicators presented as performance targets for the medium-term management plan for 2017-2019, "ALWAYS EVOLVING," have been selected as key performance indicators for variable remuneration: consolidated ROE, which is a profitability indicator; consolidated EBITDA, which is a growth indicator; and ROIC based on consolidated operating income, which is an indicator of efficiency of generating profits relative to capital invested. Their selection will motivate each director to improve.

**[Supporting System for Outside Directors and/or Statutory Auditor] (Updated)**

The Corporate Strategy Department supports the outside directors in all aspects of the performance of their duties by providing them with briefings on matters to be resolved and reported before meetings of the Board of Directors. In addition, the Executive Secretariat supports the activities of the outside directors by providing liaison and coordination between the outside directors and other directors, and with other personnel.

For outside statutory auditors, full-time corporate auditors give timely briefings on the details of important internal meetings in addition to Board of Directors agenda items in advance of the meetings. In addition, statutory audit staff assist outside statutory auditors' audit activities through informal discussions between the CEO and directors and through participation in The Committee of Teijin Group Statutory Auditors to enable outside statutory auditors to audit the execution of duties.

**[Status of Persons Who Have Retired from a Position Such as Representative Director and President]**

Information on Retired Representative Director and Presidents, etc. Holding Advisory or Any Other Position in the Company

Name	Title/ Position	Assignment	Working Form and Conditions (Full-time/Part-time, with/without compensation, etc.)	Date of Retirement from Position Such as President	Term of Assignment
Toru Nagashima	Honorary Advisor	Engaged in external affairs such as business community relations.	Part-time, with compensation	20 June 2008	Provided for in company rules
Shigeo Ohyagi	Senior Advisor	Engaged in external affairs such as business community relations. Engaged in duties as the Chairman of the Advisory Board (excluding resolutions concerning nomination and compensation advisory functions)	Full-time, with compensation	31 March 2014	Provided for in company rules

Total Number of Retired Representative Director and 2

Presidents, etc. Holding Advisory or Any Other Position in the Company	
Remarks	

**2. Matters on Functions of Business Execution, Auditing, Oversight, Nomination and Remuneration Decisions (Overview of Current Corporate Governance System) (Updated)**

**1) Decision-Making Bodies**

Within the Teijin Group, matters for which the Board of Directors retains authority in accordance with the provisions of the law are decided by the “Board of Directors,” which meets once a month in principle. Important matters related to execution of business of the Company or the Teijin Group for which authority has been delegated from the Board of Directors (individual medium- or short-term plans relating to each business group or function operations, and individual important matters) are decided by the CEO through deliberation in the “Group Strategy Committee,” which meets once a week in principle, and the “Group Management Committee,” which meets once a month in principle.

The “Group Strategy Committee” and the “Group Management Committee” members consist of the CEO, Responsible for Business officers, chief officers, and people designated by the CEO. The CEO convenes and chairs both committees. In addition to the members, the committees are also attended by the full-time statutory auditors.

**2) Board of Directors and Corporate Officer System**

To expedite decision-making and clarify accountability of execution of business, the Company’s Articles of Incorporation set the maximum members of the Board of Directors to 10 directors, and the Company has introduced a corporate officer system that delegates broad authority to corporate officers. Currently, the Company’s Board of Directors comprises nine members, including four outside directors whose independence is assured. One of the outside directors is a female director. Additionally, in the Articles of Incorporation, the term of office for directors is set at one year. The Board of Directors is chaired by the Chairman of the Board (if the Chairman of the Board post is vacant, either a senior advisor who is a director, or an outside director will assume the chairmanship of the Board), as a means of separating oversight and supervision from execution of business. Currently, the Board of Directors is chaired by an outside director.

Composition of the Board of Directors is as follows.

Fumio Ohtsubo (chairman/ outside director), Jun Suzuki, Yoshihisa Sonobe, Akihisa Nabeshima, Toshiya Koyama, Eiji Ogawa, Yukako Uchinaga (outside director), Yoichi Suzuki (outside director), Masaru Onishi (outside director)

**3) Selection of Director Candidates**

Director candidates are decided by the Board of Directors as personnel that are suitable to be top management of the Company, with outstanding personality and insight, in consideration of their personal capabilities, past performance record, and so forth. The candidates are recommended at the General Meeting of Shareholders.

