

June 1, 2021



## **Notice of Convocation**

### The 155<sup>th</sup> Ordinary General Meeting of Shareholders

Teijin Limited

**Disclaimer:** *Please note that the following is a translation of the original Japanese documents prepared for the convenience of our non-Japanese shareholders with voting rights. Although this translation is intended to be complete and accurate, the Japanese original shall take precedence in the case of any discrepancies between this translation and the original. Certain information regarding voting procedures that is not applicable for shareholders resident outside Japan has been omitted or modified as applicable. In addition, these materials will not facilitate your status as a registered shareholder authorized to attend the Ordinary General Meeting of Shareholders. Every shareholder attending the Ordinary General Meeting of Shareholders is required to present the Voting Card, which is sent to the registered shareholder together with the original Notice of Convocation in Japanese, to the receptionist at the meeting.*

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Dear Shareholders

Jun Suzuki  
President and Representative Director  
Teijin Limited  
2-4, Nakanoshima 3-chome,  
Kita-ku, Osaka 530-8605,  
Japan

**Notice of Convocation of  
the 155<sup>th</sup> Ordinary General Meeting of Shareholders**

You are cordially invited to attend the 155<sup>th</sup> Ordinary General Meeting of Shareholders of Teijin Limited (“the Company”) to be held as set forth below.

**If you do not expect to attend the meeting, you may vote on the proposal for voting using the following method. Please refer to the following “Reference Documents for the General Meeting of Shareholders,” and exercise your voting rights by 5 p.m., Tuesday, June 22, 2021. (Japan Time)**

**[In case of voting by Mail]**

**Please indicate your approval or disapproval of the proposal on the enclosed Document for the Exercise of Voting Rights, and mail the document so that it arrives by the above deadline.**

**[In case of voting by Internet etc.]**

Please access to the web-site to exercising voting rights (<https://evote.tr.mufg.jp/>) through personal Computer or Smartphone with the log-in ID and temporary password indicated in the enclosed Document for the Exercise of Voting Rights, and input your approval or disapproval of the proposals according to the instructions on the window.

**[Information]**

A video of the business report related to this General Meeting of Shareholders will be pre-delivered at the following URL from Thursday, June 17, 2021, at 10 a.m.

<https://www.teijin.com/ir/stocks/general-meeting/>

## Details

### 1. Date and Time of the Meeting:

Wednesday, June 23, 2021, at 10 a.m. (Japan Time)

(The door opens at 9 a.m.)

### 2. Place:

The Westin Osaka, 2nd Floor Ball Room, 1-20, Oyodonaka 1-chome, Kita-ku, Osaka, Japan

### 3. Purposes

#### Reports:

The Reports on Business Report, Consolidated Financial Statements, Non-Consolidated Financial Statements and the Report by the Accounting Auditor and the Board of Statutory Auditors of the results of audit on the Consolidated Financial Statements, for the 155th Fiscal Year (April 1, 2020 to March 31, 2021)

#### Proposal 1: Election of Ten (10) Directors

#### Proposal 2: Election of One (1) Statutory Auditors

#### Proposal 3: Revision of Amount of Remuneration, etc. and Introduction of "Restricted Stock" and "Performance Share Units" for Directors of the Company in Line with Revision of Remuneration Plan for Executive Officers

### 4. Decision on Convocation

- (1) If you do not indicate either approval or disapproval on the Document for the Exercise of Voting Rights, we shall treat such "no answer" as your "approval" on the proposal.
- (2) In the event of an overlap in the exercise of voting rights via the Document for the Exercise of Voting Rights and the Internet voting system, the exercise of voting rights via the Internet voting system shall prevail.
- (3) If you vote more than once using the same method, your last vote shall prevail.

### 5. Attachments to Notice of Convocation and Reference Documents for the General Meeting of Shareholders

If any revision should be required to the Business Report, Consolidated Financial Statements, Non-Consolidated Financial Statements, or Reference Documents for the General Meeting of Shareholders, such revision will be posted on the Company's website. (<https://www.teijin.com/>)

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- If you attend the General Meeting of Shareholders, please submit the attached Document for the Exercise of Voting Rights to the reception of the meeting.
  - If you attend the General Meeting of Shareholders by proxy, you may exercise your voting rights by authorizing one(1) other shareholder with voting rights to act as its proxy as stipulated in the Company's Article of Incorporation.

## Reference Documents for the General Meeting of Shareholders

### Proposals and Reference

#### Proposal 1: Election of Ten (10) Directors

The terms of office of nine (9) Directors,— Jun Suzuki, Yoshihisa Sonobe, Akihisa Nabeshima, Toshiya Koyama, Eiji Ogawa, Fumio Ohtsubo, Yukako Uchinaga, Yoichi Suzuki and Masaru Onishi—will expire at the conclusion of this General Meeting of Shareholders.

Amid drastic changes in the business environment, the Company will increase the number of Directors by one to further strengthen the management system for the promotion of the medium-term management plan.

Shareholders are therefore requested to elect the following ten (10) Directors (of whom eight (8) are up for reelection).

The candidates for Director are as follows.

No.	Candidate's Name (Date of Birth)	Personal History, Positions and Significant Concurrent Positions	Number of Company's Shares Owned
1	<b>【Reappointment】</b> <b>Jun Suzuki</b> (February 19,1958) <Participation in Board of directors meetings> 12 times out of 12 (100%)	Apr. 1983                      Joined Teijin Limited Apr. 2011                      President, Teijin Holdings Netherlands B.V. Apr. 2012                      Corporate Officer, Teijin Limited Apr. 2013                      Executive Officer, Teijin Limited Jun. 2013                      Director, Executive Officer, Teijin Limited Apr. 2014                      President & Representative Director (Incumbent) CEO (Chief Executive officer) (Incumbent) ----- <Significant Concurrent Positions> Officer, Japan Association of Corporate Executives (Keizai Doyukai)	53,600 Shares
<Reason of the nomination of the candidate for director > After assuming the post of President & Representative Director (CEO) in April 2014, Jun Suzuki formulated a revised medium-term plan in November of the same year, and promoted the completion of structural reforms on which his predecessor worked. He formulated the medium-term plan “ALWAYS EVOLVING2017-2019” in February 2017 and “2020-2022ALWAYS EVOLVING “in February 2020. He divided each business into future profit source development (Strategic Focus) and stably profitable existing business expansion (Profitable Growth) and positioned as a more concrete execution plan. He is promoting growth strategies for the future.			

No.	Candidate's Name (Date of Birth)	Personal History, Positions and Significant Concurrent Positions	Number of Company's Shares Owned
2	<p><b>【Reappointment】</b>  <b>Akihisa Nabeshima</b>            (January 17, 1960)            &lt;Participation in Board of            directors meetings&gt;            12 times out of 12 (100%)</p>	<p>Apr. 1982 : Joined Teijin Limited</p> <p>Apr. 2015 : Corporate Officer, Teijin Group</p> <p>Apr. 2017 : Executive Officer, Teijin Group</p> <p>: General Manager, Healthcare Business Group</p> <p>: President &amp; Representative Director, Teijin            Pharma Limited</p> <p>Apr. 2019 : President for Healthcare Business of Teijin Group</p> <p>Jun. 2019 : Director, Executive Officer, Teijin Limited</p> <p>Apr. 2021 : Representative Director, Executive Officer, Teijin            Limited (Incumbent)</p> <p>: Chief Financial Officer Teijin Limited            (Incumbent)</p>	5,800 Shares

<Reason of the nomination of the candidate for director >

Akihisa Nabeshima assumed the posts of Corporate Officer in April 2015 and Executive Officer of Teijin Group in April 2017. He has made efforts to increase profitability of the healthcare business as General Manager of the Healthcare Business Group of the Company and as President & Representative Director of Teijin Pharma Limited. He became President Healthcare Business of Teijin Group in April 2019 and Director Executive Officer in June 2019. He has worked on further increasing profitability of the healthcare business, which constitutes a part of the core strategies of the Company, as well as on growth of new healthcare business, which are the themes of the Company's Strategic Focus. Based on having been involved in finance and accounting-related work for many years before assuming the post of Corporate Officer, he assumed the posts of Representative Director and CFO in April 2021. He is making efforts of maintaining a sound financial base and increasing corporate value.

No.	Candidate's Name (Date of Birth)	Personal History, Positions and Significant Concurrent Positions		Number of Company's Shares Owned
3	<p>【Reappointment】 Toshiya Koyama (May 19, 1960) &lt;Participation in Board of directors meetings&gt; 9 times out of 9 (100%)</p>	<p>Apr. 1986 Apr. 2013 Apr. 2015 Apr. 2017 Apr. 2020 Jun. 2020 Apr. 2021</p>	<p>Joined Teijin Limited Corporate Officer (Riji), Teijin Group General Manager, New Materials Business Development Department Chief Representative of Teijin Electronics Korea Co., Ltd. Corporate Officer, Teijin Group Executive Officer, Teijin Group General Manager, Material Business Group President, Material Business of Teijin Group Director, Executive Officer, Teijin Limited (Incumbent) Chief Social Responsibility Officer (Incumbent) Responsible for Corporate Audit Department (Incumbent)</p>	7,700 Shares
<p>&lt;Reason of the nomination of the candidate for director &gt;</p> <p>Toshiya Koyama has worked to increase earnings in the materials business of the Company, as Corporate Officer (Riji) of Teijin Group in April 2013, Corporate Officer of Teijin Group in April 2015, and Executive Officer of Teijin Group in April 2017. In April 2020, he assumed the role of President, Material Business of Teijin Group. He has worked to further increase profits in the materials business, which is one of our key strategic businesses, and expand the materials business, which is the theme of our Strategic Focus. He assumed the posts of Director Executive Officer in June 2020 and Chief Social Responsibility Officer in April 2021. He is making efforts of the management and promotion of Teijin Group CSR, compliance, risk management, ESH, social contribution activities, and auditing system.</p>				
4	<p>【Reappointment】 Eiji Ogawa (October 26, 1962) &lt;Participation in Board of directors meetings&gt; 9 times out of 9 (100%)</p>	<p>Apr. 1985 Apr. 2016 Apr. 2019 Jun. 2020 Apr. 2021</p>	<p>Joined Teijin Limited Corporate Officer, Teijin Group General Manager, Resin and Plastic Processing Business Unit, Teijin Limited Chief Officer, Corporate Strategy (Incumbent) Director, Corporate Officer Teijin Limited Director, Executive Officer Teijin Limited (Incumbent)</p>	6,975 Shares
<p>&lt;Reason of the nomination of the candidate for director &gt;</p> <p>Eiji Ogawa was appointed Corporate Officer of the Teijin Group in April 2016 and had been working to increase profits in the resin business as General Manager of the Resin and Plastic Processing Business Unit. He assumed the posts of Chief Officer (Corporate Strategy) in April 2019, Director Corporate Officer in June 2020 and Director Executive Officer in April 2021. He is making effort to formulate strategies to achieve our most important tasks of business portfolio transformation and strengthening of management basis for creating growth platforms.</p>				

No.	Candidate's Name (Date of Birth)	Personal History, Positions and Significant Concurrent Positions		Number of Company's Shares Owned
5	<p>【New Candidate】 Naohiko Moriyama (May 20,1965)</p>	<p>Mar. 1990</p> <p>Apr. 2017</p> <p>Apr.2019</p> <p>Apr. 2021</p>	<p>Joined Teijin Limited</p> <p>Corporate Officer, Teijin Group</p> <p>Responsible for Healthcare Business of Teijin Group</p> <p>General Manager, Healthcare New Business Division</p> <p>Executive Officer, Teijin Group (Incumbent)</p> <p>President, Healthcare Business of Teijin Group (Incumbent)</p> <p>General Manager, Healthcare New Business Division (Incumbent)</p>	2,722 Shares

<Reason of the nomination of the candidate for director >

Naohiko Moriyama was appointed as Corporate Officer of the Teijin Group and Responsible for Healthcare Business in April 2017 and General Manager of Healthcare New Business Division in April 2019 and has been working on to expand the Healthcare business field. He assumed the posts of Executive Officer of Teijin Group in April 2021. As President Healthcare Business of Teijin Group and General Manager Healthcare New Business Division, he is working to further increasing profitability of the healthcare business, which is one of the Company's priority strategic businesses, and to expand new healthcare business, which is the themes of our Strategic Focus.

6	<p>【New Candidate】 Akimoto Uchikawa (Jan 18,1966)</p>	<p>Mar. 1990</p> <p>Apr. 2017</p> <p>Jan. 2018</p> <p>Apr. 2020</p> <p>Apr. 2021</p>	<p>Joined Teijin Limited</p> <p>Corporate Officer, Teijin Group</p> <p>Responsible for Material Business of Teijin Group</p> <p>Assistant to General Manager, Fibers &amp; Products Converting Business Group (for Technology, Production, Restructuring Initiatives)</p> <p>Management Coordinator for the President, Material Business of Teijin Group (for Technology, Production, Restructuring Initiatives)</p> <p>General Manager, Composites Business Unit</p> <p>Executive Officer, Teijin Group (Incumbent)</p> <p>President, Material Business of Teijin Group (Incumbent)</p>	8,349 Shares
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<Reason of the nomination of the candidate for director >

Akimoto Uchikawa was appointed as Corporate Officer of Teijin Group in April 2017. He became Management Coordinator for the President, Fibers & Products Converting Business Group (for Technology, Production, Restructuring Initiatives) in April 2017. He was appointed as General Manager Composites Business Unit in April 2020. He had been working on expand the Material business field. He assumed the posts of Executive Officer of Teijin Group and President Material Business of Teijin Group in April 2021. He is making efforts further increasing profitability of the material business, which constitutes a part of the core strategies of the Company and as well as on growth of new material business, which are the themes of our Strategic Focus.



No.	Candidate's Name (Date of Birth)	Personal History, Positions and Significant Concurrent Positions	Number of Company's Shares Owned
7	<p style="text-align: center;"><b>【Reappointment】</b></p> <p>Candidate for Outside Director</p> <p style="text-align: center;"><b>Fumio Ohtsubo</b> (September 5, 1945)</p> <p>&lt;Participation in Board of directors meetings&gt; 12 times out of 12 (100%)</p>	<p>Apr. 1971 : Joined Matsushita Electric Works, Ltd., (currently Panasonic Corporation)</p> <p>Jun. 1998 : Director, Matsushita Electric Works, Ltd.,</p> <p>Jun. 2000 : Managing Director, Matsushita Electric Works, Ltd.</p> <p>Jun. 2003 : Representative Senior Managing Director, Matsushita Electric Works, Ltd.,</p> <p>Jun. 2006 : President, Representative Director, Matsushita Electric Works, Ltd.,</p> <p>Jun. 2012 : Chairman of the Board, Representative Director, Panasonic Corporation</p> <p>Jul. 2013 : Special Advisor, Panasonic Corporation (Incumbent)</p> <p>Jun. 2016 : Director, Teijin Limited (Incumbent) Member of the Advisory Board, Teijin Limited (Incumbent)</p> <hr style="border-top: 1px dashed black;"/> <p>&lt;Significant Concurrent Positions &gt;</p> <p>Special Advisor, Panasonic Corporation</p> <p>Trustee, Nippon Life Ins.</p> <p>Director, Kansai University</p> <p>Trustee, Japan-Indonesia Association, Inc.</p>	3,000 Shares
<p>&lt;Reason of the nomination of the candidate for director and Roles expected &gt;</p> <p>Fumio Ohtsubo had served as President and Chairman of the Board of Panasonic Corporation. As the Chairman of the Board of Directors of the Company, 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. On behalf of our outside directors, he actively participates in the exchange of opinions with the outside and expresses his opinions on the governance system of the Company and future issues. Furthermore, as the member of the Advisory Board and the chairman of the Nomination Advisory Committee, 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, appointment of Directors and Officers other than CEO and recommendations for overall management. Therefore, we continue to select him as a candidate for Outside Director so that he can continue to supervise management from an objective standpoint through the Board of Directors, Advisory Board, Nomination Advisory Committee and Compensation Advisory Committee, making use of his abundant business experience and high level of insight.</p> <p>The amount of transactions between Panasonic Corporation and the Company accounts for less than 1% of the consolidated net sales of either company.</p>			

No.	Candidate's Name (Date of Birth)	Personal History, Positions and Significant Concurrent Positions	Number of Company's Shares Owned
8	<p style="text-align: center;"><b>【Reappointment】</b></p> <p>Candidate for Outside Director</p> <p style="text-align: center;"><b>Yukako Uchinaga</b> (July 5, 1946)</p> <p>&lt;Participation in Board of directors meetings&gt; 12 times out of 12 (100%)</p>	<p>Jul. 1971 : Joined IBM Japan, Ltd</p> <p>Apr. 1995 : Director, IBM Japan, Ltd</p> <p>Apr. 2000 : Director, Executive Officer, IBM Japan, Ltd</p> <p>Apr. 2004 : Director, Senior Executive Officer. IBM Japan, Ltd</p> <p>Apr. 2007 : Board Chair, Japan Women's Innovate Network (Incumbent)</p> <p>Jun. 2007 : Director, Benesse Corporation</p> <p>Apr. 2008 : Director, Vice Chairman, Benesse Corporation Representative Director, Chairman of the Board, President &amp; CEO, Berlitz Corporation</p> <p>Oct. 2009 : Director, Executive Vice President, Benesse Holdings, Inc.</p> <p>Apr. 2013 : Honorary Chairperson, Berlitz Corporation</p> <p>Sep. 2013 : President &amp; CEO, Globalization Research Institute Co., Ltd. (Incumbent)</p> <p>Apr. 2014 : Board Chair, Japan Diversity Network Association</p> <p>Jun. 2018 : Director, Teijin Limited (Incumbent) Member of the Advisory Board, Teijin Limited (Incumbent)</p> <p>----- &lt;Significant Concurrent Positions &gt; Board Chair, Japan Women's Innovate Network President &amp; CEO, Globalization Research Institute Co., Ltd. Outside Director, HOYA Corporation</p>	800 Shares
<p>&lt;Reason of the nomination of the candidate for outside director and Roles expected &gt;</p> <p>Yukako Uchinaga has extensive business experience, having served such roles as Director, Senior Executive Officer at IBM Japan, Ltd. and Director, Executive Vice President at Benesse Holdings, broad knowledge of the information technology field, and deep insight in matters concerning diversity. As the Director, she provides appropriate advice and points out on diversity activities including women's advancement and IT / healthcare business in addition to our business strategy and governance. 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. She has been the member of Nomination Advisory Committee and Compensation Advisory Committee since April 2021. Therefore, we continue to select her as a candidate for Outside Director so that she can continue to supervise management from an objective standpoint through the Board of Directors, Advisory Board, Nomination Advisory Committee and Compensation Advisory Committee, making use of her extensive business experience, broad knowledge and deep insight in matters concerning diversity. The Company pays membership fees to Japan Women's Innovative Network ("J-Win"), at which the candidate serves as President, however the amount of this transaction accounts for less than 0.1% of the consolidated net sales of the Teijin Group and it is less than 1% of the total membership fee revenue that J-Win receives.</p>			