**4) Advisory Board (Management Consultative Committee)**

The Advisory Board, comprising both Japanese and non-Japanese experts, has been established to provide advice to management in general and to evaluate the top managements, and operates as a consultative body to the Board of Directors. The Advisory Board is made up of five to seven outside advisors (currently, the Advisory Board comprises four outside directors and two non-Japanese experts) as well as the Chairman of the Board (or the senior advisor in case of a vacancy in the Chairman of the Board post) and the CEO. The Chairman of the Board (or the senior advisor in case of a vacancy in the Chairman of the Board post) chairs the Advisory Board. The Advisory Board has set up nomination and remuneration committees chaired by an outside director (currently, outside directors, Mr. Fumio Ohtsubo and Mr. Masaru Onishi chair the nomination and remuneration committees, respectively) when proposals concerning nomination and remuneration are on the agenda. Such proposals consist of making recommendations regarding the alternation of the CEO and nomination of a successor, deliberating the selection of the Chairman of the Board, deliberating the system and levels of compensation for Teijin Group directors and officers, and evaluating the performance of the CEO. For matters concerning the CEO, the CEO leaves the room and does not participate in the discussion. For matters concerning the

Chairman of the Board, the Chairman of the Board leaves the room and does not participate in the discussion.

Composition of the Advisory Board is as follows.

Shigeo Ohyagi (chairman/senior advisor), Fumio Ohtsubo (chairman of Nomination Committee / outside director), Yukako Uchinaga (outside director), Yoichi Suzuki (outside director), Masaru Onishi (chairman of Remuneration Committee / outside director), Alexander H.G. Rinnooy Kan (non-Japanese expert), Thomas M. Connelly, Jr. (non-Japanese expert), Jun Suzuki

#### **5) Nomination Advisory Committee and Compensation Advisory Committee as consultative bodies**

In addition to the above Advisory Board, the Company shall establish and manage the Nomination Advisory Committee and the Compensation Advisory Committee, as consultative bodies of the Board of Directors to further enhance the transparency concerning the appointment of directors and officers. Both committees are made up of two outside directors, the Chairperson of the Board (In case of a vacancy in the Chairman of the Board post, the place is left vacant) and the CEO. Outside directors chair the committees. The committees shall have functions to make proposals and recommendations to the Board of Directors with respect to the nomination, evaluation and amount of compensation of Directors and the Senior Management other than the Chairman and CEO and the nomination of Statutory Auditors.

The composition of the Nomination Advisory Committee is as follows.

Fumio Ohtsubo (chairman/ outside director), Masaru Onishi (outside director), Jun Suzuki

The composition of the Compensation Advisory Committee is as follows.

Masaru Onishi (chairman/ outside director), Fumio Ohtsubo (outside director), Jun Suzuki

#### **6) Status of Initiatives to Enhance the Function of Statutory Auditors (Corporate Audits)**

The Company's Board of Statutory Auditors consists of five members, of who, three—a majority—are independent outside statutory auditors who are independent from the company, and one of those three is female. In addition, Outside Statutory Auditor Gen Ikegami possesses certified public accountant's qualification and possesses considerable knowledge of finance and accounting. Outside Statutory Auditor Hitomi Nakayama possesses considerable knowledge concerning compliance and risk management as a lawyer.

The Committee of Teijin Group Statutory Auditors is comprised of statutory auditors and others from Group companies and shares auditing policies and information and forms a system to conduct fairer audits by attaining shared awareness of risk responses for each site, etc. and raising the effectiveness of supervision and auditing of the entire Group in response to the Group's consolidated management.

A Group Auditors Office has been established reporting directly to full-time corporate auditors as an organization to assist auditors. As of March 31, 2020, the office has five full-time workers and supports auditors' execution of duties.

#### **7) Internal Audit System**

The Corporate Audit Department, reporting directly to CEO, has been established as an internal audit organization, and carries out Group-wide and global audits to evaluate efficiency and validity of internal control functions. Furthermore, at certain listed subsidiary and so forth, individual internal audit organizations have been established. As of March 31, 2020, the number of internal auditors in the Teijin Group is 23 (excluding internal auditors at listed subsidiary and so forth).

#### **8) Status of Accounting Audits**

The status of certified public accountants who executed business is as follows (items in brackets are the affiliated auditing firm and number of consecutive years performing audits).

Hidetoshi Fukuda (KPMG AZSA LLC, 1 year), Kiyoshi Hirai (KPMG AZSA LLC, 6 years), Takeharu Kirikae (KPMG AZSA LLC, 5 years)

The status of assistants who executed auditing is as follows.

Certified public accountants 16, others 20, total 36.

#### **9) Total Risk Management**

In April 2003, the Company established the "Total Risk Management (TRM) Committee" under the Board of Directors targeting both strategic and operational risks, as a preventive measure against the uncertainty that the Company may face, and the TRM Committee has been conducting total risk management. The Board of Directors deliberates and decides the basic policy and annual plan related to TRM proposed by the TRM Committee. The CEO is in charge of assessing the strategic risk, and provides important judgment materials

for the Board of Directors and so forth. The statutory auditors conduct audits to check whether the Board of Directors is appropriately conducting policy decisions, supervising and monitoring regarding TRM.

The details of Teijin Group “Corporate Governance Guide” (the Company’s Corporate Governance System) can be viewed at the Company’s website: (<https://www.teijin.com/ir/management/governance/guide/>)

### 3. Reasons for Adoption of Current Corporate Governance System

The Company’s Group has adopted and will adopt from time to time mechanisms for corporate governance which is appropriate for achieving the purposes of the Company. Accordingly, the Company will timely review the mechanisms and such changes may be made in accordance with changes in the social and legal environments.

The current Companies Act requires the Board of Directors to appropriately carry out two functions: important business decision and management oversight and supervision. The governance system deemed appropriate is therefore based on these two core functions, with execution of business led by the Company’s inside directors (limited Executive Directors) on the one hand, and management oversight and supervision focused on by outside directors and carried out by statutory auditors and the Board of Statutory Auditors on the other hand.

Therefore, the Company intends to continue to be a company with Board of Statutory Auditors for the time being. At the Company, the strengthening of the management oversight and supervisory functions and similar corporate governance that are the aim of a “company with nominating committees” are effectively achieved via an “Advisory Board”, a “Board of Directors and executive officer system that includes independent outside directors,” and a “Board of Statutory Auditors system that includes independent outside statutory auditors.”

## III. Implementation of Measures for Shareholders and Other Stakeholders

### 1. Measures to Vitalize the General Shareholder Meetings and Smooth Exercise of Voting Rights

(Updated)

	Supplementary Explanations
Early Notification of General Shareholder Meeting	The Company sends notification about three weeks prior to the date of the General Meeting of Shareholders. In the fiscal year ended March 2020 the General Meeting of Shareholders was held on June 19, 2020, and the Notice of Convocation was sent on May 28. Ahead of this, on May 22, the Notice of Convocation was posted on the Company’s website and the website of the Tokyo Stock Exchange, and others. <a href="https://www.teijin.com/ir/stocks/general_meeting/">https://www.teijin.com/ir/stocks/general_meeting/</a>
Scheduling AGMs Avoiding the Peak Day	The General Meeting of Shareholders for the fiscal year ended March 2020 was held on June 19. The General Meeting of Shareholders for the fiscal year ending March 2021 is scheduled to be held on the similar time.
Allowing Electronic Exercise of Voting Rights	The Company has adopted exercise of voting rights by electro-magnetic methods since the Ordinary General Meeting of Shareholders for the fiscal year ended March 2003. Voting rights can be exercised through electro-magnetic methods by accessing the Company’s designated website for exercising voting rights from a personal computer or smartphone.
Participation in Electronic Voting Platform	Nominal shareholders, such as managing trust banks, (including standing proxy agents) can use the electronic voting platform operated by ICJ, Inc. after applying beforehand to use it.
Providing Convocation Notice in English	The Notice of Convocation is available in English on the Company’s website. <a href="https://www.teijin.com/ir/stocks/general_meeting/">https://www.teijin.com/ir/stocks/general_meeting/</a>
Other	1. The General Meeting of Shareholders is an important opportunity for direct dialogue with shareholders. However, shareholders are requested to refrain from attending this year’s General Meeting of Shareholders in order to prevent the spread of coronavirus disease 2019 (COVID-19). 2. From this perspective, the business report will be made available this year on the Company’s website before the General Meeting of Shareholders, and

	<p>the business report will therefore be omitted from the proceedings of the General Meeting of Shareholders. Until last year, business reports using photos and images had been given at General Meetings of Shareholders.</p> <p>3. To help shareholders attending the General Meeting of Shareholders to achieve a familiar understanding of the Teijin Group’s businesses, the Company had prepared panel and sample displays, but it has decided to cancel these activities this year.</p>
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## 2. IR Activities (Updated)