No.	Candidate's Name (Date of Birth)	Personal History, Positions and Significant Concurrent Positions	Number of Company's Shares Owned
9	<p style="text-align: center;"><b>【Reappointment】</b></p> <p>Candidate for Outside Director</p> <p style="text-align: center;"><b>Yoichi Suzuki</b> (September 25, 1950)</p> <p>&lt;Participation in Board of directors meetings&gt; 12 times out of 12 (100%)</p>	<p>Apr. 1975 : Joined Ministry of Foreign Affairs, Japan (MFA)</p> <p>Jun. 1997 : Deputy Permanent Representative of Japan to the World Trade Organization (WTO) in Geneva</p> <p>Apr. 2003 : Minister's Secretariat (MFA)</p> <p>Sep. 2005 : Consul-General of Boston</p> <p>Dec. 2008 : Director-General for economic Affairs of MFA</p> <p>Aug. 2010 : Ambassador to Singapore</p> <p>Aug. 2013 : Ambassador to France</p> <p>Jun. 2016 : Government Representative and Ambassador in charge of the Kansai region</p> <p>Mar. 2017 : Ambassador for International Economic Affairs and Chief Negotiator for the Japan EU EPA</p> <p>Apr. 2018 : MFA retired</p> <p>Jun. 2018 : Director, Teijin Limited (Incumbent) Member of the Advisory Board, Teijin Limited (Incumbent)</p> <hr style="border-top: 1px dashed black;"/> <p>&lt;Significant Concurrent Positions &gt;</p> <p>Advisor to President and Visiting Professor, Chubu university</p> <p>Advisory Board Member, Amundi Japan Ltd</p>	1,600 Shares
<p>&lt;Reason of the nomination of the candidate for outside director and Roles expected &gt;</p> <p>Although Yoichi Suzuki does not have direct experience in corporate management, he 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. He has been the member of Nomination Advisory Committee and Compensation Advisory Committee since April 2021. Therefore, we continue to select him as a candidate for Outside Director so that he can continue to supervise management from an objective standpoint through, Advisory Board, Nomination Advisory Committee and Compensation Advisory Committee, making use of his knowledge and experience as a diplomat.</p>			

No.	Candidate's Name (Date of Birth)	Personal History, Positions and Significant Concurrent Positions	Number of Company's Shares Owned
10	<p data-bbox="188 622 360 651">【Reappointment】</p> <p data-bbox="177 674 392 741">Candidate for Outside Director</p> <p data-bbox="236 815 411 891">Masaru Onishi (May 19, 1955)</p> <p data-bbox="177 913 456 1032">&lt;Participation in Board of directors meetings&gt; 12 times out of 12 (100%)</p>	<p data-bbox="480 197 1262 1272"> Apr. 1978 : Joined Japan Air Lines Co., Ltd.  Apr. 2007 : President JAL Aircraft Maintenance Narita  Apr. 2009 : Executive officer, JAL International Co., Ltd  Jun. 2009 : President of Japan Air Commuter  Feb. 2010 : President Japan Air Lines Corporation (JAL group COO)  : President Japan Air Lines International Co., Ltd.  Nov. 2010 : President Japan Air Lines International Co., Ltd.  : (Organizational change)  Mar. 2011 : Representative Director, President Japan Air Lines International Co., Ltd.  Apr. 2011 : Representative Director, President Japan Airlines Co., Ltd. (Company name change from Japan Air Lines International Co., Ltd. to Japan Airlines Co., Ltd.)  Feb. 2012 : Representative Director, Chairman Japan Airlines Co., Ltd.  Apr. 2014 : Director, Chairman Japan Airlines Co., Ltd.  Jul. 2018 : External Affairs Representative, Japan Airlines Co., Ltd.  Jun. 2019 : Director, Teijin Limited (Incumbent)  : Member of the Advisory Board, Teijin Limited  : (Incumbent) </p> <hr style="border-top: 1px dashed black;"/> <p data-bbox="480 1294 1054 1507"> &lt;Significant Concurrent Positions &gt;  Outside Director, Mitsui O.S.K. Lines, Ltd.  Alton Aviation Consultancy Japan Co., Ltd. Senior Advisor  Visiting Professor, Toyo university  Trustees, International university </p>	1,012 Shares
<p data-bbox="177 1541 903 1563">&lt;Reason of the nomination of the candidate for outside director and Roles expected&gt;</p> <p data-bbox="177 1585 1477 1989"> Masaru Onishi had served as president and chairman of Japan Airlines Co. Ltd. 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 cooperate governance, as well as officer compensation and appointments. Regarding corporate governance, he actively commented and pointed out the frameworks for enhancing the effectiveness of governance and future issues in board of directors meetings as described in the dialogue of the Company's Integrated Report 2020. Furthermore, as the member of the Advisory Board and the chairman of the Compensation Advisory Committee, 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, compensation for Directors and Officers other than CEO and recommendations for overall management. Therefore, we continue to select him as a candidate for Outside Director, so that he can continue to supervise management from an objective standpoint through the Board of Directors, Advisory Board, Compensation Advisory Committee, and Nomination Advisory Committee making use of his abundant business experience and high level of insight. </p>			

Note 1: Fumio Ohtsubo, Yukako Uchinaga, Yoichi Suzuki and Masaru Onishi are candidates for Outside Directors. The Company requires the candidate for Outside Director to satisfy all the requirements of Independent Director stipulated by the Company. These four (4) candidates satisfy all such requirements. Since they also satisfy the requirements of independence stipulated by Tokyo Stock Exchange Group, Inc., the Company has registered candidates for Outside Director up for reappointment, Fumio Ohtsubo, Yukako Uchinaga Yoichi Suzuki and Masaru Onishi at the Tokyo Stock Exchange as Independent Directors. The contents of the requirements of “Independent Director” stipulated by the Company can be viewed at the Company’s Web site: (<https://www.teijin.com/ir/management/governance/requirements/>).

Note 2: The Company has entered into liabilities limitation agreements with Fumio Ohtsubo, Yukako Uchinaga, Yoichi Suzuki and Masaru Onishi who are currently Outside Directors, which limit the liabilities of each Director to ¥20 million or the minimum amount stipulated in Article 425, Paragraph 1, of the Companies Act, whichever is higher, in accordance with the provisions of Article 427 of the Companies Act and the Company’s Articles of Incorporation. If the reappointment is approved, the Company will continue the liabilities limitation agreement with them.

Note 3: There are no special interests between the candidates and the Company.

Note 4: The chart below indicates the dates of the first appointment of the Outside Director for each candidate and the tenures in position as Outside Director before the closing of this General Meeting of Shareholders.

Name	Date of First Appointment	Tenure in Position
Fumio Ohtsubo	June 22, 2016	5 years
Yukako Uchinaga	June 20, 2018	3 years
Yoichi Suzuki	June 20, 2018	3 years
Masaru Onishi	June 20, 2019	2 year

Note 5: In March 2020, when Fumio Ohtsubo was serving as an Outside Statutory Auditor at The Kansai Electric Power Co., Inc., the company was issued a business improvement order by the Ministry of Economy, Trade and Industry based on the Electricity Business Act, due to the receipt of a large amount of money and goods by executives and employees involved in the company’s power generation business and general power transmission and distribution business, the issuance of improper orders to the parties providing the money and goods, and weak corporate governance. As an Outside Statutory Auditor of The Kansai Electric Power Co., Inc., he regularly encouraged caution on the importance of legal compliance at both meetings of the company’s Board of Directors and meetings of its Audit & Supervisory Board. After the facts of the matter were confirmed, he fulfilled his responsibility by providing appropriate examination and offering advice in relation to strengthening the system for compliance with legal and other requirements, establishing operational management systems to ensure the appropriateness and transparency of operations, strengthening the auditing function as well as on initiatives to prevent recurrence. He retired as the Outside Statutory Auditor of the Kansai Electric Power Co., Inc. at the close of the Kansai Electric Power Co., Inc.'s general meeting of shareholders in June 2020.

Note 6: About directors and officers liability insurance (D&O insurance)

The Company has concluded a directors and officers liability insurance policy as stipulated in Article 430-3, Paragraph 1 of the Companies Act with an insurance company, in which each Director whose term of office expires at the conclusion of this General Meeting of Shareholders is included as an insured. The scope of an insured of said insurance policy includes Directors and Statutory Auditors of the Company, three domestic subsidiaries (Teijin Pharma Limited, Teijin Engineering Ltd. and DuPont Teijin Advanced Papers (Japan) Ltd.). Under said insurance policy, legally mandated amount of indemnification and litigation expenses arising from the insured’s assumption of liability during the insurance period, or receipt of claims pertaining to the pursuit of such liability, caused by the performance of his or her duties, will be covered. However, claims for damages caused by intention or gross negligence will not be covered. If the election of each candidate is approved, all candidates (and reelected candidates will continue to be) will be included in the policy as insureds. The full amount of the insurance premiums is borne by the Company. In addition, when the policy is renewed in July 2021, the Company plans to renew said insurance policy with the same terms.

## Proposal 2: Election of One (1) Statutory Auditor

The terms of office of one (1) Statutory Auditor — Hitomi Nakayama — will expire at the conclusion of this General Meeting of Shareholders.

Shareholders are therefore requested to elect the following one (1) Statutory Auditors

The Board of Statutory Auditors has already approved this proposal.

The candidate for Statutory Auditor is as follows.

Candidate's Name (Date of Birth)	Personal History, Positions and Significant Concurrent Positions	Number of Company's Shares Owned
【Reappointment】 Candidate for Outside Statutory Auditor	Apr. 1991 Registered as a lawyer (The Second Tokyo Bar Association) Joined Kasumigaseki-Sogo Law Offices	2,200 Share
	Jun. 1994 Partner lawyer, Kasumigaseki-Sogo Law Offices (Incumbent)	
	Apr. 2011 Vice Chairperson, The Second Tokyo Bar Association	
	Apr. 2013 Executive Director, Japan Federation of Bar Association	
	Jun. 2017 Statutory Auditor, Teijin Limited (Incumbent)	
Hitomi Nakayama (November 14, 1955)	<Significant Concurrent Positions > Partner lawyer, Kasumigaseki-Sogo Law Offices Outside Director, Royal Holdings Co., Ltd Director, Public Interest Incorporated Foundation “Automotive Dispute Resolution Center” Auditor, Japan Electric Meters Inspection Corporation	
<Reason of the nomination of the candidate for Statutory Auditor > Although Hitomi Nakayama does not have direct experience in corporate management, she has given accurate advice and suggestions for maintaining and improving compliance of the Company based on her abundant knowledge and experience as a lawyer. The Company judges that she could advise on further strengthening of compliance based on her wide range of activities and continued to make her a candidate for outside statutory auditor.		

Note 1: Hitomi Nakayama is a candidate for Outside Statutory Auditor. The Company requires the candidate for Outside Statutory Auditor to satisfy all the requirements of Independent Statutory Auditor stipulated by the Company. This candidate satisfies all such requirements. Since she also satisfies the requirements of independency as stipulated by Tokyo Stock Exchange Group, she is registered by the Company as “Independent Statutory Auditor”. The contents of the requirements of Independent Auditor” stipulated by the Company can be viewed at the Company’s Web site: (<https://www.teijin.com/ir/management/governance/requirements/>).

Note 2: The Company has entered into a liabilities limitation agreement with Hitomi Nakayama, which limits her liabilities to ¥20 million or the minimum amount stipulated in Article 425, Paragraph 1, of the Companies Act, whichever is higher, in accordance with the provisions of Article 427 of the Companies Act and the Company’s Articles of Incorporation. If the reappointment is approved, the Company will continue the liabilities limitation agreement with her.

Note 3: As of the close of this General Meeting of Shareholders, it has been four years since she assumed Statutory Auditor (on 22 June 2017).

Note 4: There are no special interests between the candidates and the Company.

Note 5: About directors and officers liability insurance (D&O insurance)

Hitomi Nakayama is currently an outside corporate auditor of the Company. The Company has concluded a directors and officers liability insurance policy as stipulated in Article 430-3, Paragraph 1 of the Companies Act with an insurance company. She is included as an insured. The scope of an insured of said insurance policy includes Directors and Statutory Auditors of the Company, three domestic subsidiaries (Teijin Pharma Limited, Teijin Engineering Ltd. and DuPont Teijin Advanced Papers (Japan) Ltd.) .Under said insurance policy, legally

mandated amount of indemnification and litigation expenses arising from the insured's assumption of liability during the insurance period, or receipt of claims pertaining to the pursuit of such liability, caused by the performance of his or her duties, will be covered. However, claims for damages caused by intention or gross negligence will not be covered. If the election of this candidate is approved, all candidates (and reelected candidates will continue to be) will be included in the policy as insureds. The full amount of the insurance premiums is borne by the Company. In addition, when the policy is renewed in July 2021, the Company plans to renew said insurance policy with the same terms.

< Reference > Management Structure After Approval of Proposals 1, 2 (Planned)

Category	Name		Tenure	Area of expertise and experience							
				Management experience	Finance and accounting	Legal/Business/Risk management	Global management	Environment/Solution	Health and Safety Solution	IT/DX/Innovation	Diversity & Inclusion
Director	Jun Suzuki		8	○			○	○	○	○	
	Akihisa Nabeshima		2	○	○				○	○	
	Toshiya Koyama		1			○	○	○	○	○	
	Eiji Ogawa		1		○	○	○			○	
	Naohiko Moriyama		-						○	○	
	Akimoto Uchikawa		-				○	○	○	○	
	Fumio Ohtsubo	Outside	5	○			○			○	
	Yukako Uchinaga	Outside	3	○			○			○	○
	Yoichi Suzuki	Outside	3			○	○				
	Masaru Onishi	Outside	2	○				○	○	○	
Statutory Auditor	Masanori Shimai		2		○	○					
	Akio Nakaishi		1				○	○		○	
	Gen Ikegami	Outside	6		○	○	○				
	Hitomi Nakayama	Outside	4			○			○		○
	Jun Arima	Outside	1			○	○	○			

The table is not indicative of all the expertise and experience possessed by each individual.



### **Proposal 3: Revision of Amount of Remuneration, etc. and Introduction of "Restricted Stock" and "Performance Share Units" for Directors of the Company in Line With Revision of Remuneration Plan for Executive Officers**

The maximum annual remuneration for directors of the Company has been ¥700 million and the amount of the above remuneration includes (1) ¥630 million of annual salary and (2) ¥70 million for the stock acquisition rights as stock option, as resolved by the 140th Ordinary General Meeting of Shareholders held on June 23, 2006 and the 149th Ordinary General Meeting of Shareholders held on June 24, 2015. Now, from the viewpoint of corporate governance and stakeholders and to further strengthen corporate value creation based on strengthening management from a medium- to long-term perspective (sustainability, ESG), the Company proposes revisions to the remuneration plan for Executive Officers.

In line with this revision, the Company wishes to set the maximum annual monetary remuneration, etc. for directors to be ¥630 million (of which, the maximum annual remuneration for outside directors to be ¥100 million), discontinue the current stock acquisition rights as stock option as the share-based remuneration plan, and pay remuneration that is separate from the other types of monetary remuneration, etc. in order to newly grant "Restricted Stock" and "Performance Share Units" to directors of the Company (excluding the chairman of the Board, senior advisor, and outside directors; hereinafter, "Eligible Directors"), in place of stock acquisition rights as stock option, with the aim of providing an incentive to Eligible Directors for the achievement of targets of the Company's Medium-Term Management Plan and increase of medium- to long-term corporate value. Based on this proposal, remuneration provided to Eligible Directors for allotment of "Restricted Stock" and "Performance Share Units" shall be monetary claims in principle, and for allotment of "Restricted Stock" the total maximum annual amount shall be ¥70 million and the total maximum annual number of ordinary shares shall be 50,000 shares, while for allotment of "Performance Share Units" the total maximum annual amount shall be ¥300 million and the total maximum number of ordinary shares shall be 200,000 shares. Additionally, the specific timing for payment and allocation to each Eligible Director shall be determined by the Board of Directors upon deliberation in the Compensation Advisor Committee of the Company.

Based on this proposal, remuneration provided to Eligible Directors for allotment of "Restricted Stock" and "Performance Share Units" shall be monetary claims in principle, and for allotment of "Restricted Stock" the total maximum annual amount shall be ¥70 million and the total maximum annual number of ordinary shares shall be 50,000 shares, while for allotment of "Performance Share Units" the total maximum annual amount shall be ¥300 million and the total maximum number of ordinary shares shall be 200,000 shares. Additionally, the specific timing for payment and allocation to each Eligible Director shall be determined by the Board of Directors upon deliberation in the Compensation Advisor Committee of the Company, etc.

If this proposal is approved, to ensure that contents conform to the content that was approved, a Board of Directors meeting will be held after the conclusion of this General Meeting of Shareholders to revise the current system to the new system regarding the items in the following table, from among the policies for determining the content of remuneration, etc., for directors as stated in the Attached Reports.

However, the contents of the table below, including performance indicators for performance-based 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) stated in (5) and (6) (b) (1) below, performance indicators for Performance Share Units (PSU) (consolidated ROE, consolidated EBITDA, TSR and nonfinancial indicators) stated in (6) (b) (2) and Table 2, target figures, performance evaluation periods, and composition ratios are all those as of the start of the new system, and after the end of the medium-term management plan for 2020-2022, "ALWAYS EVOLVING" period (Limited to FY2021 and FY2022; hereinafter "initial target period"), new standards will be established within

the scope that has received approval via a resolution of the General Meeting of Shareholders.