	Supplementary Explanations
Preparation and Publication of Disclosure Policy	<p>The Teijin Group’s IR Basic Policy is available on the Company’s website in Japanese and English (Japanese: <a href="https://www.teijin.co.jp/ir/disclosure/">https://www.teijin.co.jp/ir/disclosure/</a>; English: <a href="https://www.teijin.com/ir/disclosure/">https://www.teijin.com/ir/disclosure/</a>).</p> <p><b>Disclosure Policy</b></p> <p>Basic Policy</p> <ol style="list-style-type: none"> <li>1. Teijin Ltd. and Teijin Group companies have a basic policy of providing company information to all stakeholders in a timely, fair, accurate, and consistent manner.</li> <li>2. A management priority is to build a relationship of trust with shareholders and investors in particular, and therefore, we shall actively endeavor to enhance information disclosure and two-way communication.</li> <li>3. We believe that accountability is an essential requirement in securing effective corporate governance.</li> </ol> <p>Disclosure Standards</p> <ol style="list-style-type: none"> <li>1. We will promptly disclose information in a fair, accurate, clear, timely and ongoing manner in accordance with various laws and regulations such as Financial Instruments and Exchange Act and Companies Act (the “various laws and regulations”) and the “Rules on Timely Disclosure of Corporate Information by Issuers of Listed Securities” stipulated by the Tokyo Stock Exchange (TSE) etc. (the “timely disclosure rules”). Moreover, for those matters that cannot be disclosed due to an unfavorable impact on business operations, the reason for such must be clearly stated at the time of explanation.</li> <li>2. Information that is not considered important information as established under the various laws or regulations, or under timely disclosure rules, but is deemed to be of use to shareholders and investors-with the exception of information pertaining to the competitive strategies of individual businesses or highly confidential management information-will be disclosed fairly, accurately, clearly, timely and ongoing manner.</li> </ol> <p>Disclosure Methods</p> <ol style="list-style-type: none"> <li>1. Information that is considered important under the timely disclosure rules shall be disclosed in accordance with said rules via the TSE's timely disclosure information system (TDnet), in addition to explanations provided to the TSE.</li> <li>2. Information under Financial Instruments and Exchange Act shall be disclosed in accordance with said act via the Financial Services Agency's Electronic Disclosure for Investors' NETwork (EDINET), in addition to explanations provided to the Financial Services Agency.</li> <li>3. Information other than the above that is considered to affect investor decisions will also be promptly disclosed as required depending on the importance and urgency of that information through press releases, press conferences, or information sessions.</li> </ol>

	<p>4. Information disclosed in accordance with 1. and 2. above will be posted on the Company's website immediately after disclosure. Further, for the convenience of shareholders and investors, we will work to provide disclosure in English to accompany our disclosure of information in Japanese.</p> <p>5. In addition to improving the "For Investors" section of the Company's website, we will also endeavor to provide information appropriately in a variety of media, and disclose easy-to-understand information in an environment easily accessible by shareholders and investors through a range of information media including information sessions and various printed materials.</p> <p><b>Quiet Period</b> In the weeks leading up the announcement of each quarterly and annual results, we shall employ a quiet period so as to prevent any leakage of financial information and to maintain impartiality. That during this time, we will not provide answers to comments or questions received in relation to the accounts etc. However, if a situation occurs during the quiet period where there is an obvious discrepancy between current estimations and the disclosed forecast that is larger than the range of that specified under the timely disclosure rules, then we shall disclose information as required through press releases, etc.</p>
Regular Investor Briefings for Individual Investors	<p>In addition to management presentations for individual shareholders that are held each year, in which the CEO explains management policy and the business manager provides an overview of the business, facility observation tours are held in which the Company's products are exhibited.</p> <p>The Company also holds company presentations for individual investors, as part of efforts to foster understanding of its medium- and long-term vision and the businesses it is currently developing.</p>
Regular Investor Briefings for Analysts and Institutional Investors	<p>The Company holds presentations on each quarterly financial result announcement. Moreover, the Company also holds presentations related to its medium- to long-term management policy, individual businesses and other important matters relating to disclosure and conducts its factory tour. During the period from April 2019 to March 2020, the Company held presentations for a total of seven times.</p>
Regular Investor Briefings for Overseas Investors	<p>In principle, three or five times per year the CEO, the CFO or supervisor of IR visits overseas investors, primarily in North America, Europe, and Asia, to hold individual meetings. Moreover, the Company also participates actively in conferences for overseas institutional investors held by securities companies and so forth. During the period from April 2019 to March 2020, the Company conducted five overseas visits in total and participated in one conference, although some events were cancelled because of COVID-19.</p>
Posting of IR Materials on Website	<p>In consideration of fair disclosure, in addition to timely disclosure materials related to announcements of the quarterly financial results, integrated reports, fact books, etc., the Company posts materials for institutional investor presentations and individual investor presentations in both Japanese and English in a timely manner. Videos of presentations and Q&amp;A summaries are also being posted in both Japanese and English.</p> <p>Japanese <a href="https://www.teijin.co.jp/ir/library/">https://www.teijin.co.jp/ir/library/</a> English <a href="https://www.teijin.com/ir/library/">https://www.teijin.com/ir/library/</a></p>
Establishment of Department and/or Manager in Charge of IR	<p>Supervisor of IR: Director, Chief Officer (Corporate Strategy) Department in charge of IR: IR Department</p>