(Revised sections are underlined)

Item	Current system	New system
①Basic policy for compensation systems	<ul style="list-style-type: none"> <li>•The system should enhance awareness of contributing to medium- to long-term increase in earnings and corporate value</li> <li>•The system should be closely linked to company results, and highly transparent and objective</li> <li>•Be primarily focused on enhancing shared awareness of interests with <u>shareholders</u> and shareholder-focused management awareness</li> <li>•The system should <u>maintain sufficient</u> remuneration levels to secure high-quality management human resources</li> </ul>	<ul style="list-style-type: none"> <li>•The system should enhance awareness of contributing to medium- to long-term increase in earnings and corporate value</li> <li>•The system should be closely linked to company results, and highly transparent and objective</li> <li>•Be primarily focused on enhancing value shared of interests with <u>stakeholders</u> and shareholder-focused management awareness</li> <li>•The system should maintain sufficient remuneration levels <u>and remuneration content</u> to <u>act as incentives</u> to secure high-quality management human resources</li> </ul>
②Remuneration level	<ul style="list-style-type: none"> <li>•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 <u>conducted among major corporations</u> in Japan each year.</li> </ul>	<ul style="list-style-type: none"> <li>•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 <u>at which globalization of executives is progressing</u> in Japan each year.</li> </ul>
③Composition of remuneration, etc. for directors and statutory auditors	<ul style="list-style-type: none"> <li>•<u>Internal director remuneration is composed of fixed basic remuneration that is not linked with the performance of the Company, variable performance-based remuneration (short-term incentive remuneration), and stock acquisition rights as 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.</u></li> <li>•Remuneration for outside directors and statutory auditors is solely fixed remuneration.</li> </ul>	<ul style="list-style-type: none"> <li>•<u>Internal director remuneration (excluding the chairman of the Board and senior advisor) is composed of fixed basic remuneration that is not linked with the performance of the Company (cash) and "Restricted Stock" (medium- to long-term incentive remuneration), and variable performance-based remuneration (short-term incentive remuneration) and "Performance Share Units" (medium- to long-term incentive remuneration), with the aim of instilling awareness of short-term achievement of performance goals, achievement of the medium-term management plan, and providing an incentive</u></li> </ul>

		<p><u>toward medium- to long-term improvement of corporate value.</u></p> <p>• Remuneration for <u>the chairman of the Board, senior advisor,</u> outside directors, and statutory auditors is solely fixed remuneration, not linked with the performance of the Company.</p>
④ Composition ratio of remuneration	<u>See Table 1-1 below</u>	<u>See Table 1-2 below</u>
⑤ Performance indicators for variable remuneration	<p>Three indicators presented as performance targets concerning variable remuneration for the medium-term management plan for 2020-2022, “ALWAYS EVOLVING,” have been selected as key performance indicators (KPIs) 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 the KPIs.</p>	<p>(1) Performance-based remuneration</p> <p>Three indicators presented as performance targets concerning variable remuneration for the medium-term management plan for 2020-2022, “ALWAYS EVOLVING,” have been selected as key performance indicators (KPIs) for performance-based 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 the KPIs.</p> <p><u>(2) Performance Share Units</u></p> <p><u>While aligning targets with the medium-term management plan, TSR from the viewpoint of stakeholders and the indicators of 1) Changing Portfolio and 2) Diversity and Inclusion will be used from the TSR view of stakeholders and from the viewpoint of sustainable growth and ESG (Environment, Social, Governance) will also be used. See Table 2 for indicators and targets, etc. for the period the medium-term management plan for 2020-2022, “ALWAYS EVOLVING” (Limited to FY2021 and FY2022; hereinafter "initial target period").</u></p>

<p>⑥ Policy on determining timing and conditions for providing remuneration, etc.</p>	<p>(a) Basic remuneration (Cash): The amount paid to each director is determined according to their position and paid as a fixed amount. 1/12 of a fixed amount by position is provided as monthly remuneration.</p> <p><u>(b) Performance-based remuneration (Cash):</u> Calculated depending on position, 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, and provided by the end of June as a year-end lump sum.</p>	<p>(a) Fixed remuneration: <u>(1) Basic remuneration (Cash):</u> The amount paid to each director is determined according to their position and paid as a fixed amount. 1/12 of a fixed amount by position is provided as monthly remuneration. <u>(2) Restricted Stock (RS):</u> Maximum annual amount ¥70 million (Maximum annual number 50,000 shares), and around July or August of every year, a certain number of shares determined by position will be allotted with transfer restrictions and other conditions within the scope that has received approval via a resolution of the General Meeting of Shareholders.</p> <p>(b) Variable remuneration: <u>(1) Performance-based remuneration (Cash):</u> Calculated depending on position, 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, and provided by the end of June as a year-end lump sum. <u>Additionally, new performance evaluation periods and performance evaluation indicators will be subsequently set within the scope that has received approval via a resolution of the General Meeting of Shareholders.</u> <u>(2) "Performance Share Units" (PSU):</u> Maximum annual amount is ¥300 million (Maximum annual number 200,000 shares), and around July or August of every year, the number of shares calculated depending on the target achievement of one or multiple performance indicators set by the Board of Directors applicable to performance evaluation periods comprised of one or</p>
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	<p><u>(c) Acquisition rights as stock option</u>  <u>The Company's stock options are designed based on acquisition rights as 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 target achievement of consolidated ROE and the achievement versus planned 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. Every February, amounts are determined based on the projected level of target achievement for ROE and the projected level of achievement for EBITDA in the relevant fiscal year, with payment provided by the end of March.</u></p>	<p><u>multiple fiscal years will be allotted after conclusion of the evaluation performance period set for each performance indicator with transfer restrictions and other conditions within the scope that has received approval via a resolution of the General Meeting of Shareholders. See Table 2 for the initial performance evaluation period and performance indicators. Additionally, even after the conclusion of the initial performance evaluation period, new performance evaluation periods and performance evaluation indicators will be subsequently set within the scope that has received approval via a resolution of the General Meeting of Shareholders.</u></p>
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## Remuneration composition ratio for internal directors

Table 1-1 (Current system)

Position	Fixed remuneration		Variable remuneration		Total remuneration
	Basic remuneration (Cash)		Performance-based remuneration (Cash)	Acquisition rights as stock option	
All Directors	60%		25%	15%	100%

(Note 1) Ratios of Performance-based remuneration and acquisition rights as stock option are ratios if achieving standard figures from among graded targets (hereinafter “Standard Targets”), and increases or decreases depending on actual levels of achievement.

(Note 2) Upon deliberation in the Advisory Board and the Compensation Advisor Committee, the ratio of basic remuneration will be reduced from FY2020 onward, and of the remuneration ratios for the previous fiscal year (FY2019), the Board of Directors determined to modify basic remuneration from 65% to 60%, and acquisition rights as stock option from 10% to 15%.

Table 1-2 (New system)

Position	Fixed remuneration		Variable remuneration		Total remuneration
	Basic remuneration (Cash)	Restricted Stock (RS)	Performance-based remuneration (Cash)	Performance Share Units (PSU)	
President & Representative Director, CEO	45%	10%	20%	25%	100%
Other directors	50%	10%	25%	15%	100%

(Note) For performance-based remuneration, ratios are if achieving standard figures from among graded targets (hereinafter “Standard Targets”), and for "Performance Share Units", if achieving targets. For "Performance Share Units" (PSU), one target is set for each performance indicator, and the payment of the corresponding composition ratio is determined by the achievement of said performance indicator.

Under the new system, in consideration of the results of a remuneration survey conducted among major corporations at which globalization of executives is progressing in Japan, and in exchange for allotment of stock-based remuneration with the aim of instilling awareness of achievement of the medium-term management plan and medium- to long-term improvement of corporate value, the Company will create a remuneration structure that lowers the ratio of basic remuneration under fixed remuneration and the cash remuneration portion of performance-based remuneration and raises the ratio of share-based remuneration, which the Company believes will contribute more to achievement of the medium-term management plan and medium- to long-term improvement of corporate value than the current system. Additionally, by differentiating from other directors the ratio of variable remuneration and share-based remuneration for the President & Representative Director, CEO, the system clarifies the position and the significance of its responsibilities.

The Advisory Board deliberates on the remuneration of the President & Representative Director, CEO, and the Compensation Advisor Committee deliberates on the remuneration for directors other than the President & Representative

Director, CEO. After the deliberations, proposals for the remuneration of the President & Representative Director, CEO and the remuneration for other directors other than the President & Representative Director, CEO are presented and determined by the Board of Directors.

Table 2

Performance evaluation indicators	Targets	Composition ratio of standard amounts of share-based remuneration by position (Annual amount)	Performance evaluation period	Timing of share allotment
ROE	<u>10% or higher</u>	40%	One year	Annually
EBITDA	<u>FY2022: ¥150.0 billion or more</u>	40%	Two years	The year after the final year of the medium-term management plan (By multiplying the number of years in the performance evaluation period during the process of calculating the number of shares to be allotted, the number of shares to be allotted for the performance evaluation period is calculated at once)
TSR	The Company's TSR >= Benchmark TSR	10%		
Nonfinancial indicators 1) Changing Portfolio 2) Diversity and Inclusion	<u>1)FY2022: Strategic Focus EBITDA&gt;=15%</u> <u>2) More than six female executives and six non-Japanese executives in FY2022 (* "Executives" includes Executive Officers and Corporate Officers)</u>	10%		

(Note) The content above is all as of the start of the new system, and after the end of the initial performance evaluation period, new standards will be established within the scope that has received approval via a resolution of the General Meeting of Shareholders.

Additionally, although the number of directors is currently nine (including four outside directors), if Proposal 1 "Election of ten (10) directors" is approved as originally proposed, the number of directors will be ten (including four outside directors).

Furthermore, the upper limits on the amount of cash remuneration, etc., for directors and the remuneration amount for the amount of monetary claims, etc., for allotment of "Restricted Stock" and "Performance Share Units" and the conditions for allotment of

"Restricted Stock" and "Performance Share Units" to Eligible Directors based on the total number of the Company's ordinary shares to be issued or disposed of and other factors in this proposal are determined in consideration of the above objectives, the status of the Company's business, policies regarding the determination of the content of remuneration, etc., for individual directors of the Company and other factors. As a result, the Company believes that this proposal is appropriate because its content is required and rational as a remuneration structure.

#### 1. Outline of "Restricted Stock"

The "Restricted Stock" is an advance-allotment type share-based remuneration plan in which Eligible Directors are provided with monetary claims in principle based on a resolution of the Board of Directors of the Company, and Eligible Directors shall in turn pay all monetary claims in the form of property contributed in kind to receive ordinary shares of the Company that shall be issued or disposed of by the Company (\*1). The total maximum annual number of ordinary shares to be newly issued or disposed of by the Company as a result of the above shall be no more than 50,000 shares (however, if a share split (including the allotment of ordinary shares of the Company without consideration), a reverse share split, or any other reason in which adjustment of the total number of ordinary shares of the Company to be issued or disposed of as "Restricted Stock" takes place on or after the day on which this proposal is approved and adopted, such total number will be adjusted to a reasonable extent as necessary). The number of ordinary shares of the Company issued or disposed of to the Eligible Director shall be a fixed number set based on the position of the Eligible Director.

Furthermore, the amount to be paid per share shall be approved by the Board of Directors based on the closing price of ordinary shares of the Company on the Tokyo Stock Exchange on the business day immediately preceding the date of the resolution of the Board of Directors (or the closing price on the trading day immediately prior thereto if there is no trading on the relevant business day) to the extent that Eligible Directors receiving ordinary shares do not receive an especially advantageous amount.

[Payment conditions, etc. for Eligible Directors]

The Company will issue or dispose of the Company's ordinary stock to each Eligible Director on the condition that the Eligible Directors meets the following requirements.

- (1) There was no certain non-conformity stipulated by the Board of Directors of the Company
- (2) Other requirements deemed necessary by the Board of Directors of the Company as " Restricted Stock".

The issuance or disposal of ordinary shares of the Company based on the "Restricted Stock" of the Company and payment of monetary claims as property contributed in kind shall be conditional that an agreement on the allotment of restricted shares shall be entered into between the Company and the Eligible Director (hereinafter, "RS Allotment Agreement").

[Outline of RS Allotment Agreement]

#### (1) Transfer restriction period

From the date that Eligible Directors receive allotment via the RS Allotment Agreement (hereinafter, "Allotment Date"), Eligible Directors may not transfer, create security interests, or make any disposal of the Company's ordinary shares (hereinafter, "RS Allotment Shares") received via allotment under the RS Allotment Agreement until the time immediately after retirement from a position defined in advance by the Company's Board of Directors (hereinafter, "RS Transfer Restriction Period"; the above conditions are hereinafter collectively, "Transfer Restrictions").



## (2) Release of Transfer Restrictions

Under the condition that an Eligible Director continuously serves for a period defined in advance by the Board of Directors of the Company (hereinafter “Service Provision Period”) in a position defined in advance by the Company’s Board of Directors, all of the RS Allotment Shares will have all transfer restrictions released upon expiration of the RS Transfer Restriction Period.

## (3) Handling of retirement

Notwithstanding the provisions of (2) above, if an Eligible Director retires from the position defined in advance by the Board of Directors prior to the expiration of the Service Provision Period owing to reasons including expiration of term of office, reaching retirement age, death, or other valid reason (Personal circumstances are not included; the same applies hereinafter.), a portion of RS Allotment Shares (reasonably calculated in consideration of the term of office, etc. of said Eligible Director) will have transfer restrictions released immediately after said retirement, and the Company will acquire without compensation any remaining portions that do not have transfer restrictions released. Additionally, if an Eligible Director retires from the position defined in advance by the Board of Directors owing to reasons other than expiration of term of office, reaching retirement age, death, or other valid reason, the Company will acquire without compensation all RS Allotment Shares as a matter of course.

## (4) Handling of organizational restructuring

Notwithstanding the provisions of (2) above, if during the RS Transfer Restriction Period matters relating to a merger agreement in which the Company is the dissolved company, a share exchange agreement or share transfer plan in which the Company becomes a wholly-owned subsidiary, or any other organizational restructuring, etc., are approved at a General Meeting of Shareholders of the Company (however, if said organizational restructuring, etc., does not require approval of a General Meeting of Shareholders of the Company, the Board of Directors of the Company; only if the effective date arrives before the expiration of the RS Transfer Restriction Period), the Board of Directors may, via a resolution, release transfer restrictions ahead of the effective date of said organizational restructuring, etc., for the number of RS Allotment Shares reasonably determined in consideration of the period between the start date of the Service Provision Period and the approval date of said organizational restructuring, etc. Additionally, if defined above, the Company will acquire without compensation all RS Allotment Shares that have not had transfer restrictions lifted as a matter of course immediately after the transfer restrictions are released.

## (5) Other reasons for without compensation acquisition

During the RS Transfer Restriction Period, if the Company’s CEO finds that an Eligible Director is found guilty of a crime and imprisoned, if an Eligible Director requests to begin bankruptcy proceedings, etc., or if an Eligible Director becomes involved in operations, etc., that compete with the Company Group’s business without prior authorization from the Company or if the Company’s CEO finds that the Eligible Director plans to be involved in such operation, etc. after retirement (if the Eligible Director is the CEO, if the Board of Directors passes a resolution; the same applies hereinafter), or if the Company’s CEO finds that the Eligible Director has violated laws and regulations or the Company’s internal regulations, etc., the Company is able to acquire without compensation all RS Allotment Shares as a matter of course under certain conditions.

## (6) Other matters

Other matters regarding the RS Allotment Agreement shall be defined by the Board of Directors of the Company.

- (\*1) However, if after the start of the Service Provision Period, the Eligible Director retires from the position defined by the Board of Directors owing to reasons including expiration of term of office, reaching retirement age, death, or other valid reason before the issuance or disposal of the Company’s ordinary shares, the Company will provide cash to the Eligible Director in an amount reasonably calculated in view of the Eligible Director’s term of office during said Service Provision Period promptly after his or her retirement. Additionally, if after the start of the Service

Provision Period, matters relating to a merger agreement in which the Company is the dissolved company, a share exchange agreement or share transfer plan in which the Company becomes a wholly-owned subsidiary, or any other organizational restructuring, etc., are approved at a General Meeting of Shareholders of the Company (however, if said organizational restructuring, etc., does not require approval of a General Meeting of Shareholders of the Company, the Board of Directors of the Company) before the issuance or disposal of the Company's shares, the Board of Directors may, via a resolution, provide cash to Eligible Directors in an amount reasonably calculated in consideration of the period between the start date of the Service Provision Period and the approval date of said organizational restructuring, etc. Furthermore, if the position of an Eligible Director changes after the start of the Service Provision Period and said Eligible Director retires prior to the start of the next Service Provision Period, the Company will provide cash to said Eligible Director as required in an amount reasonably calculated in consideration of the timing of the change in position during the Service Provision Period and the position after the change.

## 2. Outline of "Performance Share Units"

The "Performance Share Units" is a post-allotment type share-based remuneration plan in which the Board of Directors of the Company establishes in advance an evaluation period comprising one or more fiscal years of the applicable fiscal years under the Company's medium-term management plan (hereinafter, "Performance Evaluation Period") and one or more performance indicators from among the performance indicators set from the viewpoints of stakeholders and important indicators of the medium-term management plan, in principle Eligible Directors are provided with monetary claims for the issuance or disposal of the Company's ordinary shares according to the level of achievement of said performance indicators, and Eligible Directors in turn pay all monetary claims in the form of property contributed in kind to receive ordinary shares of the Company that shall be issued or disposed of by the Company. As such, the provision of monetary claims to Eligible Directors for the issuance or disposal of the Company's ordinary shares shall be, in principle, after the end of the Performance Evaluation Period. Additionally, as the "Performance Share Units" is a plan in which monetary claims are provided for the issuance or disposal of the Company's ordinary shares according to the level of achievement, etc., of the above performance evaluation indicators, as of the time of introduction of the "Performance Share Units", nothing has been determined with regard to the payment or lack thereof, to be provided to each Eligible Director, the number of the Company's ordinary shares to be issued or disposed of (hereinafter, "Number of Allotted Shares"), or the amount of monetary claims for the issuance or disposal of the Company's ordinary shares to be provided to each Eligible Director.

Furthermore, although the initial target period, Performance Evaluation Period and performance evaluation indicators during the initial target period are planned to be those in Table 2, even after the end of the initial target period Performance Evaluation Period, the Company may continue to implement the "Performance Share Units" within the scope that has received approval in this proposal by setting a new Performance Evaluation Period and performance evaluation indicators within the scope that has received approval in this proposal.

[Specific features of the "Performance Share Units"]

- ①The Board of Directors of the Company will define performance evaluation indicators required for the calculation of the number of the Company's ordinary shares and monetary claims, etc., for issuance or disposal to each Eligible Director and the targets, payment ratios, and evaluations, etc., for state of achievement under the "Performance Share Units".
- ②In principle, the Company will determine the number of the Company's ordinary shares to be allotted to each Eligible Director after the conclusion of the Performance Evaluation Period, corresponding to the level of achievement, etc., of the targets in each performance evaluation indicator during the Performance Evaluation Period. For performance share units (PSU), one target is set

for each performance indicator, and the payment of the corresponding composition ratio is determined by the achievement of said performance indicator.

③Corresponding to the number of the Company's ordinary shares to be allotted to each Eligible Director determined in ② above, the Company will provide in principle monetary claims for the allotment of performance share units to each Eligible Director based on a resolution of the Board of Directors of the Company, and each Eligible Director will receive allotment of the corresponding number of the Company's shares by providing contributions in kind for all of said monetary claims. Furthermore, the amount to be paid per share of the Company's ordinary shares shall be approved by the Board of Directors based on the closing price of ordinary shares of the Company on the Tokyo Stock Exchange on the business day immediately preceding the date of the resolution of the Board of Directors (or the closing price on the trading day immediately prior thereto if there is no trading on the relevant business day) to the extent that the Eligible Directors who will receive allotments above receiving ordinary shares do not receive an especially advantageous amount.

(1) Calculation method for the number of the Company's ordinary shares to be issued or disposed of and the amount of monetary claims to be allotted

The Company will calculate the number of the Company's ordinary shares to be issued or disposed of to each Eligible Director based on the calculation method in ① below, and calculate the amount of monetary claims to be allotted to Eligible Directors based on the calculation method in ② below.

The total maximum annual number of ordinary shares to be newly issued or disposed of by the Company to Eligible Directors based on the "Performance Share Units" shall be 200,000 shares (however, if a share split (including the allotment of ordinary shares of the Company without consideration), a reverse share split, or any other reason in which adjustment of the total number of ordinary shares of the Company to be issued or disposed of as "Performance Share Units" takes place on or after the day on which this proposal is approved and adopted, such total number will be adjusted to a reasonable extent as necessary).