### 3. Measures to Ensure Due Respect for Stakeholders (Updated)

Supplementary Explanations

Stipulation of Internal Rules for Respecting the Position of Stakeholders	The following is stipulated in the Teijin Group “Corporate Governance Guide”: “The shareholders entrust capital into the Company and thus, the Company is required to achieve profits through its business activities and to ultimately increase shareholder value over the medium and long-term. It is the basic mission of the Company to comply with such shareholders’ entrustment. Based on this basic mission, the Company must fulfill its respective responsibilities to its stakeholders (interested parties), such as employees, business partners, customers, consumers, local residents and communities, etc.”
Implementation of Environmental Activities, CSR Activities etc.	The Teijin Group has established a Chief Social Responsibility Officer as the person in charge of CSR activities, aiming for the sustainable development of both business and society. From among the issues related to sustainability including social and environmental problems, the Company has identified and taken action on important issues. In its environmental activities, the Company has set KPIs and targets for the reduction of greenhouse gas emissions in business activities, the effective use of resources, the reduction of waste, the prevention of environmental pollution and chemical substances management, among other areas, and is implementing measures to solve issues in each of these areas.
Development of Policies on Information Provision to Stakeholders	The following is stipulated in the Teijin Group “Corporate Governance Guide”: “The accountability of the company is an integral part of corporate activities for the business to prosper and enhance shareholder value. The company should clearly present its mission and vision and present a clear explanation of the corporate governance mechanisms on every occasion. Furthermore, compliance policies and Total Risk Management must be instilled into the entire Teijin Group. Teijin Group behaves as a company that takes requests from shareholders and society into consideration in order to achieve a higher degree of accountability.
Other	<p>&lt; Diversity and Inclusion Promotion Policy &gt;</p> <p>The Teijin Group positions the promotion of diversity and inclusion as one of its key initiatives for innovation creation in its medium-term management plan running from fiscal 2020 to fiscal 2022. The Group will further promote diverse working styles, advancement of women, and diversity of human resources, with the aim of building an organization where human resources with different values and experiences can come together and demonstrate their abilities to the fullest extent possible.</p> <p>&lt; Measures to Realize Diversity and Inclusion &gt;</p> <p>In order to promote diversity at the executive level even further, the Teijin Group has set the targets of increasing the number of female executives to 6 or more and the number of foreign-national executives to 6 or more by the end of fiscal 2022. The Group will further promote diverse working styles, advancement of women, and diversity of human resources, with the aim of building an organization where human resources with different values and experiences can come together and demonstrate their abilities to the fullest extent possible. To achieve these targets, the Group has set targets for each region, including Japan, and is working to develop executive candidates and widen the pool of potential candidates. In Japan, increasing the number of women in managerial positions is a key priority. The Group has set the targets of the number of women in managerial positions to 174 by the end of fiscal 2022 and 300 by the end of fiscal 2030. To develop female leaders, the Company has been continuously carrying out selection training across the Teijin Group from fiscal 2012. Female employees have also been sent to external training sessions with the aim of spurring their development through interaction with other female employees in different industries. For employees who have to temporarily leave work due to family reasons, the Company has set up a re-employment system for such employees who have left their jobs due to family matters, and systems for situations such as employees taking leave to accompany their spouses on overseas work assignments. These systems have led to the continuation and advancement of the careers of female employees. As a result, the number of women in</p>

managerial positions amounted to 127 in April 2020, marking a 12-fold increase in this number since these activities began (in fiscal 2000). In recognition of these activities and various related initiatives, Teijin has been selected as one of the “Nadeshiko Brands” for three consecutive years from 2018. The “Nadeshiko Brands” is an initiative jointly conducted by the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange to select enterprises that have implemented outstanding measures to encourage women’s success in the workplace.

<Work Style Reform>

Teijin has previously conducted measures such as “no overtime day patrols” and setting days on which personnel are encouraged to take paid annual leave and other paid holidays. Since fiscal 2017, the Company has established a department to promote work style reform and work-life balance, and has accelerated these measures. It is advancing systems and infrastructure that facilitate flexible work style, career support, and other initiatives that are compatible with the needs and life plans of individual employees, in order to realize an environment that supports a diverse range of working styles for a diverse workforce. In 2018, Teijin set up a dedicated Group-wide business process re-engineering (BPR) organization. This organization has been leading efforts to increase productivity through the deployment and use of IT tools such as RPA and chatbots. In 2019, the eligibility of a telework system at Teijin Limited, Teijin Pharma Limited and other domestic Group companies, which had previously been limited to employees with childcare and nursing care responsibilities, was expanded to all employees. Going forward, the Teijin Group will continue to implement initiatives not only to shorten working hours, but also to increase productivity and realize diverse work styles.

#### IV. Matters Related to the Internal Control System

##### 1. Basic Views on Internal Control System and the Progress of System Development (Updated)

The Company recognizes internal control as an essential mechanism for corporate activities, with the goals of 1) raising the effectiveness and efficiency of business management, 2) ensuring the reliability of corporate financial reporting, 3) promoting compliance with laws, regulations, and so forth concerning business management, and 4) preserving assets so that they are acquired, used, and disposed of correctly.

The Company passed a resolution regarding the “Basic Policy for Establishment of Internal Control Systems” at the Board of Directors meeting held on March 30, 2020.

Below is a summary of this resolution, the details of which can be viewed at the Company’s website (<https://www.teijin.com/ir/governance/resolution/>).