①Calculation method for the number of the Company's ordinary shares to be issued or disposed of for Eligible Directors

The number of shares to be allotted shall be calculated by dividing the allotment amount calculated using the standard share remuneration amount by position (\*2), composition ratio of each performance evaluation indicator (\*3), Performance Evaluation Period, and term of office ratio by the standard share price (\*4) (for calculation methods for the initial target period, see Table 3 below. The formulas in Table 3 below are for the performance evaluation indicators, their composition ratios, and Performance Evaluation Period at the beginning of the new system. After the end of the initial target period, the number of shares to be allotted will be calculated based on the newly set performance evaluation indicators, their composition ratios, and the Performance Evaluation Period.) (\*5). For the performance evaluation indicator, composition ratios of each performance evaluation indicator the Performance Evaluation Period and targets for each performance evaluation indicator for the initial Performance Evaluation Period and targets for the performance evaluation period and each performance evaluation indicator, see Table 2.

(\*2) It means a predetermined standard annual amount for each position related to performance-linked share remuneration.

(\*3) For composition ratio for each performance evaluation indicator, if targets for each performance evaluation indicator are achieved during the Performance Evaluation Period, the composition ratio will be the composition ratio of each performance evaluation indicator as described in Table 2, and if said targets are not achieved, it will be zero.

(\*4) The closing price of ordinary shares of the Company on the Tokyo Stock Exchange on the business day immediately preceding the date of the resolution of the Board of Directors (or the closing price on the trading day immediately

prior thereto if there is no trading on the relevant business day) for the granting of performance-based share-based remuneration for each fiscal year.

Table 3 Calculation formula for the number of shares to be allotted for “Performance Share Units”

\* In the medium-term management plan for 2020-2022, the introduction of the new system will be from the second year after the start of the medium-term management plan, so during the initial target period, it will be calculated using ii) and iii) of the following calculation methods...

i) First year of medium-term management plan

Number of shares to be allotted = Standard share-based remuneration amount by position X composition ratio of performance evaluation indicator (for consolidated ROE) X performance evaluation period X term of office ratio / standard share price

ii) Second year of medium-term management plan

Number of shares to be allotted = Standard share-based remuneration amount by position X composition ratio of performance evaluation indicator (for consolidated ROE) X performance evaluation period X term of office ratio / standard share price

iii) Third year of medium-term management plan

The number of shares to be allotted will be the total of A to D below.

A = Standard share-based remuneration amount by position X composition ratio of performance evaluation indicator (for consolidated ROE) X performance evaluation period X term of office ratio / standard share price

B = Standard share-based remuneration amount by position X composition ratio of performance evaluation indicator (for consolidated EBITDA) X performance evaluation period X term of office ratio / standard share price

C = Standard share-based remuneration amount by position X composition ratio of performance evaluation indicator (for TSR) X performance evaluation period X term of office ratio / standard share price

D = Standard share-based remuneration amount by position X composition ratio of performance evaluation indicator (for nonfinancial indicators) X performance evaluation period X term of office ratio / standard share price

- (\*5) If during the performance evaluation period, an Eligible Director retires owing to expiration of term of office, reaching retirement age, death, or other valid reason, calculations will be made with reasonable adjustments to the number of shares made as required in consideration of the term of office until retirement during the performance evaluation period, the position of the Eligible Director during said period, and level of achievement for targets in each fiscal year, separately defined in each performance evaluation indicator, as of the time of said retirement.

② Calculation method for monetary claims to be allotted to each Eligible Director

The Company will calculate the number of the Company’s ordinary shares to be issued or disposed of to each Eligible Director based on the calculation method in (1) above, and calculate the amount of monetary claims to be allotted to each Eligible Directors by multiplying it by the share price at the time of allotment. The share price at the time of allotment shall be approved by the Board of Directors based on the closing price of ordinary shares of the Company on the Tokyo Stock Exchange on the business day immediately preceding the date of the resolution of the Board of Directors (or the closing price on the trading day immediately prior thereto if there is no trading on the relevant business day) of the Company regarding the issuance or disposal of the Company’s ordinary shares after the end of the Performance Evaluation Period to the extent that the Eligible Directors who will receive allotments above do not receive an especially advantageous amount.

(2) Allotment conditions, etc., for Eligible Directors

If the following conditions are met after the end of the performance evaluation period, the Company will issue or dispose of the Company's ordinary shares to each Eligible Director based on the calculation method in (1) above (\*6, 7).

① The Eligible Director was in a position designated by the Company's Board of Directors for a period of the entirety or a portion of the Performance Evaluation Period

② There was no certain non-conformity stipulated by the Board of Directors of the Company

③ Other required conditions for "Performance Share Units" as defined by the Board of Directors of the Company

(\*6) If during the Performance Evaluation Period, an Eligible Director retires owing to expiration of term of office, reaching retirement age, death, or other valid reason, the Company's ordinary shares will be issued or disposed of in accordance with the number calculated by (\*5) above, to the Eligible Director (if the retirement is due to death, then the rights successor to the Eligible Director) within a reasonable period after retirement.

(\*7) If after the start of the Performance Evaluation Period, matters relating to a merger agreement in which the Company is the dissolved company, a share exchange agreement or share transfer agreement in which the Company becomes a wholly-owned subsidiary, or any other organizational restructuring, etc., are approved at a General Meeting of Shareholders of the Company (however, if said organizational restructuring, etc., does not require approval of a General Meeting of Shareholders of the Company, the Board of Directors of the Company) before the issuance or disposal of the Company's shares, the Board of Directors may, via a resolution, grant the Company's ordinary shares or cash. If allotting ordinary shares, the Company's ordinary shares will be issued or disposed of to Eligible Directors ahead of the effective date of said organizational restructuring, etc., in consideration of the period between the start of the performance evaluation period and the date of approval of said organizational restructuring, the positions of the Eligible Directors during said period, and the level of achievement of performance evaluation indicators as of the time of said resolution of Board of Directors, with reasonable adjustments made to the number of shares as required.

If allotting cash, an amount of cash reasonably calculated in consideration of the period between the start of the Performance Evaluation Period and the date of approval of said organizational restructuring, the positions of the Eligible Directors during said period, and the level of achievement of performance evaluation indicators as of the time of said resolution of Board of Directors will be provided to Eligible Directors.

The issuance or disposal of ordinary shares and payment of monetary claims as property contributed in kind based on said "Performance Share Units" of the Company shall be conditional that an agreement on the allotment of performance-linked shares shall be entered into between the Company and the Eligible Director (hereinafter, "PSU Allotment Agreement").

[Outline of PSU Allotment Agreement]

(1) Transfer restriction period

From the date that Eligible Directors receive allotment via the PSU Allotment Agreement (hereinafter, "Allotment Date"), Eligible Directors may not transfer, create security interests, or make any disposal of the Company's ordinary shares (hereinafter, "PSU Allotment Shares") received via allotment under the PSU Allotment Agreement until the time immediately after retirement from a position defined in advance by the Company's Board of Directors (hereinafter, "PSU Transfer Restriction Period"; the above conditions are hereinafter collectively, "Transfer Restrictions").

(2) Lifting of Transfer Restrictions

Under the condition that an Eligible Director continuously serves during the PSU Transfer Restriction Period in a position defined

in advance by the Company's Board of Directors, all of the PSU Allotment Shares will have all transfer restrictions released of Transfer Restrictions

Under the upon expiration of the PSU Transfer Restriction Period.

(3) Handling of retirement

Notwithstanding the provisions of (2) above, if an Eligible Director retires from the position defined in advance by the Board of Directors of the Company owing to reasons other than expiration of term of office, reaching retirement age, death, or other valid reason, the Company will acquire without compensation all PSU Allotment Shares as a matter of course.

(4) Handling of organizational restructuring

Notwithstanding the provisions of (2) above, if during the PSU Transfer Restriction Period matters relating to a merger agreement in which the Company is the dissolved company, a share exchange agreement or share transfer plan in which the Company becomes a wholly-owned subsidiary, or any other organizational restructuring, etc., are approved at a General Meeting of Shareholders of the Company (however, if said organizational restructuring, etc., does not require approval of a General Meeting of Shareholders of the Company, the Board of Directors of the Company; only if the effective date arrives before the expiration of the PSU Transfer Restriction Period), the Board of Directors of the Company will, via a resolution, release transfer restrictions ahead of the effective date of said organizational restructuring, etc., for all PSU Allotment Shares.

(5) Other reasons for gratis acquisition without compensation

During the PSU Transfer Restriction Period, if an Eligible Director is found guilty of a crime and imprisoned, if an Eligible Director requests to begin bankruptcy proceedings, etc., or if the Company's CEO finds that an Eligible Director becomes involved in operations, etc., that compete with the Company Group's business without prior authorization from the Company or if the Company's CEO finds that the Eligible Director plans to be involved in such operations, etc. after retirement, or if the Company's CEO finds that the Eligible Director has violated laws and regulations or the Company's internal regulations, etc., the Company is able to? may acquire without compensation all PSU Allotment Shares as a matter of course under certain conditions.

## Attached Reports

### Reports on Operations for the 155<sup>th</sup> Fiscal Year (April 1, 2020 to March 31, 2021)

#### 1. Current Status of the Teijin Group

##### (1) Progress and Results of Operations

###### 1) Progress and Results of Operating Activities

###### ①Sales and Income

The global COVID-19 pandemic and the resulting governmental restrictions on people's activities have caused the global economy to remain sluggish and face high uncertainty. The pandemic severely affected the global economy especially in the first half of this term, and then the economy turned around once. However, subsequent waves of the pandemic slowed economic recovery worldwide in the second half of the term

The Teijin Group formulated its Medium-Term Management Plan for the three years from FY2020, which the Group positions as a period for creating growth platforms toward sustainable growth, under its long-term vision of becoming a company that supports the society of the future by contributing to realizing a sustainable world. In FY2020, the first fiscal year of the Plan, as prior investments in enhancing profitability in the Materials Business Field toward the future, the Group made capital investment in increasing its para-aramid fiber production capacity, and implemented two plant projects in North America: one to build a new composites plant in Texas and the other to prepare for the operation of a new carbon fibers plant. In the Healthcare Business Field, the Group decided to take over the rights for the Japan sales of diabetes treatments from Takeda Pharmaceutical Company Limited, and in collaboration field between business fields, the Group brought Japan Tissue Engineering Co., Ltd. (hereinafter, "J-TEC") under its umbrella as a subsidiary through a TOB with the aim of entering the regenerative medicine business.

Increased demand amid the COVID-19 pandemic for medical protective equipment (gowns, etc.) in the Fibers & Products Converting Business and for products and services in the IT Business contributed to the Teijin Group's consolidated financial results for this term. Also, the Healthcare Business Field remained solid despite the impact of drug price revisions. Meanwhile, in the Materials Business Field, the Group was affected by reduced demand for products mainly for automotive and aircraft applications. Accordingly, the Teijin Group posted net sales of 836.5 billion yen, a 2.0% decrease year on year, operating income of 54.9 billion yen, a 2.3% decline year on year, and ordinary income of 53.7 billion yen, a 1.2% decrease year on year. Profit attributable to owners of parent was -6.7 billion yen (ref.: 25.3 billion yen for the previous fiscal year) mainly due to the recording of an impairment loss on fixed assets owned by the carbon fibers business under the impact of an expected long-term decline in aircraft demand.

As a result, ROE, an indicator of profitability, was -1.7%, far short of the FY2022 target set in the Medium-Term Management Plan (over 10%), while EBITDA, an indicator of the ability to generate cash, was 106.8 billion yen, remaining at the same level as in the previous fiscal year despite the impact of the COVID-19 pandemic. ROIC, based on operating income, of 8.6% met the FY2022 target set in of the Medium-Term Management Plan (over 8%).



## ②Analysis of Assets, Liabilities and Net Assets

Total assets as of March 31, 2021, amounted to 1,036.4 billion yen, an increase of 32.2 billion yen from the end of FY2019. This increase is explained mainly by the inclusion of the goodwill of Japan Tissue Engineering Co., Ltd. in the Group's accounts as a result of the Group's acquisition of shares of Japan Tissue Engineering with the aim of entering the regenerative medicine business, and by a rise in the market value of shares held, despite a decrease in the carbon fibers business's fixed assets due to impairment losses.

Total liabilities amounted to 608.2 billion yen, increasing by 15.4 billion yen from the end of FY2019, mainly due to the increase in trade payables.

Despite a decrease due to the recording of a loss attributable to owners of parent, total net assets amounted to 428.3 billion yen, an increase of 16.8 billion yen compared with the end of FY2019. This growth was caused mainly by an increase in foreign currency translation adjustments due to the depreciation of the yen against major currencies and in the difference between the market value and book value of shares held. As a result, the debt-to-equity ratio was 0.9 times, and the equity ratio was 39.2%.

### Segment operating results (sales and operating income) of the Teijin Group are as follows.

(Billions of yen / %)

		Fiscal 2019	Fiscal 2020	Change	Percentage	
Net sales	Materials	High-performance materials	236.4	210.4	△25.9	△11.0
		Composites	91.2	86.6	△4.6	△5.1
		Materials Sub Total	327.5	297.0	△30.6	△9.3
	Healthcare	153.9	148.7	△5.3	△3.4	
	Fibers & Products Converting	306.3	314.9	+8.6	+2.8	
	IT	48.6	58.1	+9.5	+19.6	
	Others	17.4	17.8	+0.5	+2.7	
	Total	853.7	836.5	△17.2	△2.0	
Operating income	Materials	15.8	1.0	△14.9	△94.0	
	Healthcare	32.6	31.5	△1.0	△3.2	
	Fibers & Products Converting	5.4	17.5	+12.1	+223.3	
	IT	7.8	10.4	+2.6	+32.9	
	Others	0.3	△0.2	△0.6	-	
	Elimination and corporate	△5.8	△5.2	+0.5	-	
	Total	56.2	54.9	△1.3	△2.3	

Business Segment Results for fiscal 2020 were as follows:

## **I. Materials Business Field**

*Although the COVID-19 pandemic reduced demand for products for automotive and aircraft applications, the recovery in the automotive market in the second half of the term led to an upturn in sales of products for automotive applications. In each subsegment, SG&A expenses cut by limited activities.*

In the Materials Business Field, sales were 297.0 billion yen, a decrease of 30.6 billion yen (9.3%) year on year, while operating income was 1.0 billion yen, a decline of 14.9 billion yen (94.0%) year on year. EBITDA was 31.5 billion yen, decreasing by 13.3 billion yen year on year.

In the aramid business, *Twaron* para-aramid fibers, the major product in the business, experienced a sales decline for all applications, including tire reinforcing material, friction material, and other automotive applications, as well as optical fibers. However, the product's sales later improved in line with the recovery in the relevant markets.

In the resin and plastic processing business, sales of polycarbonate resins, the main product in the business, recovered from the second half of the term and reached the same level as in the previous term. Under the impact of a sharp rise in the market price of BPA, a key raw material, from the second half of the term, selling price revision is under way.

In the carbon fibers business, sales of TENAX carbon fibers drastically dropped for aircraft applications due to reduced demand in the aircraft market. Therefore, greater sales efforts were focused on non-aircraft applications, such as wind power generation and recreation applications. Sustained efforts toward future growth have been made, including developing intermediate materials for aircraft applications and making the necessary investment for putting into operation a new plant in North America.

In the composites business, a significant decrease in OEM production had a severe impact on the production and sales of automotive parts at Continental Structural Plastics Holdings Corporation (CSP) in the United States at the beginning of the term. However, the recovery in the U.S. automotive market, especially for SUVs and pickup trucks, led to a remarkable improvement in automotive parts production and sales. The continued provision of a relatively high level of unemployment benefits in the U.S. has posed CSP the challenge of securing workforce sufficient to support its recovering plant operations. To address the challenge, CSP has been adopting measures to improve the employee retention rate.

## **II. Healthcare Business Field**

*Despite the impact of drug price revisions on FEBURIC and other pharmaceutical products distributed in Japan, sales of FEBURIC and home healthcare services grew. Amid the COVID-19 pandemic, the adoption of online remote sales activities and other new approaches caused a decrease in SG&A expenses.*

In the Healthcare Business Field, sales were 148.7 billion yen, a drop of 5.3 billion yen (3.4%) year on year, while operating income was 31.5 billion yen, a decline of 1.0 billion yen (3.2%) year on year. EBITDA was 43.7 billion yen, a decrease of 0.9 billion yen year on year.

In the pharmaceutical business, products for the Japanese market, especially the hyperuricemia and gout treatment

FEBURIC, were affected by drug price revisions in April 2020. However, sales of *FEBURIC* and *Somatuline\**, a treatment for acromegaly, pituitary gigantism, and neuroendocrine tumors, increased steadily.

\* *Somatuline*® is the registered trademark of Ipsen Pharma, France.

In the home oxygen therapy (HOT) market, an increased number of patients chose to use home healthcare services to avoid in-hospital COVID-19 infection. Together with other circumstances, including the more widespread use of portable oxygen concentrators, the increased number of home healthcare users resulted in a growth in the number of rented units of HOT equipment. In the market for continuous positive airway pressure (CPAP) therapy, the COVID-19 pandemic caused a decline in the number of patients hospitalized for examination and slowed the expansion of the market. However, the market for CPAP devices for use by medical practitioners has been growing, with the number of rented CPAP devices continuously increasing. In addition, the relaxation of requirements for counting remote monitoring in medical fee calculation led an increasing number of medical institutions to introduce *NemLink*, a medical treatment support tool.

In the new healthcare business, the COVID-19 pandemic caused surgeries to be postponed and reduced the sales volume of orthopedic implantable devices, including artificial joints and absorbable osteosynthesis materials, at the beginning of the term. However, a recovery in the number of surgical operations and the growth in sales of new products from the second quarter resulted in a year-on-year increase in annual sales.

### **III. Fibers & Products Converting business**

In the Fibers & Products Converting Business, sales were 314.9 billion yen, an increase of 8.6 billion yen (2.8%) year on year, while operating income was 17.5 billion yen, an increase of 12.1 billion yen (223.3%) year on year. EBITDA was 23.9 billion yen, a growth of 11.5 billion yen year on year.

The COVID-19 pandemic hurt sales of textiles and heavy clothing, but boosted demand for medical protective equipment (gowns, etc.) for the use of medical professionals, leading the Fibers & Products Converting Business to contribute immensely to the Group's business performance by supplying those items of equipment. Sales of clothes of the kind that satisfied stay-at-home demand were robust, while sales of masks with improved infection-control functions, short polyester fibers for water treatment use, and other products also remained strong. In addition, sales of automotive parts, which were poor at the beginning of the term, started taking a clear upward trend in the second half of the term. The decreased SG&A expenses due to limited business activities also contributed to the business results.

### **IV. IT business**

In the IT Business, sales were 58.1 billion yen, up 9.5 billion yen (19.6%) year on year, while operating income was 10.4 billion yen, an increase of 2.6 billion yen (32.9%) year on year. EBITDA was 11.3 billion yen, growing by 2.6 billion yen year on year.

The business solution field was affected by the COVID-19 pandemic especially in terms of services for medical institutions. However, sales of e-comics services in the digital entertainment field remained strong against the background of an increased e-comics readership.

### **V. Other**

In the others, sales were 17.8 billion yen, an increase of 0.5 billion yen (2.7%) year on year, while the operating loss was

0.2 billion yen (ref.: operating income of 0.3 billion yen for the previous fiscal year). EBITDA was 0.7 billion yen, a decrease of 0.6 billion yen year on year.

The Teijin Group brought J-TEC, a company listed on the Tokyo Stock Exchange's JASDAQ Growth market, under its umbrella as a subsidiary through a TOB. The new subsidiary has been consolidated since the end of the term.

## 2) Progress and Results of Non-Operating Activities

**The progress and results of non-operating activities conducted by the Teijin Group (“the Group”) during the fiscal year under review were as follows.**

The expectations and responsibilities placed on companies to resolve global social issues, such as the United Nations' Sustainable Development Goals (SDGs), are becoming incredibly large. Considering these social issues, the Group has organized the risks and opportunities for the Company and established five types of materiality and KPI to pursue as management issues. In response to these materiality issues, in addition to providing solutions through our business, the Group is working to strengthen our foundation in reducing our environmental impact as well as in diversity and inclusion.

In terms of reducing environmental impact, the Company established medium- and long-term goals in FY2019 to reduce emissions of CO<sub>2</sub>, water, hazardous chemicals and landfill waste. In response to addressing climate change issues, which is an urgent issue worldwide, we have established goals of reducing the Group's total CO<sub>2</sub> emissions by 20% by FY2030 and of realizing net zero emissions by FY2050. We aim to achieve these goals by continuing and enhancing initiatives in energy conversion and increased productivity. In FY2020, we decided to newly introduce internal carbon pricing (ICP) system to support capital investment plans that contribute to reducing CO<sub>2</sub> emissions. In response to addressing the issues of water shortages and water contamination, we have set a goal of 30% improvement of the Company's freshwater intake volume per sales unit by FY2030. While expanding the number of products that use little water and promoting the efficient use of water in our businesses, we are also promoting policies to reduce water risk in locations in regions with high water risk.

On the issue of “Diversity & Inclusion,” we are promoting personnel diversity, women's advancement, and workstyle diversity, aiming to realize an organization that fully demonstrates the abilities of diverse human resources with different values and experiences in order to revitalize the organization and stimulate innovation. In its promotion of active roles for women, we have set KPIs of ten or more female officers and 300 or more female managers by FY2030, with milestones by the end of FY2022 of six or more female officers and 174 or more female managers. As a result of increasing the number of women participating in training for selected officer candidates and providing career advancement and ongoing career support for female employees through women's leadership training etc., the Company has been selected as one of “Nadeshiko Brands” which are jointly conducted by the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange to select enterprises that encourage women's success in the workplace, for the fourth consecutive year. In FY2020, taking the opportunity of countermeasures against the novel coronavirus, we rapidly expanded the use of telework mainly in the head office areas of Tokyo and Osaka, and we began to work on reforming the mindset and work conventions, due to the increased necessity to consider new workstyles, and swiftly realize and establish them in response to the “New Normal,” where commuting to the office and face-to-face interaction are no longer natural assumptions. Specifically, cross-organizational discussions were held on the five themes of “paperless,” “business visualization,” “communication,” “office space & social distancing,” and “work system / evaluation,” which are closely related to promoting workstyles that support the New Normal, and measures addressing many issues were

implemented. For example, discussions on “communication” led to the implementation of an initiative in which a questionnaire-style survey is conducted for employees in departments where telework becomes the main work format in order to visualize the communication status of the department, and based on those results, the required measures are created by each department. Through these measures, we have proactively developed activities where each employee is seeking new workstyles and taking action.

Furthermore, the Group proactively approaches social contribution activities in line with the characteristics of the different business groups and regions. In light of policy initiatives for sustainability set forth in the “Medium-Term Management Plan for 2020-2022,” in FY2020 we revised the Group Basic Policy for Social Contributions. Toward supporting the development of the next generation through science and education, sports activities, etc., through the Teijin Kumura Scholarship provided by the Teijin Scholarship Foundation that was established to foster young scientists, we have supported around 1,700 science and engineering students over more than 60 years. In 2010, we launched a scholarship system in China, providing scholarships to 36 students in FY2020. In addition, we are working to support youth sports such as by being a sponsor of the All Japan High School Soccer Tournament, and by endorsing the “Children’s Rights in Sport Principles” promoted by the Japan Committee for UNICEF.

Additionally, we continually operate a range of initiatives to support employee volunteer activities.

These initiatives have been recognized through the inclusion of the Group in multiple international social development investment indexes, such as FTSE4Good, MSCI ESG Index, and DJSI Asia Pacific.

## (2) Changes in Assets and Profit and Loss

Fiscal Period	152 <sup>nd</sup> Fiscal Period	153 <sup>rd</sup> Fiscal Period	154 <sup>th</sup> Fiscal Period	155 <sup>th</sup> Fiscal Period
Items	FY2017	FY2018	FY2019	FY2020 (Current period)
Net sales (Millions of yen)	834,986	888,589	853,746	836,512
Operating income (Millions of yen)	69,823	60,000	56,205	54,931
Ordinary income (Millions of yen)	67,820	60,264	54,337	53,658
Profit attributable to owners of parent (Millions of yen)	45,556	45,057	25,252	△6,662
Net earnings per share (Yen)	231.26	232.39	131.63	△34.70
Total assets (Millions of yen)	981,967	1,020,654	1,004,223	1,036,427
Net assets (Millions of yen)	408,237	427,212	411,409	428,257

Note: The stated amount is rounded to the nearest million yen.

## (3) Capital Investments

Capital investments by the Group in fiscal 2020 totaled ¥60.3 billion, mainly for the purpose of increasing the production capacity of aramid business and composites business.

## (4) Financing

The Company procured finance borrowings from financial institutions and Straight Bond. As a result of a decrease in borrowings, interest-bearing debt amounted to ¥380.0 billion, a decrease of ¥1.9 billion from the end of the previous year.

## (5) Management Policies and Tasks Ahead

### 1) Corporate Vision

To help realize a sustainable society, based on our corporate philosophy, the plan calls for the Teijin Group to deliver solutions in three key fields: 1) environmental value, 2) safety, security and disaster mitigation, and 3) demographic change and increased health consciousness. In order to realize the long-term vision, the Teijin Group will sort out risks and opportunities for the company based on global social issues and the goals set by the SDGs, and identify five materialities (important issues) to prioritize, "climate change mitigation and adaptation," "realization of a circular economy," "ensuring the safety and security of people and local communities," "realization of healthy and comfortable lives for people," and "Further strengthening the sustainable management base" which is an important management issue.

Through these materiality initiatives, the Teijin Group aims to realize a sustainable society and further enhance its corporate value.



Environmental Value Solutions	Provide products and services contributing to global environmental goals such as prevention and adaptation of climate change and achievement of a circular economy
Safety, Security, and Disaster Mitigation Solutions	Provide products and services protecting lives and livelihoods from various risks such as disasters and accidents
Demographic Change and Increased Health Consciousness Solutions	Provide products and services supporting healthy and comfortable living for people of all ages

### 2) Tasks Ahead

In February 2020, the Teijin Group formulated and announced its new medium-term management plan for 2020-2022, "ALWAYS EVOLVING," (hereinafter, "the medium-term management plan") as a three-year action plan to realize its long-term vision, positioning the period of this plan (FY2020 to FY2022) as a period of establishing a foundation for sustainable growth.

We will actively invest in businesses portfolio which is broadly divided into Strategic Focus areas to boost cash-generating abilities in new businesses and Profitable Growth areas to expand stably profitable existing businesses.

Although the expansion of COVID-19 brings about drastic changes in the economy, people's lives, and values at the global

level, the materialities that the Teijin Group is working on are will not change. We take the changes brought about by COVID-19 as opportunities and consider that it is necessary to continue to provide three solutions and accelerate growth investment in the territory of the Three Solutions. In the materials business field, in the stream of "green recovery", we steadily grasp the needs for weight reduction of mobility and replacement with high-performance materials and lightweight materials in social infrastructure, and recover from the impact of COVID-19 on the business and accelerate for an early return to the growth trajectory. In the realization of carbon neutrality, we will minimize the environmental burden of our business activities, implement a roadmap to achieve our goals, and promote technological innovation to realize a hydrogen-based society. In the healthcare business field, due to concerns about the risk of COVID-19 infection, there is a growing need for the Teijin Group's goal of providing comprehensive community care services and digital solutions for medical care, while there are refraining from receiving medical examinations and restraining hospitalization. Also, we will steadily work on pursuance of synergy with IT business and new business creation through collaboration with IT business, materials business and engineering divisions.

#### a) Quantitative targets in the medium-term management plan

Placing emphasis on both investment efficiency and earning power, we identify its most important indicators to be ROE (company-wide) and operating income ROIC (company-wide and business-specific) as the most important profitability indicators, and EBITDA (company-wide and business-specific) as the most important growth indicator. We will continue to aim for ROE of 10% or more, operating income of ROIC of 8% or more, and EBITDA of 150 billion yen, which are the quantitative targets for FY2022 set in the medium-term management plan. However, the EBITDA outlook for FY2022 by business segment has been revised due to changes in the business environment. In the materials business, EBITDA of 80 billion yen is expected to be 65 billion yen, because of the delay in sales expansion in each business including the carbon fiber business due to the impact of COVID-19. In the healthcare business, EBITDA of 45 billion yen is expected to be 60 billion yen, considering that the succession of sales of four type 2 diabetes drugs in Japan from Takeda Pharmaceutical Company Limited will make a significant contribution.

The outlook for FY2021, the target for FY 2022 (the final year of the medium term), and the EBITDA outlook by segment are as follows.

	FY2021	FY2022	
ROE	8%	10%+	
Operating income ROIC	7%	8%+	
EBITDA	130.0bil. yen	150.0bil. yen	
(Breakdown)			
Materials	43.5bil. yen	65.0bil. yen	
Healthcare	67.5bil. yen	60.0bil. yen	*2
Others *1	19.0bil. yen	25.0bil. yen	*2

\*1 Including " Fibers & Products Converting ", "IT", " Others segment" and " Elimination or intersegment transactions".

\*2 Revised to the latest outlook

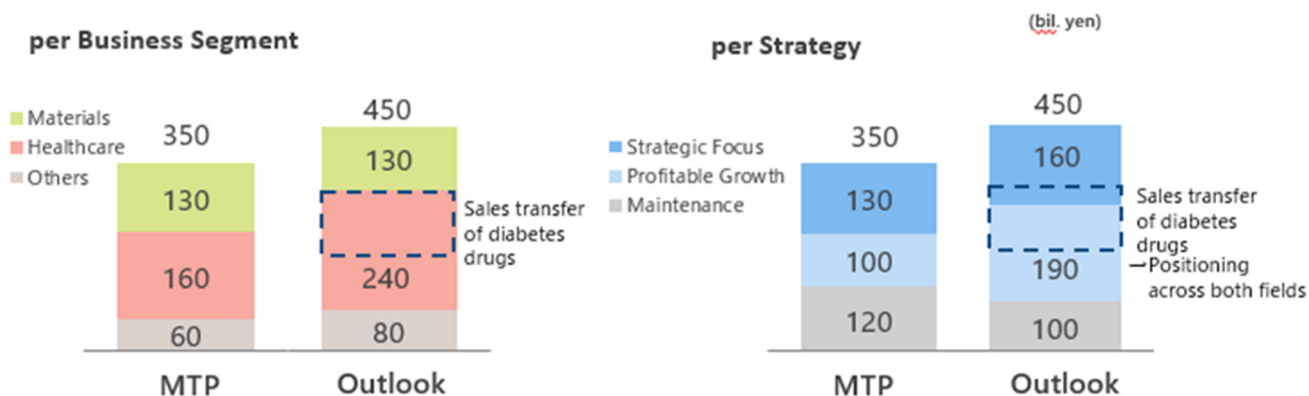
#### b) Input resource level in the medium-term management plan

Under the active investment policy to establish a growth platform, in the materials business, we will build a new factory for composites for automobiles in Texas, USA, a new factory for carbon fiber in South Carolina, USA, and expand facilities for aramid fiber. In the healthcare business, we entered into an agreement with Takeda Pharmaceutical Company Limited



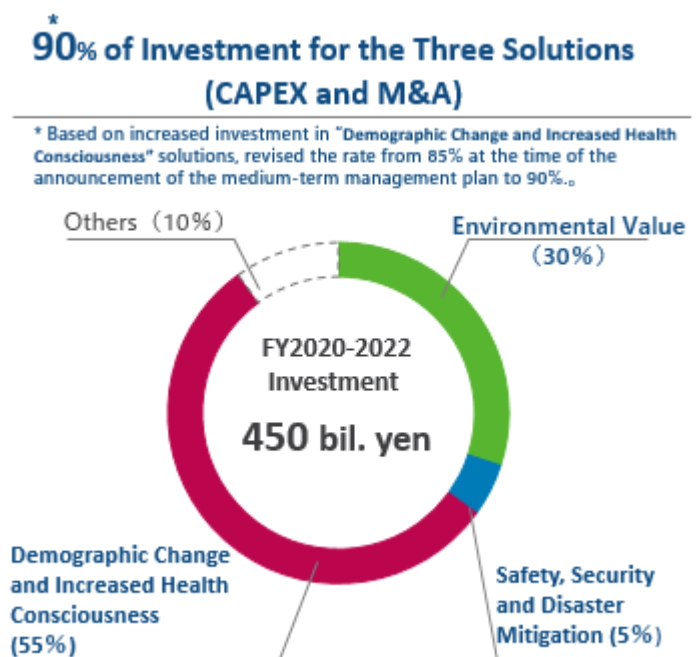
regarding the succession of sales of four type 2 diabetes drugs in Japan and invested 133 billion yen. In addition, as an initiative in the integrated area of materials, healthcare and engineering, J-TEC became a subsidiary, and we will work to expand the business of regenerative medicine products.

In order to achieve the EBITDA target of 150 billion yen in the medium-term management plan and to establish a growth platform for achieving the long-term target, both Material and Healthcare Business Field need to continue active investment in the “Strategic Focus” area in the remaining two years of the medium-term management plan. Therefore, the investment and M&A budget for the medium-term period (cumulative three years) will be increased from 350 billion yen to 450 billion yen. This expansion of the investment budget will be funded by debt raising but is premised on maintaining a certain level of financial discipline. We will not change the dividend policy, which targets a dividend payout ratio of 30%.



### c) Focus on solution area

In the “Three Solutions” area, we will accelerate efforts to address social issues by increasing the investment amount from 85% to 90% of the total, aiming to increase sales in these three fields to 75% of total sales by FY2030.

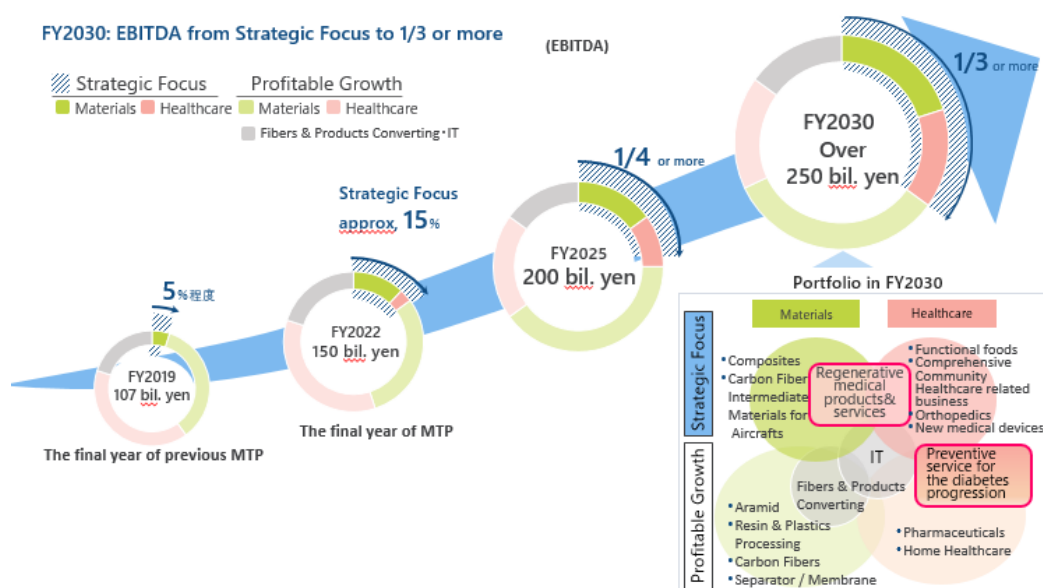


### d) Business Portfolio

Dividing the business portfolio into Strategic Focus areas to boost cash-generating abilities in new businesses and Profitable Growth area to expand stably profitable existing businesses, we will continue allocation of input resources for portfolio transformation from a medium- to long-term perspective and expanding cash creation.

We will continue to aim for the target EBITDA in Strategic Focus area of 15% in FY2022 and at least 1/3 of the whole Group by FY2030.

J-TEC, a pioneer of regenerative medicine in Japan, became a subsidiary, and the product business such as regenerative medicine product business will be positioned as Strategic Focus and we accelerate to expand business. In addition, we will proceed with the succession of manufacturing and marketing approval from Takeda Pharmaceutical Company Limited smoothly and efficiently so that we can stably deliver types 2 diabetes drugs such as "Nesina" to patients. Furthermore, we will maintain and expand our business foundation through initiatives in major product groups in the diabetic field, and contribute not only to drug sales but also to the prevention of lifestyle-related diseases such as prevention of diabetic aggravation, which we are working on as "Strategic Focus"



**e) Risk reduction (reduction of environmental load)**

The Teijin Group provides innovative solutions that contribute to the improvement of the "Quality of Life" by focusing on people in order to realize a sustainable society, and at the same time, aims to minimize the negative impact derived from business activities on the environment and society.

In terms of climate change mitigation and adaptation, and the realization of a circular economy, we established "European Sustainable Technology Innovation Center" and focus on research and development of products and services that contribute to the achievement of global environmental goals. In addition, toward the realization of carbon neutrality in 2050, we created a roadmap for long-term goals for reducing environmental impact and steadily promote reduction activities to achieve them. In FY2020, we set a new goal of reducing the amount of landfill waste as a resource recycling initiative. In addition, we will actively work on LCA (Life Cycle Assessment) for our composites for automobiles and Aramid fibers etc.

Item	FY	Target
Contribution to CO2 reduction*1	2030	"Avoided emissions" > "Total emissions"
Climate change (CO2 emissions)	2030	20% reduction from FY2018 level total emissions
	2050	Net zero emissions
Water (freshwater intake)	2030	30% improvement from FY2018 level (per sales unit)
Hazardous materials	2030	20% improvement from FY2018 level (hazardous chemical emissions per sales unit)

Circular economy (Newly set*2)	2030	10% improvement from FY2018 level (Landfill Waste Volume per sales unit)
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\*1 Reduction impact on CO2 emissions in the supply chain downstream through the use of the Company's products.

We aim to make our avoided CO2 emissions larger than our total Groupwide emissions and supply chain upstream emission

\*2 Already disclosed in the integrated report year ended March 31,2020.