##### **(1) System for Ensuring Compliance with Laws, Regulations and the Articles of Incorporation in the Performance of Duties by Directors and Employees of the Company and Its Subsidiaries**

The Company has declared the basic principles of compliance in its Teijin Group “Corporate Governance Guide”.

To practice these basic principles, the Company shall establish systems and organizational structures that ensure practical operation and thorough observation of the Company’s Corporate Philosophy, Code of Conduct, Group Ethics Regulations and other related internal regulations.

The Company’s representative directors and other executives shall take the initiative and set good examples in observing laws, regulations and the Articles of Incorporation, social rules and ethics, and shall promote compliance education and awareness among directors, officers and employees of the Company and its subsidiaries. In order to establish a compliance system across the entire Teijin Group, the Company appoints Chief Social Responsibility Officer as the officer in charge of compliance.

All directors, officers and employees of the Company and its subsidiaries are required to report to the Teijin entity to which they belong or to Teijin Limited, whether they detect any violations of laws and regulations or other serious information concerning compliance, in accordance with Group Ethics Regulations and other



internal regulations. Chief Social Responsibility Officer shall direct and supervise investigations to confirm such reported facts and, upon consultation with CEO, determine appropriate measures.

The Company shall provide necessary means for directors, officers, employees and business partners to directly report any violation or doubtful activities of non-compliance in the Company or its subsidiaries by setting up and operating various types of reporting and consultation services. Such measures shall ensure that anonymity of the caller is protected and that the caller does not get any disadvantageous treatment. Important reports as well as measures taken by the relevant Teijin entity and their results shall be announced as appropriate to, and shall be recognized by, all directors, officers and employees of the Company and its subsidiaries.

The directors of the Company and its subsidiaries shall have their performance of duties audited by the corporate auditors, and will respect any advice or recommendations received from the corporate auditors.

The Company places Corporate Audit Department directly supervised by CEO, which performs internal auditing of the Teijin Group's execution of business and conducts the evaluation of the internal control system and proposes its improvement.

The Company shall maintain a resolute attitude toward pressure from antisocial forces, including demands for payoffs from specific shareholders or interference by crime syndicates, and shall not allow such interference. Chief Social Responsibility Officer shall be appointed as the person in charge of actions against antisocial forces. Chief Social Responsibility Officer shall establish action policies and other rules in consort with Chief Human Resources Officer and shall ensure observance of such policies and rules by directors, officers and employees within the Company and its subsidiaries.

To intensify the validity of the decision to be made by the Board of Directors, more than four of the directors shall be outside directors satisfying the requirements for independence stipulated by the company.

## **(2) Regulations and Other Systems for Management of Risks of Loss of the Company and its Subsidiaries**

The Board of Directors of the Company shall practically operate TRM system to deal with any kind of risks that might threaten the sustainable development of corporate activities.

The TRM Committee mainly targets both of operational and strategic risks of the Teijin Group and shall propose the TRM basic policy, the TRM annual plan, etc. to the Board of Directors of the Company. Chief Social Responsibility Officer is in charge of establishing a cross-sectional risk management system regarding operational risk, shall identify and deal with problems, respond to a crisis when it occurs. CEO is in charge of assessing strategic risk of the Teijin Group and shall provide the results as important judgement materials upon which managerial decisions are made at the Board of Directors of the Company.

And Chief Social Responsibility Officer shall establish a system for the Teijin Group to ensure business continuity in the risk of disasters, the inappropriate performance of duties by directors, officers or employees, and failure of critical IT systems.

## **(3) Systems for Ensuring that Duties by Directors and Employees of the Company and Its Subsidiaries Are Performed Efficiently**

The Company shall establish Group regulations to provide the necessary rules and guidelines for the Group to ensure efficient business operations throughout the Teijin Group.

The Board of Directors of the Company shall have the representative directors and other executives conduct the operation of the Company and decisions for the items on which the representative directors and other executives have been delegated decision-making powers shall be made by the organization and procedures in accordance with the internal regulations. These regulations shall be revised as may be necessary to reflect any revision and/or abolition of laws and regulations and/or to increase the efficiency of the representative directors and other executives in executing their duties.

The Board of Directors of the Company shall organize the basic structure of Teijin Group, and shall establish efficient management, oversight and supervision system.

The Company shall formulate the Group medium-term management plan, and each fiscal year it shall formulate short-term plans, key management targets, and budgets, as well as carrying out progress checks, in order to realize the medium-term management plan.

## **(4) Systems for Ensuring that Proper Business Operations Are Conducted within Teijin Group**

The Company shall establish Group Regulations to provide the necessary rules and guidelines for the Group to ensure appropriate business operations throughout the Teijin Group. Based on the Group regulations, each company shall establish its own regulations, and use appropriate processes for deciding on important matters. The Company shall discuss important matters concerning Teijin Group companies at its Group meetings and

so forth, and to shall require Teijin Group companies to make reports.