## f) Strengthen the business base

As a mechanism to continuously provide accurate solutions and accelerate market development, we will strengthen the foundation for creating innovation from the perspectives of "organization," "synergies," "technology," and "human resources," and accelerate the creation of business opportunities.

Regarding the "organization," we established the "Corporate Business Incubation Division" in April 2021. We will promote the examination and implementation of M&A and alliances from a company-wide with long-term perspective, the search and development of new areas that will lead the next generation, and R&D and new business development to build the foundation for innovation creation. In addition, in this division, we will expand regenerative medical products by maximizing the "synergies" of our technology /business foundation in our healthcare materials business and engineering capabilities with J-TEC, which has become a newly consolidated subsidiary.

In "technology," we will accelerate the development of digital technology. We will further strengthen collaboration with Infocom Corporation, which plays a central role in our IT business, and actively work on digital transformation (DX) to introduce work styles and business processes suitable for the new normal environment, to improve productivity at R&D and manufacturing sites, and to transform business models.

Regarding "human resources," providing flexible working styles and establishing a system in which not only women but also diversifying human resources can demonstrate their abilities and play active roles will lead to the fostering of a corporate culture that creates innovation. We set the following KPIs according to regional characteristics not only in Japan but also overseas, and promote diversity and inclusion throughout the group.

Item		FY2019	(People)		
			FY2022 Milestone	FY2030 Milestone	
Diversity of executives*1	Female executives	3	6 or more	10 or more	
	Non-Japanese executives	3	6 or more	12 or more	
Key goals for women's advancements*2	Japan	Managers (or higher)	116	174	300 or more
	US	Senior managers*3	2	4	10
	EU	Global core talent*4	0	3	10
	China	Senior managers*3	4	9	12
	ASEAN	Senior managers*3	5	5 or more	8 or more

\*1 Directors, statutory auditors, Group executive officers, and Group corporate officers

\*2 Key goals are set based on regional situations \*3 President or his/her direct report in a Group company

\*4 Human resources of female senior managers selected and certified as executive candidates

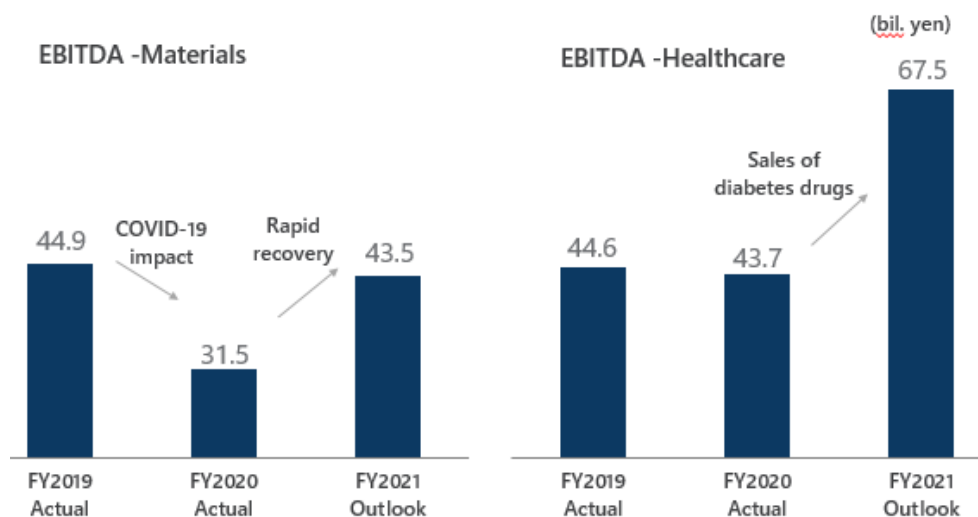
In addition to the above KPIs, from the perspective of "inclusion" that equal access to people of various races and religions, we set a KPI of ethnic minorities for senior manager positions in the United States, etc. and will strengthen our efforts.

## g) Main business strategy

### ■Overall policy

In FY2020, the materials business field was particularly affected by COVID-19, demand for carbon fibers and other aircraft products continued to be sluggish, but demand for composites and aramid fibers for automobiles are on a

recovery track.



In FY2021, we aim to reach the level before the impact of COVID-19 at an early stage, and will incorporate the main issues for “establishing a growth platform” set forth in the medium-term plan into a concrete action plan and link it to implementation.

In addition, we will steadily promote efforts to maximize the effects of large-scale investments, such as the succession of sales of four type 2 diabetes drugs and making J-TEC a subsidiary.

**Materials business field**

【Strategic Focus (boost cash-generating abilities in new businesses)】

Composites for automotive	<ul style="list-style-type: none"> <li>• Maintaining the top position in US by acquiring new programs and expanding sales, and accelerating expansion into Asian markets (including China) and Europe</li> <li>• Promotion of multi-materialization and life cycle assessment</li> <li>• Promotion of efforts to improve productivity</li> </ul>
Carbon fiber Intermediate materials for aircraft	<ul style="list-style-type: none"> <li>• Promotion of development for the acquisition of new large-scale programs for future aircraft</li> </ul>

【Profitable Growth(expand stably profitable existing businesses)】

Aramid	<ul style="list-style-type: none"> <li>• Maintaining and strengthening the top position by increasing production capacity and promoting application development</li> </ul>
Resin and Plastic Processing	<ul style="list-style-type: none"> <li>• Establishing stable profits by expanding high value-added products</li> </ul>
Carbon fiber	<ul style="list-style-type: none"> <li>• Improving the profitability of the yarn selling business by improving production operation and sales mix</li> </ul>

**■Healthcare**

【Strategic Focus (boost cash-generating abilities in new businesses)】

Comprehensive community healthcare related business	<ul style="list-style-type: none"> <li>• Launching a service business in the community-platformed comprehensive care-related market, starting with the aggravation prevention business</li> </ul>
Functional foods	<ul style="list-style-type: none"> <li>• Expanding sales of existing products and steadily launch new products</li> </ul>
New Medical devices, etc.	<ul style="list-style-type: none"> <li>• Expanding sales of implantable medical devices and launch new medical device businesses</li> </ul>

**【Profitable Growth(expand stably profitable existing businesses)】**

Pharmaceuticals and Home Healthcare	<ul style="list-style-type: none"> <li>• Building a community-based sales model by means of a team effort by staff from a variety of functions through shifting to functional structure system</li> <li>• Maintaining and expanding sales of main pharmaceuticals ("<i>FEBURIC</i>", type 2 diabetes treatment), HOT (home oxygen therapy), CPAP (medical equipment, and continuous positive airway pressure) medical equipment</li> <li>• Promotion of development of new medical devices and pharmaceuticals</li> </ul>
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**■Fibers & Products Converting / IT**

**【Profitable Growth(expand stably profitable existing businesses)】**

Fibers & Products Converting	<ul style="list-style-type: none"> <li>• Steady implementation of measures to strengthen profitability</li> </ul>
IT	<ul style="list-style-type: none"> <li>• Maintaining a solid position as an electronic comic brand</li> <li>• Development of new services in the nursing care field in the healthcare business</li> </ul>

## (6) Primary Businesses

(As of March 31, 2021)

Business Segments		Business area	Principal Products and Businesses
Materials	High-performance materials	Aramid	Para-aramid fibers, Meta-aramid fibers, High-performance polyethylene
		Resin and Plastic Processing	Polycarbonate resin, Polycarbonate sheets & films, PET · PEN · PBN resin, PPS resin, Flame-retardant
		Carbon Fibers	Carbon fibers, Oxidized PAN fibers, Carbon fibers intermediate materials (Prepreg etc.)
		Material New Business	Lithium-ion battery separators, high-performance membrane
	Composites	Composite products	The automotive composite products
Healthcare	Pharmaceuticals	Prescription Drug: Treatment for Hyperuricemia and gout, Agent for Osteoporosis, Agent for Infection, Sustained-release expectorant, Transdermal analgesic anti-inflammatory, Treatment for acromegaly and pituitary gigantism, Botulinum toxin type A	
	Home Healthcare	Home Health Care Services: Oxygen Concentrator for Home Oxygen Therapy (HOT), Continuous Positive Airway Pressure Unit (CPAP), Bilevel Positive Airway Pressure Unit, Ultrasound Bone Fracture Treatment Device	
	Healthcare New Business	Medical devices for artificial joints, osteosynthesis materials, spinal implants etc.,	
Fibers & Products Converting	Textiles and Apparel	Yarns, Textiles, Apparel products, General merchandise	
	Industrial Textiles and Materials	Fiber materials, Nonwoven Fabric, Industrial and Automotive materials, Living and interior goods, Resin, films, Packaging materials and construction materials	
IT	Business solution	Information system for general companies, Information system for hospital, Information services for nursing care providers	
	Digital entertainment	Electronic comics delivery service	
Others	Others	Engineering services, design and sales of plants and equipment Regenerative Medicine Products, Cultured Human Tissue for Research Use	

Note: PET (Polyethylene terephthalate), PEN (Polyethylene naphthalate), PBN (Polybutylene naphthalate), PPS (Polyphenylene sulfide)

## (7) Primary Business Places

(As of March 31, 2021)

Business	Function	Location	
The Company	Headquarters	Osaka, Tokyo	
Materials	High-performance materials	Manufacturing bases	Shizuoka, Gifu, Ehime, Hiroshima, Yamaguchi the Netherlands, Germany, Thailand, Vietnam, China, South Korea, U.S.A.
		Operation bases	Tokyo, Osaka Aichi the Netherlands, Germany, Russia, Malaysia, Singapore, India, Thailand, Vietnam, China, Taiwan, South Korea, U.S.A., Mexico, Brazil
		Research bases	Tokyo, Chiba, Shizuoka, Ehime, Yamaguchi
			the Netherlands, Germany, China, Thailand, U.S.A.,
	Composites	Manufacturing bases	Ehime, Gifu
			Germany, Portugal, Czech, U.S.A., Mexico, China
		Operation bases	Tokyo
			Portugal, Czech, U.S.A., Mexico, China
	Research bases	Ehime	
		Germany, France, U.S.A.	
Healthcare	Manufacturing bases	Yamaguchi, Okayama, Hyogo	
		China	
	Operation bases	12 branches and 75 sales offices throughout Japan	
	Research bases	Tokyo, Yamaguchi	
U.S.A.			
Fibers & Products Converting	Manufacturing bases	Ehime, Ishikawa, Fukui, Niigata, Gifu, Shiga, Hyogo, Yamaguchi, Hiroshima, Shimane, Fukuoka	
		China, Thailand, Vietnam, Germany, Hungary	
	Operation bases	Tokyo, Osaka, Aichi, Niigata, Fukui	
		U.S.A., Germany, China, Thailand, Vietnam, Myanmar, Indonesia, Mexico	
	Research bases	Ehime	
		China, Thailand	
IT	Operation bases	Tokyo, Osaka, Kanagawa, Fukuoka	
Others	Manufacturing bases	Aichi	
	Operation bases	Tokyo, Osaka Aichi, Ehime, Yamaguchi	
	Research bases	Aichi,	

Note: The function of headquarters is indicated in The Company, and the manufacturing, operation and research bases are indicated in each business segments.

## (8) Employees

Business segments	154th Fiscal Period FY2019 (As of March 31, 2020)	155th Fiscal Period FY2020 (As of March 31, 2021) (Current period)	Change in the number of employees
Materials	8,833	9,816	+983
HealthCare	3,505	3,508	+3
Fibers & Products Converting	5,745	5,552	△193
IT	735	743	+8
Others	1,257	1,471	+214
Total	20,075	21,090	+1,015

Note 1: The number of employees stated above represents the numbers of employees in each segment.

Note 2: The number of employees stated above does not include temporary employees

(2,545 employees for the 154<sup>th</sup> fiscal period and 2,245 employees for the 155<sup>th</sup> fiscal period)



## (9) Significant Subsidiaries

(As of March 31, 2021)

Business segments		Subsidiary (Location of The Head Office)	Capital	Investment ratio (%)	Principal business
Materials	High-performance materials	Teijin Aramid B.V. (the Netherlands)	0.02 million euro	※100.00	Production and sales of para-aramid fibers
		Teijin Corporation (Thailand) Limited (Thailand)	2,367 million baht	※100.00	Production and sales of meta -aramid fibers and resin
		Teijin Carbon Europe GmbH (Germany)	0.026 million euro	※100.00	Production and sales of carbon fibers
		Teijin Carbon America, Inc. (U.S.A.)	US\$97.5 million	※100.00	Processing and sales of carbon fibers, Production and sales of Oxidized PAN fibers
		Teijin Polycarbonate China Ltd. (China)	720 million RMB	100.00	Production of polycarbonate resin
		Teijin Chemicals Plastic Compounds Shanghai Ltd. (China)	143 million RMB	100.00	Production of polycarbonate resin compound
	Composites	Continental Structural Plastics Holdings Corporation (U.S.A.)	US\$830 million	※100.00	Production and sales of Composite products
		CSP Victall (Tangshan) Structural Composites Co., Ltd (China)	595 million RMB	※100.00	R&D, manufacture and sale of Composite materials and finished products
Healthcare	Teijin Pharma Limited (Tokyo)	¥10,000 million	100.00	Production and sales of medicinal drugs and medical equipment	
	Teijin Home Healthcare Ltd (Tokyo)	¥100 million	※100.00	Information provision activities for pharmaceutical products and Home health care services provider	

Business segments	Subsidiary (Location of The Head Office)	Capital	Investment ratio (%)	Principal business
Fibers & Products Converting	Teijin Frontier Co., Ltd (Osaka)	¥2,000 million	100.00	Production and sales of textiles and others
	Nantong Teijin Co., Ltd. (China)	¥4,000 million	100.00	Production and sales of polyester textile goods
	Teijin (Thailand) Limited (Thailand)	800 million baht	※100.00	Production and sales of polyester fibers
	Teijin Polyester (Thailand) Limited (Thailand)	548 million baht	67.61	Production and sales of polyester fibers
	Teijin Logistics Co., Ltd. (Osaka)	¥80 million	100.00	Transportation and custody of goods
IT	Infocom Corporation (Tokyo)	¥1,590 million	57.99	Development and sales of computer software, etc.
Others	Teijin Engineering Ltd. (Osaka)	¥475 million	100.00	Engineering services, design and sales of plants and equipment
	Japan Tissue Engineering Co., Ltd.(Aichi)	¥4,959 million	57.72	Development, Manufacturing, Sales, and Custom Development/Manufacturing for Regenerative Medicine and Related Products

Note 1: The Teijin Group has 101 consolidated companies including the aforementioned 18 significant subsidiaries; 66 companies are accounted for via the equity method.

Note 2: ※ indicates the investment ratio including investment by subsidiaries.

## (10) Primary Lenders and Amount of Borrowings

(As of March 31, 2021)

Primary Lenders	Balance of borrowings Millions of yen
MUFG Bank, Ltd.	118,247
Mizuho Bank, Ltd.	33,474
Development Bank of Japan Inc.	25,000

Note 1: The balance of borrowings includes loans from overseas affiliate banks of the Primary Lenders.

Note 2: In addition to loans indicated in the balance of borrowings above, the Company borrows ¥100,642 million under syndicated loans.

## (11) Acquisition or disposal of shares or other interests of other companies or stock acquisition rights, etc.

1) Regarding CSP Victall (Tangshan) Structural Composites Co., Ltd. (hereinafter, "CSP-Victall"), which was an

equity-method affiliate of Continental Structural Plastics Holding Corporation (hereinafter, “CSP”), a consolidated subsidiary of the Company, through a 49.4% stake being held by CSP, it was decided that another consolidated subsidiary of the Company, Teijin (China) Investment Co., Ltd., would acquire the stake in CSP-Victall held by Qingdao Victall Railway Co., Ltd. (hereinafter, “Victall”), thereby making CSP-Victall a wholly-owned subsidiary, and Teijin (China) Investment Co., Ltd. concluded an agreement with Victall for the transfer of its stake in CSP-Victall on December 14, 2020. Acquisition of the shares was completed on December 29, 2020, making CSP-Victall a consolidated subsidiary of the Company.

2) At the Board of Directors meeting held on January 29, 2021, the Company resolved to acquire shares of common stock in Japan Tissue Engineering Co., Ltd. (hereinafter, “J-TEC”) through a tender offer under the Financial Instruments and Exchange Act for the main purpose of making it a consolidated subsidiary, and conducted the tender offer during the period from February 1, 2021 through March 2, 2021 as the acquisition period. As a result of the tender offer, as of March 9, 2021, acquisition of 57.7% of issued shares was completed, making J-TEC a consolidated subsidiary of the Company.

## 2. Matters Regarding the Shares of the Company (as of March 31, 2021)

(1) Authorized shares	600,000,000 shares
(2) Issued shares	197,953,707 shares
(3) Number of shareholders	82,807
(4) Top 10 shareholders of the Company	

Shareholders		Investment in the Company	
		Number of shares held	Shareholding ratio (%)
1	The Master Trust Bank of Japan, Ltd. (Trust account)	18,213,800	9.48
2	Custody Bank of Japan, Ltd.	10,908,900	5.68
3	Nippon Life Insurance Company	7,045,501	3.66
4	The Employee Stock Ownership Association of Teijin	5,565,254	2.89
5	Custody Bank of Japan, Ltd. (Trust account 7)	4,389,600	2.28
6	SSBTC CLIENT OMNIBUS ACCOUNT	2,958,990	1.54
7	MUFG Bank, Ltd.	2,897,287	1.50
8	Custody Bank of Japan, Ltd. (Trust account 5)	2,826,800	1.47
9	State Street Bank West Client - Treaty 505234	2,815,851	1.46
10	State Street Bank And Trust Company 505103	2,610,717	1.35

Note: The shareholding ratio has been calculated after excluding Treasury stocks (5,975,760 shares) from the Issued shares.

### **3. Stock Acquisition Rights**

#### **(1) Overview of Stock Acquisition Rights as Stock Options**

① Number of stock acquisition rights

The maximum number of stock acquisition rights allocated to Directors for one year from the date of the Ordinary General Meeting of Shareholders each year is 200.

② Amount to be paid-in for stock acquisition rights

The fair value of stock acquisition rights shall be calculated using the closing price on the allotment date based on the Black-Scholes model.

③ Number of shares to be issued upon exercise of stock acquisition rights

The number of shares to be issued upon exercise of one stock acquisition right (hereinafter the “number of shares to be granted”) shall be 200 shares. However, if the Company conducts a stock split or stock consolidation, or if there are other unavoidable reasons that require some adjustment, the adjustment shall be made reasonably.

④ Value of property to be invested upon exercise of the stock acquisition rights

The amount of money to be paid-in per share issued or transferred by exercising the stock acquisition rights shall be ¥1, and the amount of money to be paid-in upon exercise of the stock acquisition rights shall be the said amount multiplied by the number of shares to be granted.

⑤ Exercise period of stock acquisition rights

Exercise period shall be 20 years from the allotment date of stock acquisition rights.

⑥ Restrictions on transfer of stock acquisition rights

Any acquisition of stock acquisition rights shall require approval of the Board of Directors of the Company.

⑦ Main provisions for acquisition of stock acquisition rights

If a proposal for approval of a merger agreement in which the Company becomes the absorbed company, a proposal for approval of a share exchange agreement in which the Company becomes a wholly owned subsidiary, or a proposal for share transfer is approved at a General Meeting of Shareholders of the Company, the Company can acquire stock acquisition rights without contribution.