The representative directors and other executives shall provide necessary instructions to ensure that the Teijin Group entities have appropriate internal control systems.

Corporate Audit Department of the Company shall operate or supervise internal audits of the Teijin Group's business operations and ensure the efficiency and validity of internal control functions over the entire business of the Teijin Group.

Statutory Auditors of the Company shall establish appropriate systems, such as those for close coordination with the accounting auditors and Corporate Audit Department, to ensure effective and appropriate supervision and auditing of the Group's entire business operations.

To ensure the reliability of its financial reporting, the Company shall establish a group-wide internal control system for the financial reporting and the operation of the Teijin Group individual operational processes, and shall be properly and efficiently operate and assessed such systems.

#### **(5) Systems for the Preservation and Management of Information in Relation with the Directors' Performance of Their Duties**

Directors shall appropriately preserve and manage minutes of shareholders' general meetings, minutes of Board of Directors' meetings, and other documents and important information concerning the performance of their duties in accordance with relevant company regulations. Chairman of the Board\*, who chairs the Board of Directors, is responsible for the supervision and oversight of the preservation and management of such documents and important information. Documents concerning directors' performance of their duties shall be preserved for at least ten (10) years and shall be accessible whenever necessary.

\*In the case that the post of the Chairman of the Board is vacant, CEO will perform the office of the Chairman.

#### **(6) Provisions Concerning Employees Assigned to Assist the Statutory Auditors in Performing Their Duties, the Independence from Directors of Such Employees, and the Validity of Instructions Given to Such Employees**

The Company shall establish Teijin Group Auditors Office under the direct control of full-time statutory auditors and appoint two or more employees, in principle, to assist Statutory Auditors in performing their duties. The members of Teijin Group Auditors Office may have corporate auditors of Teijin Group companies performing concurrent duties; however, it shall not have corporate officers connected with performance of duties at Teijin Group companies performing concurrent duties.

To secure the independence of members of Teijin Group Auditors Office above, all decisions concerning personnel measures regarding the members of Teijin Group Auditors require the prior consent of the full-time Statutory Auditors. The full-time Statutory Auditors shall assess the performance of the members of Teijin Group Auditors Office.

#### **(7) System for Reporting to Statutory Auditors by Directors, Corporate Officers and Employees of the Company and its Subsidiaries, and System for Other Reports to Statutory Auditors**

The full-time statutory auditors shall attend the meetings of the Board of Directors meetings and other important meeting bodies of the Company, as well as those of the important meeting bodies of the main subsidiaries.

Representative directors and other executives shall report at the meetings of the Board of Directors and other important meetings on their performance of duties with regard to the business operations, functions and subsidiaries under their charge.

The directors, officers and employees of the Company and its subsidiaries shall immediately report to the statutory auditors when they discover incidents that causes or may cause significant erosion of public trust of the Company, adverse effects on the performance of the Company, significant damage to the internal or external environment, safety and health (ESH); or related to product liability, significant violations of internal regulations, or other similar incidents.

The directors, officers and employees of the Company and its subsidiaries shall report on the business operations, functions, and subsidiaries under their charge, when they deem it necessary to do so, or at the request of the statutory auditors of the Company, and shall cooperate with the investigations of the statutory auditors of the Company.

#### **(8) System for Ensuring that Persons Reporting to the Statutory Auditors Are Not Subject to Unfair Treatment Because of Such Reporting**

The Teijin Group's Corporate Philosophy stipulates that no person shall be treated unfairly because of reporting or giving notice of illegal conduct and so forth.

**(9) Policy Concerning Processing of Expenses and Obligations Arising with Respect to the Statutory Auditors’ Performance of Duties, Prepayment of Expenses, and Reimbursement Procedures**

The Company shall bear the expenses and obligations required for the statutory auditors’ performance of duties, and shall promptly respond to requests for pre-payment of expenses in accordance with laws and regulations after checking the requests.

**(10) Other System for Ensuring that the Audits of Statutory Auditors Are Conducted Effectively**

To ensure transparency, the majority of statutory auditors consists of independent outside auditors that satisfy the requirements for independence that the Company specifies.

The corporate auditors shall enter into advisory agreements with outside law firms in order for themselves and statutory auditors of the Company and its subsidiaries to form independent opinions. When they consider it necessary in the course of conducting audits, the corporate auditors can, at their own discretion, retain outside advisers, including Certified Public Accountants and other consultants.

**2. Basic Views on Eliminating Anti-Social Forces**

**(1) Basic Views on Eliminating Anti-Social Forces**

When conducting business activities, the Company observes the laws, regulations, and social norms of the country or region of operation, as well as international norms, and adopts a basic view of not having any relationship with anti-social forces. This view is clearly stated in the Teijin Group’s “Code of Conduct,” and is shared with all employees of the Teijin Group.