⑧ Main conditions for exercising stock acquisition rights

Stock acquisition rights holders may exercise stock acquisition rights for only five years from the date of loss of position as a Director of the Company, its subsidiaries and its affiliates.

⑨ Other details pertaining to stock acquisition rights (including other matters from those in ① – ⑧ above)

Determined by resolution of the Board of Directors.

**(2) Status of Stock Acquisition Rights as stock option as of the last day of the subject Fiscal Year as a consideration for the execution of the duties**

Time of Issue (Issue date)	Number of Issued Stock Option (unit)	Class and Number of Shares (Common Stock) to be acquired by the Stock Option	Issue Price of Stock Option (per share)	Exercise Price of Stock Option (per share)	Period during which the Stock Option may be exercised
5th (Jul. 10, 2006)	146	29,200	¥3,315	¥1	Jul. 10, 2006~Jul. 9, 2026
6th (Jul. 5, 2007)	207	41,400	¥3,050	¥1	Jul. 5, 2007~Jul. 4, 2027
7th (Jul. 7, 2008)	328	65,600	¥1,535	¥1	Jul. 7, 2008~Jul. 6, 2028
8th (Jul. 9, 2009)	420	84,000	¥1,265	¥1	Jul. 9, 2009~Jul. 8, 2029
9th (Jul. 9, 2010)	349	69,800	¥1,305	¥1	Jul. 9, 2010~Jul. 8, 2030
10th (Mar. 12, 2012)	737	147,400	¥1,225	¥1	Mar. 12, 2012~Mar. 11, 2032
11th (Mar. 15, 2013)	698	139,600	¥980	¥1	Mar. 15, 2013~Mar. 14, 2033
12th (Mar. 14, 2014)	618	123,600	¥1,140	¥1	Mar. 14, 2014~Mar. 13, 2034
13th (Mar. 18, 2015)	379	75,800	¥1,925	¥1	Mar. 18, 2015~Mar. 17, 2035
14th (Mar. 16, 2016)	274	54,800	¥1,800	¥1	Mar. 16, 2016~Mar. 15, 2036
15th (Mar. 17, 2017)	287	57,400	¥1,955	¥1	Mar. 17, 2017~Mar. 16, 2037
16th (Mar. 16, 2018)	294	58,800	¥1,732	¥1	Mar. 16, 2018~Mar. 15, 2038
17th (Mar. 18, 2019)	321	64,200	¥1,627	¥1	Mar. 18, 2019~Mar. 17, 2039
18th (Mar. 16, 2020)	266	53,200	¥1,138	¥1	Mar. 16, 2020~Mar. 15, 2040
19th (Mar. 15, 2021)	394	78,800	¥1,725	¥1	Mar. 15, 2021~Mar. 14, 2041

Of the above, total number of unexercised Stock Option held by Directors and Statutory Auditors of the Company (breakdown by each issue of the Stock Option)

(As of March 31, 2021)

Issue	Directors		Statutory Auditors	
	Number of Units	Number of Directors Holding Rights	Number of Units	Number of Statutory Auditors Holding Rights
The 8 <sup>th</sup> Issue of the Stock Option	5	1	—	—
The 9 <sup>th</sup> Issue of the Stock Option	5	1	—	—
The 10 <sup>th</sup> Issue of the Stock Option	13	1	—	—
The 11 <sup>th</sup> Issue of the Stock Option	30	2	—	—
The 12 <sup>th</sup> Issue of the Stock Option	41	3	—	—
The 13 <sup>th</sup> Issue of the Stock Option	47	3	—	—
The 14 <sup>th</sup> Issue of the Stock Option	47	4	—	—
The 15 <sup>th</sup> Issue of the Stock Option	54	5	7	1
The 16 <sup>th</sup> Issue of the Stock Option	61	5	8	1
The 17 <sup>th</sup> Issue of the Stock Option	82	5	10	1
The 18 <sup>th</sup> Issue of the Stock Option	71	5	8	1
The 19 <sup>th</sup> Issue of the Stock Option	115	5	—	—

Note 1: No Stock Option is granted to any Outside Directors and Statutory Auditors.

Note 2: The Stock Option held by the Statutory Auditor was distributed as a consideration of performance of duties as Corporate Officer prior to assuming the position of Statutory Auditor.

### (3) Stock Option distributed during the subject Fiscal Year

Stock Option distributed during the subject Fiscal Year is stated in the 19<sup>th</sup> Issue of the Stock Option noted in (1) above. Status of Stock Option distributed to employees of the Company in the 19<sup>th</sup> Issue of Stock Option.

No. of Unites	No. of Recipients
279	20

### (4) Other important matters concerning Stock Acquisition Rights

Outlines of the Zero Coupon Convertible Bonds due to 2021 (bonds with stock acquisition rights), that were issued based on the resolution of the meeting of the Board of Directors held on November 26, 2014 are stated below.

Title	Zero Coupon Convertible Bonds due to 2021
The total amount of debenture	20 billion yen
Issue date	December 12, 2014
Redemption fixed date	December 10, 2021
Number of stock acquisition rights	2,000 units
Type of shares to be issued upon exercise of stock acquisition rights	Common shares of the Company
Number of shares to be issued upon exercise of stock acquisition rights	The number is determined by dividing the aggregate principal amount of the bonds upon exercise of the stock acquisition rights by the conversion price
Conversion price	¥ 1,840.1 per share (subject to adjustment in certain circumstances)
The contents and the value of the assets invested on the occasion of use of the stock acquisition rights	In case of the use of the stock acquisition rights, the Bond holder will invest the bonds upon exercise of the stock acquisition rights and the Bonds price will equal to the face value price.
Exercise period of stock acquisition rights	Between December 26, 2014 and November 26, 2021

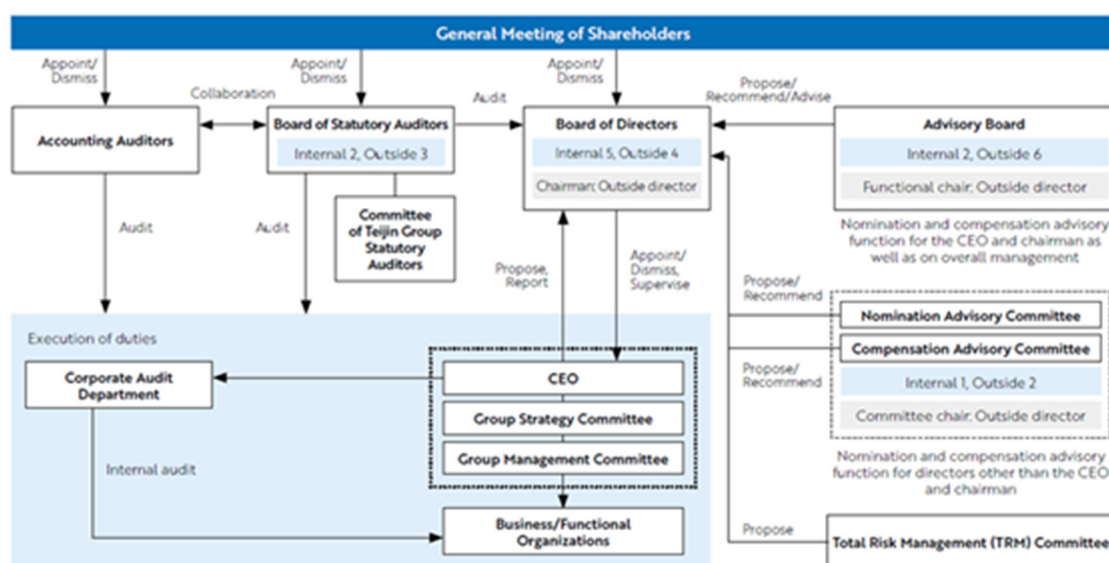
Note: The proposal to pay out ¥25 per share for the year-end dividend was approved at the board of directors meeting on May 11, 2021. The dividend payout for the previous fiscal year was ¥50 per share, and as a result the conversion price is being adjusted. (Effective date: As of April 1, 2021)

## 4. Corporate Governance System

### Overview

The Teijin Group realizes that its basic mission as a company is to ensure sustainable growth in shareholder value. On this basis, in order to fulfill our responsibilities to other various stakeholders, we are striving to strengthen corporate governance. Basic elements of corporate governance are the aim of enhancing transparency, ensuring fairness, accelerating decision-making, and ensuring monitoring and supervision independence. We are working to establish and strengthen an effective corporate governance system through “Advisory Board”, “Executive officer system and board of directors including independent outside directors” and “Auditor system including independent outside corporate auditors”.

(As of March 31, 2021)



Note: From April 1, 2021, Nomination Advisory Committee and Compensation Advisory Committee are composed of 1 internal and 4 outside.

### (1) Reasons for Choosing the 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 to 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.”

### (2) Outline of Current System

#### 1) Board of Directors

The Board of Directors meets decide or approve important matters such as the management policy and overall plan of the entire Teijin Group, in addition to the matters stipulated in laws and regulations and the Articles of Incorporation, and supervise the execution of duties by directors.



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 (9) members. There are four (4) members outside directors who satisfy all the requirements of Independent Director stipulated by the Company with one of whom is a female director. The Articles of Incorporation sets the term of office for directors at one year.

The Board of Directors is chaired by the chairman of the Company (in the case of vacant of the chairman of the Board, the director of senior advisor or the outside director will take the chairmanship of the Board). Currently, the Board of Directors is chaired by an outside director.

Note: The rules of the Board of Directors have been revised on April 1, 2021. The Chairman of the Board of Directors will be selected from outside directors.

## **2) 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 (current four outside directors and two non-Japanese advisors) as well as the Chairman of the Board (in the case of vacant of the chairman of the Board, the senior advisor), and the President & CEO, and the Chairman of the Board (in the case of vacant of the chairman of the Board, the senior advisor), chairs the Advisory Board.

However Nomination Committee and Compensation Committee are set up on the Advisory Board. The outside director chairs the committee. The committee functions alternation of the CEO, nomination of a successor, deliberating the selection of Chairman, deliberating the system and levels of compensation for Teijin Group directors, and evaluating the performance of the CEO. In principle, for matters concerning CEO, 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.

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

The Nomination Advisory Committee and the Compensation Advisory Committee, as consultative bodies of the Board of Directors make proposals and recommendations to the Board of Directors with respect to the appointment / retirement, evaluation and amount of compensation of Directors and the Senior Management other than the Chairman and CEO and the appointment / retirement of Statutory Auditors.

Both committees are made up of two outside directors, the Chairman of the Board (Vacant seat if absent) and the President & CEO. Outside Director chairs both committees. The chairman will be the chairman of the advisory committee.

Note: Nomination Advisory Committee Regulation and Compensation Advisory Committee Regulation were revised on April 1, 2021. The advisory committee consists of all outside directors (currently 4 members), chairman of the board (vacant seats if absent), and CEO.

## **4) Board of Statutory Auditors**

The Company's Board of Statutory Auditors consists of five members, of who, three—a majority—are independent outside directors satisfy all the requirements of Independent Statutory Auditor stipulated by the Company, and one of those three is female. In order to enhance the effectiveness of group-wide oversight, the Committee of Teijin Group Statutory Auditors which comprises statutory auditors of Group companies and other members is regularly held. Teijin Group Auditors Office which is under the direct control of full-time corporate auditors, has been established as an organization to assist the duties of corporate auditors, and as of March 31 2021, five (5) full-time staff members have been assigned.

## **5) 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 subsidiaries and so forth, individual internal audit organizations have been established. As of March 31, 2021, the number of internal auditors in the Teijin Group is 22 (excluding internal auditors at listed subsidiaries and so forth).

## **6) 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, 2 years), Kiyoshi Hirai (KPMG AZSA LLC, 7 year), Takeharu Kirikae (KPMG AZSA LLC, 6 years).

The status of assistants who executed auditing is as follows.

Certified public accountants 11, others 16, total 27.

## 7) Total Risk Management

The Company has in place a Total Risk Management (TRM) system targeting both strategic and operational risks, as a preventative measure against any risks that the Company may face, and the TRM Committee has been conducting total risk management. The TRM Committee, chaired by the CEO, serves under the Board of Directors. The Board of Directors deliberates and decides the basic policy and annual plan related to TRM proposed by the TRM Committee. At the same time, the Board Directors formulates our stance on managing important risks and ensuring business continuity. Also, 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 Web site: (<https://www.teijin.com/ir/management/governance/guide/>)

## (3) Evaluation of the Effectiveness of the Board of Directors

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 FY2020 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 Statutory Auditors (14 including Outside Directors and Outside Statutory Auditors), making reference to advice from external experts. In addition, interviews were conducted for certain Directors and Statutory Auditors (4) by external experts based on the self-evaluation questionnaires, with the aim of delving into management issues that should be discussed by the Board of Directors and formulating specific action plans for addressing the issues. Furthermore, with the assistance of external experts, the Board of Directors secretariat created a summary of the questionnaire and interview 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 (40) were compiled from the following eight fields. Respondents evaluated 40 points on a five-step scale and made comments (free writing).

- (a) Strategies 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 also indicated that there was a high ratio of positive evaluations for all items.

#### ② Status of response to issues recognized in the previous fiscal year

##### (a) Deepening discussion regarding new business creation

At Board of Directors meetings during the current fiscal year, we established a forum for discussion on the “utilization status of digital technology” and “innovation promotion activities.” We ascertained the utilization status of digital technology for each business and function, and the status of innovation promotion activities by corporate organizations. It was confirmed that further discussion is needed from the perspective of data and digital strategy direction and value creation from the customer’s perspective.

##### (b) Deepening discussion regarding the rationality of public listing of parent and subsidiaries

At Board of Directors meetings during the current fiscal year, we established a forum for discussion on “studying the rationality of public listing of parent and subsidiaries, and examining possible options.” From the perspective of maximizing the corporate value of the Group and Infocom Corporation, we affirmed the rationality of maintaining the listing of Infocom Corporation, as well as sharing possible options in the event of elimination of public listing of the parent and the subsidiary.

In addition, it was resolved to acquire the shares of Japan Tissue Engineering Co., Ltd. through a tender offer on the premise of maintaining the listing of the company, and the resolution was made after confirming the rationality of

maintaining the listing of the company. The rationality of maintaining the listing of listed subsidiaries I Infocom Corporation and Japan Tissue Engineering Co., Ltd. will be discussed at FY2021 Board of Directors meetings.

(c) Deepening discussion regarding the positioning of consultative bodies

At Board of Directors meetings during the current fiscal year, we established a forum for discussion on the “direction of institutional design and review of voluntary consultative bodies.” While it was affirmed that being a company with Board of Statutory Auditors will be maintained for the time being, at the same time, as of April 1, 2021, it was decided that the Chairman of the Board of Directors will always be an Outside Director. In addition, as of the same date, it was decided to review the constituent members so that all Outside Directors will participate in the Nomination Advisory Committee and the Compensation Advisory Committee.

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) Deepening discussion regarding business creation utilizing data, digital technology, etc.

(b) Deepening discussion regarding the business portfolio

(c) Deepening discussion regarding issues obtained from the analysis of dialogue with stakeholders

(d) Reviewing the agenda of the Board of Directors and enhancing discussion on management strategies

3) Initiatives Going Forward

In FY2021, the Company will continue its initiatives from FY2020. 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 creation of new business

(b) Discussion in the Board of Directors about the business portfolio

(c) Discussion in the Board of Directors about risk management

(d) Discussion in the Board of Directors about the positioning of consultative bodies

(e) Discussion in the Board of Directors about stakeholder dialogue and the ideal response to the stakeholders for matters including arguments about the rationality of parent and subsidiary listing

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

#### **(4) Basic Policy Concerning Cross-Shareholdings**

1) 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.

2) 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.

## 5. Directors and Statutory Auditors

### (1) Directors and Statutory Auditors

(As of March 31, 2021)

Post	Name	Duty, state of significant positions concurrently held at other companies	Participation
President, Representative Director	Jun Suzuki	CEO (Chief Executive Officer) Officer, Japan Association of Corporate Executives (Keizai Doyukai)	The Board of Directors 12/12(100%)
Senior Executive Officer, Representative Director	Yoshihisa Sonobe	CFO (Chief Financial Officer)	The Board of Directors 12/12(100%)
Executive Officer, Director	Akihisa Nabeshima	President, Healthcare Business of Teijin Group	The Board of Directors 12/12(100%)
Executive Officer, Director	*Toshiya Koyama	President, Material Business of Teijin Group	The Board of Directors 9/9(100%)
Corporate Officer, Director	* Eiji Ogawa	Chief Officer, Corporate Strategy	The Board of Directors 9/9(100%)
Director	Fumio Ohtsubo	Panasonic Corporation Special Advisor Trustee, Nippon Life Ins. Director, Kansai University Trustee, Japan-Indonesia Association, Inc.	The Board of Directors 12/12(100%)
Director	Yukako Uchinaga	Board Chair, Japan Women's Innovate Network President & CEO, Globalization Research Institute Co., Ltd. Outside Director, HOYA Corporation	The Board of Directors 12/12(100%)
Director	Yoichi Suzuki	Adviser to President and Visiting Professor, Chubu university Advisory Board Member Amundi Japan Ltd	The Board of Directors 12/12(100%)
Director	Masaru Onishi	Outside Director, Mitsui O.S.K. Lines, Ltd... Adviser, Alton Aviation Consultancy Japan Co., Ltd. Senior Visiting Professor, Toyo university Trustees, International university	The Board of Directors 12/12(100%)
Full-time Statutory Auditor	Masanori Shimai		The Board of Directors 12/12(100%) The Board of Statutory Auditors 12/12(100%)

Post	Name	Duty, state of significant positions concurrently held at other companies	Participation
Full-time Statutory Auditor	*Akio Nakaishi	Auditor, Infocom Corporation	The Board of Directors 9/9(100%) The Board of Statutory Auditors 9/9(100%)
Statutory Auditor	Gen Ikegami	Representative, Gen Ikegami Certified Public Accountant Office, Certified Public Accountant Outside Director, TAC Co., Ltd. Outside Director, Sumida Corporation	The Board of Directors 12/12(100%) The Board of Statutory Auditors 12/12(100%)
Statutory Auditor	Hitomi Nakayama	Partner lawyer, Kasumigaseki-Sogo Law Offices Outside Director, Royal Holdings Co., Ltd Director, Public Interest Incorporated Foundation “Automotive Dispute Resolution Center” Auditor, Japan Electric Meters Inspection Corporation	The Board of Directors 12/12(100%) The Board of Statutory Auditors 12/12(100%)
Statutory Auditor	*Jun Arima	Professor, Graduate School of Public Policy, University of Tokyo Project Leader, 21st Century Public Policy Institute Consulting Fellow, Research Institute of Economy, Trade and Industry (RIETI), Senior Policy Fellow, Economic Research Institute of ASEAN and East Asia (ERIA)	The Board of Directors 9/9(100%) The Board of Statutory Auditors 9/9(100%)

Note 1: The directors and statutory auditor marked with \* were newly elected at the 154th Ordinary General Meeting of Shareholders held on June 19, 2020.