**(2) Establishment Status of Internal Systems for Eliminating Anti-Social Forces**

(Specific Response Standards)

The “Code of Conduct” call for employees to not have any involvement with anti-social forces and to take a resolute attitude towards unwarranted violence and demands from such forces. Specific response measures have been established in a “Countermeasure Manual for Violent Intervention in Civil Affairs,” and this information has been circulated among all employees of the Teijin Group.

(Responding Department)

The CSR and Compliance Department and the General Administration Department are responsible for overseeing a company-wide response, and the Chief Social Responsibility Officer is to be in charge of the response.

(Information Collection and Management)

The Company establishes links with external specialist organizations, including membership in the Special Violence Prevention Measures Association (TOKUBOUREN) and the Corporate Defense Countermeasures Council. The Company also participates in lectures and other activities in an effort to properly collect and manage information.

(Response to Unjustified Demands)

If the Company received an unjustified demand from an antisocial force, the person in charge of the department concerned is to contact the department responsible for overseeing the response. The department responsible for overseeing the response is to make an organizational response, working in coordination with the department concerned, internal or external related parties including the police to take all available steps to resist the demand under both civil and criminal law.

(Ensuring Circulation of Information to Group Employees)

To share the Company’s basic view on antisocial forces with all Teijin group employees, the “Corporate Ethics Guideline” summarizing the “Corporate Philosophy” and the “Code of Conduct” is distributed to all employees, and all employees study the content of the Guidelines during Corporate Ethics Month each year.

**V. Other**

**1. Adoption of Anti-Takeover Measures**

Adoption of Anti-Takeover Measures	None
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Supplementary Explanation
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## 2. Other Matters Concerning to Corporate Governance System (Updated)

### 1. The Corporate Governance System

Please see “The Teijin Group’s Corporate Governance System” below.

### 2. Overview of Timely Disclosure

#### (1) Basic Policy on Information Disclosure

The Company has adopted a basic policy of conducting management with an emphasis on transparency and fairness of management as well as disclosing information in a timely manner. The accountability of the Company (full disclosure of information that the Company is responsible for explaining) is an integral part of corporate activities for the business to prosper and enhance shareholder value, and the Company considers it appropriate to give complete and consistent explanations as needed. In disclosing information, the basic policy is to disclose the same contents inside and outside Japan simultaneously. Guided by this basic policy, the Company follows timely disclosure rules, internal regulations (Regulations on Management of Group Inside Information, etc.) and so forth, in collecting, managing, and publishing information.

Furthermore, the Company considers “appropriate and timely disclosure of financial information,” to be an important part of “observing laws and regulations” and “risk management” as well as internal control. In an effort to comply with the requests of investors, the Company has recognized enhancement of the internal control system as an important management issue, and intends to promote the establishment of systems while also keeping an eye on trends in legal and regulatory revisions.

#### (2) Internal Systems related to Timely Disclosure of Company Information

##### ◆ Department in charge of timely disclosure:

Timely disclosure duties are the responsibility of the Chief Officer (Corporate Strategy), and are conducted by the IR Division.

##### ◆ Collection and management of information:

Under the Regulations on Management of Group Inside Information, when material facts (decisions, events, financial report information, and so forth) arise at the Company and its subsidiaries, the department concerned (in the case of financial report information, this is collected and analyzed by the Accounting Division) contacts the Corporate Strategy Division, which manages the information and reports it to the CEO. At the same time, the Corporate Strategy Division contacts the IR Division, which is responsible for external publication and disclosure. Among material facts, material matters requiring a decision by the Board of Directors, including matters stipulated by law, are decided by the Board of Directors.

##### ◆ Judgment on the materiality of information and judgment on the requirement for timely disclosure:

The division concerned with the matter, the Corporate Strategy Division, and the IR Division discuss the matter in accordance with timely disclosure rules and so forth to make a judgment.

##### ◆ Publication of information:

After it has been judged that an event needs to be published, or after an organizational decision regarding decided matters and financial report information, the information is timely disclosed without delay.

##### ◆ System for monitoring internal control

The internal control activities of each department are monitored and verified by means of audits conducted by the Board of Statutory Auditors in accordance with the Companies Act. In addition, the Committee of Teijin Group Statutory Auditors, composing the statutory auditors of Group companies forms a structure that enhances the effectiveness of the monitoring and auditing of the entire Group which corresponds to Group consolidated management, and can conduct fairer audits. Furthermore, the internal control departments conduct audits of the business execution status of the entire Group from a perspective of the effectiveness and efficiency of operating activities and the appropriateness in terms of compliance and so forth. The Department makes reports and improvement proposals to the Board of Directors, the CEO, and the presidents of each Group company. Through these internal control systems, the Company ensures the appropriateness and timeliness of information that is published externally.

## The Teijin Group's Corporate Governance System