Note 2: Four (4) Directors—Fumio Ohtsubo, Yukako Uchinaga, Yoichi Suzuki and Masaru Onishi—are outside directors. The Company requires the candidate for outside director to satisfy the requirements of “Independent Director” stipulated by the Company. These four (4) Directors satisfied all such requirements and maintained their independence throughout the relevant fiscal year. Because they also satisfy the requirements of independence as stipulated by Tokyo Stock Exchange Group, Inc., they were registered by the Company as “Independent Director/Auditor” at the stock exchanges. The contents of the requirements of “Independent Director” stipulated by the Company can be viewed at the Company’s Web site: (<https://www.teijin.com/ir/management/governance/requirements/>).

Note 3: There are no important interests between the Company and any of the entities at which the above mentioned outside directors hold positions as director/statutory auditor etc.

Note 4: Three (3) Statutory Auditors— Gen Ikegami, Hitomi Nakayama and Jun Arima—are outside statutory auditors. The Company requires the candidate for outside statutory auditor to satisfy the requirements of “Independent

Statutory Auditor” stipulated by the Company. These three (3) Statutory Auditors satisfied the all said requirements and maintained their independence throughout the relevant fiscal year. Because they also satisfy the requirements of independence as stipulated by Tokyo Stock Exchange Group, Inc., they were registered by the Company as “Independent Director/Auditor” at the stock exchanges. The contents of the requirements of Independent Auditor” stipulated by the Company can be viewed at the Company’s Web site:

(<https://www.teijin.com/ir/management/governance/requirements/>).

Note 5: There are no important interests between the Company and any of the companies at which the above mentioned outside statutory auditors hold positions as director/ statutory auditor etc.

Note 6: Full-time Statutory Auditor Masanori Shimai and Statutory Auditor Gen Ikegami is nave ample knowledge of finance and accounting as described below:

Full-time Statutory Auditor Masanori Shimai has been involved in finance and accounting-related work for many years at the finance and accounting-related department of the Company.

Statutory Auditor Gen Ikegami is qualified as Certified Public Accountant.

Note 7: Statutory Auditor Hitomi Nakayama is qualified as a lawyer and has ample knowledge of compliance and risk management.

Note 8: The following Directors and Statutory Auditor retired as of June 19, 2020.

Director	Kazuhiro Yamamoto
Director	Yasumichi Takesue
Statutory Auditor	Noriaki Endo
Statutory Auditor	Nobuo Tanaka

Note 9: Changes in posts and duties of Directors during the subject fiscal year are as follows.

Name	New Post	Former Post	Date of Change
Yoshihisa Sonobe	Representative Director, Senior Executive Officer, CFO (Chief Financial Officer)	Senior Executive Officer, Director CFO (Chief Financial Officer)	April 1, 2020
Toshiya Koyama	Teijin Group Executive Officer, President, Material Business of Teijin Group	Teijin Group Executive Officer General Manager, Material Business Group	April 1, 2020
	Executive Officer, Director, President, Material Business of Teijin Group	Teijin Group Executive Officer President, Material Business of Teijin Group	June 19,2020
Eiji Ogawa	Corporate Officer, Director, Chief Officer (Corporate Strategy)	Teijin Group Corporate Officer Chief Officer (Corporate Strategy)	June 19,2020

Note 10: Changes in posts and duties of Directors following the subject fiscal year are as follows.

Name	New Post	Former Post	Date of Change
Yoshihisa Sonobe	Director	Representative Director, Senior Executive Officer CFO (Chief Financial Officer)	April 1, 2021
Akihisa Nabeshima	Representative Director Executive Officer CFO (Chief Financial Officer)	Executive Officer, Director President, Healthcare Business of Teijin Group	April 1, 2021
Toshiya Koyama	Executive Officer, Director, Chief Social Responsibility Officer Responsible for Corporate Audit Department	Executive Officer, Director, President, Material Business of Teijin Group	April 1, 2021
Eiji Ogawa	Executive Officer, Director, Chief Officer (Corporate Strategy)	Corporate Officer, Director, Chief Officer (Corporate Strategy)	April 1, 2021

## (2) Liabilities Limitation Agreements

The Company has executed a Liabilities Limitation Agreement with each of four (4) outside directors, Fumio Ohtsubo, Yukako Uchinaga, Yoichi Suzuki and Masaru Onishi and each of five (5) statutory auditors, Masanori Shimai, Akio Nakaishi, Gen Ikegami, Hitomi Nakayama and Jun Arima which limits the respective liabilities of each director and statutory auditor to the higher amount of ¥20 million or the minimum liability amount stipulated in Article 425, Paragraph 1, of the Companies Act.

## (3) Remuneration, etc. for Directors and Statutory Auditors, etc.

### 1) Method of Determining Policy for Determining Content of Remuneration, etc., for Individual Directors and Overview of the Policy

An overview of the content of the policy for determining remuneration, etc., for individual directors and overview of the policy is as follows. Additionally, this determination policy is determined via a resolution of the Board of Directors after deliberation in the Advisory Board and the Compensation Advisory Committee.

Activities in committees, etc., for deliberation and determination of remuneration, etc., for Directors during the fiscal year under review were as follows.

Board of Directors: 4 meetings; Advisory Board: 2 meetings; Compensation Advisory Committee: 5 meetings

One of the two Advisory Board meetings and four of the five Compensation Advisory Committee meetings held during the fiscal year under review were held to deliberate on new systems for remuneration, etc., for directors for FY2021 onward.

#### ① Basic policy for 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 company results, and highly transparent and objective
- 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, etc. for directors and statutory auditors

- Internal director remuneration is composed of fixed basic remuneration, not linked with the performance of the Company, variable performance-based remuneration (short-term incentive remuneration), and stock acquisition rights as 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.

④ Composition ratio of remuneration

For internal directors, the composition ratio is as follows.

Fixed remuneration	Variable remuneration		Total remuneration
Basic remuneration (Cash)	Performance-based remuneration (Cash)	Stock acquisition rights as stock options	
60%	25%	15%	100%

Note1: Ratios of Performance-based remuneration and Composition-type stock option are ratios if achieving standard figures from among graded targets, and increases or decreases depending on actual levels of achievement.

Note2: Upon deliberation in the Advisory Board and the Compensation Consultation Committee, the ratio of basic remuneration will be reduced from FY2020 onward, and of the remuneration ratios for the previous fiscal year (FY2019), the Board of Directors determined to modify basic remuneration from 65% to 60%, and stock acquisition rights as stock options from 10% to 15%.

⑤ Performance indicators for performance-based remuneration

Three indicators are presented as performance evaluation indicators concerning variable remuneration for the medium-term management plan for 2020-2022, “ALWAYS EVOLVING,” have been selected as key performance indicators (KPIs) for : 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. And the consolidated ROE, which is a profitability indicator; consolidated EBITDA, which is a growth indicator are presented as performance evaluation indicators concerning compensation-type stock option; Their selection will motivate each director to improve the KPIs.

⑥ Policy on determining timing and conditions for providing remuneration, etc.

(a) Basic remuneration:

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



1/12 of a fixed amount by position is provided as monthly remuneration.

(b) Performance-based remuneration:

The payment ratio and standard amount of performance-based remuneration by position is calculated depending on the target 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, and provided by the end of June as a year-end lump sum.

(c) Stock acquisition rights as 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 target achievement level of consolidated ROE and the achievement versus planned 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. Every February, amounts are determined based on the projected level of achievement for consolidated ROE and the projected level of target achievement for versus planned consolidated EBITDA, with payment provided by the end of March.

An overview of stock acquisition rights as stock options is as stated in "3. Stock Acquisition Rights (1) Overview of Stock Acquisition Rights as Stock Options".

⑦ Matters regarding delegation of determining remuneration, etc. for individual directors

No applicable matters.

⑧ Other significant matters regarding determining content of individual remuneration, etc.

The Advisory Board deliberates on the remuneration of CEO, and the Compensation Advisory Committee deliberates on the remuneration for directors other than CEO. After the deliberations, proposals are presented to the Board of Directors, which gives full consideration to the proposals before passing a resolution.

**2) Reasons the Board of Directors Determined the Content of Remuneration, etc., for Individual Directors for the Fiscal Year Under Review Conform to the Determination Policy**

In determining the content of remuneration, etc., for individual directors, the Advisory Board deliberated on the remuneration of CEO, and the Compensation Advisory Committee deliberated on the remuneration of directors other than CEO. The Advisory Board and the Compensation Advisory Committee made considerations including the original proposal's conformity with the determination policy. As a result, the Board of Directors generally provided adequate consideration to the proposal and has judged that the process conformed with the determination policy.

**3) Resolutions of Ordinary General Meeting Regarding on Remuneration, etc. for Directors and Statutory Auditors, etc.**

The maximum annual remuneration, etc. for directors of the Company has been ¥700 million, as resolved by the 140th Ordinary General Meeting of Shareholders, held on June 23, 2006 and the 149th Ordinary General Meeting of Shareholders, held on June 24, 2015. The amount of the above remuneration includes (1) ¥630 million of annual salary, and (2) ¥70 million for the fair value of stock acquisition rights as stock options. The number of directors as of the conclusion of the Ordinary General Meeting of Shareholders in June 2006 was ten (10), and the number of directors as of the conclusion of the Ordinary General Meeting of Shareholders in June 2015 was ten (10) (including four (4) outside directors).

The maximum monthly remuneration for statutory auditors is ¥12 million as resolved by the 133rd Ordinary General

Meeting of Shareholders held on June 25, 1999. The number of statutory auditors as of the conclusion of the above Ordinary General Meeting of Shareholders was five (5).

#### 4) Remuneration for Directors and Statutory Auditors, etc. for the Fiscal Year Under Review

(persons; millions of yen)

	Total amount of remuneration, etc.	Total amount of remuneration, etc., by type			Number of applicable officers
		Basic remuneration	Performance-based remuneration, etc.	Noncash remuneration, etc.	
Directors (Excluding outside directors)	308	212	57	40	7
Statutory auditors (Excluding outside statutory auditors)	72	72			3
Outside directors	66	66			4
Outside statutory auditors	36	36			4

Note 1: The Company has no director who is also an employee of the Company.

Note 2: Performance-based remuneration, etc., of ¥57 million is the expected amount of performance-based remuneration to be paid by the end of June to the five (5) directors appointed at the 154th Ordinary General Meeting of Shareholders held on June 19, 2020. Noncash remuneration, etc., of ¥40 million above is the amount of stock acquisition rights as stock options granted to directors for their duties performed during the subject fiscal year. Additionally, performance-based remuneration and stock options were not granted to outside directors.

Note 3: Remuneration, etc., for statutory auditors is determined by deliberation among the statutory auditors.

#### 5) Matters Regarding Performance-based Remuneration, etc.

To provide motivation to improve the KPIs in the medium-term management plan for 2020-2022, “ALWAYS EVOLVING,” performance-based remuneration is provided to each director as stated in 1) ⑤ with consolidated ROE, consolidated EBITDA, and consolidated ROIC based on consolidated operating income selected as KPIs, with the amount of performance-based remuneration calculated based on the level of achievement or level of achievement versus forecasts and performance of the individual director.

KPI results for FY2020 were -1.7% for consolidated ROE, ¥106.8 billion for consolidated EBITDA, and 8.6% for ROIC. Although consolidated EBITDA and consolidated ROIC based on consolidated operating income exceeded targets, consolidated ROE fell short of the target. As a result, the payment ratio for performance-based remuneration in FY2020 was 60 to 80% versus the standard amounts for performance-based remuneration by position (the amount if the payment ratio against target level of achievement was 100%).

Evaluation indicators	Target	Result
Consolidated ROE	10%	△1.7%
Consolidated EBITDA	¥91.2 billion	¥106.8 billion
Consolidated ROIC based on consolidated operating income	6.0%	8.6%

Note 1: In view of the global spread of COVID-19, targets for consolidated EBITDA and consolidated ROIC based on consolidated operating income that are used for the calculation of performance-based remuneration were readjusted in July 2020, and thus the figures do not match with initially announced results forecasts.

Note 2: The target of Consolidated ROE is set to 10% based on the target of 10% or higher set in the medium-term management plan for 2020-2022, “ALWAYS EVOLVING,” if the results are 10% or higher, the amount which is paid if the target is achieved, is paid. If the result is higher than the target, the amount of payment increases.)

## 6) Matters Regarding Noncash Remuneration, etc.

“Stock acquisition rights as stock options” are provided to directors excluding outside directors.

The amount of stock acquisition rights as stock options provided is calculated by multiplying the number of options to be allotted resolved by the Board of Directors, which is based on the projected level of achievement of consolidated ROE and projected level of achievement of consolidated EBITDA, by the issue price of stock acquisition rights. The payment ratio for stock acquisition rights as stock options in FY2020 was 90% versus the standard amounts for stock options compensation by position (the amount if the payment ratio against target level of achievement was 100%).

The content and state of distribution for stock acquisition rights as stock options is as stated in “3. Stock Acquisition Rights (2) Stock Acquisition Rights distributed as stock options as consideration for business execution as of the end of the fiscal year under review”.

## (4) Outside Directors and Outside Statutory Auditors

- 1) Significant Concurrent Positions and the relation between the Company and the entities at which Outside Directors and Outside Statutory Auditors hold such positions.

They are shown in the above-mentioned “(1) Directors and Statutory Auditors”.

- 2) Main Activities

Outside Directors

The attendance status of the Board of Directors is shown in the above-mentioned “(1) Directors and Statutory Auditors”.

Name	Main Activities Outline of duties performed regarding the roles expected of outside directors
Fumio Ohtsubo	<p>He offered valuable comments from his extensive management experience and knowledge.</p> <p>He serves as Chairman of the Board of Directors as part of separation of monitoring and supervision, and execution. He vitalizes the Board of Directors of the Company and endeavors to secure effectiveness and improve function of the Board of Directors of the Company.</p> <p>As the member of the Advisory Board, and as chairman of Nomination Committee set up on the Advisory Board, He makes useful statements regarding CEO compensation and selection etc.</p> <p>As the Chairman of Nomination Advisory Committee, he makes useful statements in selecting candidates for directors and executive officers other than the CEO.</p> <p>As the member of Compensation Advisory Committee, he makes appropriate statements regarding the compensation of directors and executive officers other than the CEO.</p>
Yukako Uchinaga	<p>She offered valuable comments from her wealth of business experience, outstanding insights in the IT field, and a deep understanding of diversity.</p> <p>As the member of the Advisory Board, she makes useful statements regarding CEO compensation and selection.</p>
Yoichi Suzuki	<p>He offered valuable comments from his expertise and knowledge of international economic and trade issues etc. cultivated over many years as a diplomat.</p> <p>As the member of the Advisory Board, he makes useful statements regarding CEO compensation and selection.</p>
Masaru Onishi	<p>He offered valuable comments from his extensive management experience and knowledge.</p> <p>As member of the Advisory Board, and as chairman of Compensation Committee set up on the Advisory Board, he makes useful statements regarding the remuneration system for directors and statutory auditors, etc. of Teijin Group and evaluation of CEO, etc.</p> <p>As the Chairman of Compensation Advisory Committee, he makes appropriate statements regarding the compensation of directors and executive officers other than the CEO.</p> <p>As the member of Nomination Advisory Committee, he makes useful statements in selecting candidates for directors and executive officers other than the CEO.</p>

- Outside Statutory Auditors

The attendance status of the Board of Directors and Audit & Supervisory Board are shown in the above-mentioned "(1) Directors and Statutory Auditors".

Name	Main Activities
Gen Ikegami	He offered valuable comments from his professional knowledge as a Certified Public Accountant.
Hitomi Nakayama	She offered valuable comments from her professional knowledge as lawyer, and offered, in particular, advice and suggestions concerning compliance and risk management.
Jun Arima	After he was appointed on June 19, 2020, he advised and pointed out the environmental management that the Company has aimed for, including maintaining and improving compliance.

## 6. Accounting Auditor

### (1) Name of Accounting Auditor

KPMG AZSA LLC.

### (2) Amount of Remuneration

(Millions of yen)

Details	Amount
1) The amount of remuneration, etc., to be paid by the Company to the accounting auditor	172
2) The total amount of cash or other proprietary interest to be paid by the Company and its subsidiaries to the accounting auditor	288

Note 1: The amount described in Item 1) of the above table is the total sum of the remunerations for audits under the Companies Act and the remuneration for the audits under Financial Products & Exchange Act in Japan because these are not clearly distinguished from each other in the contract between the Company and the Accounting Auditor.

Note 2: Of the major subsidiaries of the Company, 11 companies, including Teijin Aramid B.V. , undergo auditing by accounting firm other than the Accounting Auditor.

Note 3: Based on the Company's scale and characteristics, the Board of Statutory Auditors has given consent to the remuneration, etc., to be paid the Accounting Auditor as stipulated in Article 399, Paragraph 1 of the Companies Act, as a result of the confirmation of the audit contents, total audit work done, audit plans of Accounting Auditor and its rewards estimation.

### (3) Policy for Dismissal or Non-Reappointment of Accounting Auditor

The Company has a policy that the Board of Statutory Auditors may dismiss the Accounting Auditor based on the unanimous approval by the statutory auditors in cases where Article 340, Paragraph 1 of the Companies Act is judged to apply. Furthermore, the Company has a policy of submitting a proposal regarding dismissal of the Accounting Auditor to a shareholder's meeting in the event that it is deemed that a grave obstacle to the Company's audit operation involving the Accounting Auditor has occurred, and similarly submitting a proposal regarding the non-reappointment of the Accounting Auditor in the event that it is deemed necessary to change the Accounting Auditor in light of the Accounting Auditors' independence and reliability, or the status of its performance of duties.

In both cases, the submission of the proposals is based on a decision of the Board of Statutory Auditors.

## 7. Policy Regarding the Determination of Dividends from Retained Earnings

Stable and sustainable dividends will be considered, and own share repurchasing will be flexibly conducted as well depending on the situation. Dividends are in line with consolidated operating results, aiming to raise the dividend along with profits growth, and targeting a consolidated payout ratio of 30% of profit attributable to owners of parent for the medium -to long term.

## **8. Systems to Ensure Appropriate Business Operations and the Status of its Implementation**

### **(1) Resolutions on Basic Policies for Establishment of Internal Control Systems**

The Company passed a resolution regarding the “Basic Policy for Establishment of Internal Control Systems” at Board of Directors meeting held on March 30, 2021.

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

#### **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, Corporate 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, when 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 (President), 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, and will establish and operate various reporting and consultation counters. 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 statutory auditors, and will respect any advice or recommendations received from the statutory 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 general manager, Human Resources Division 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, in principle, 4 or more of the directors shall be outside directors satisfying the requirements for independence stipulated by the company.

#### **2) Rules and Other Systems for Management of Risk of Loss in the Company and its Subsidiaries**

The Board of Directors of the Company shall operate a total risk management system to deal with any kind of risks that might threaten sustainable business development.

Total Risk Management (TRM) Committee, shall mainly deal with the business operational risks and strategic risks to Teijin Group, and shall propose basic policies and annual plans related to TRM to the Board of Directors of the Company. Chief Social Responsibility Officer is in charge of establishing a system across the Teijin Group to manage business operation risk, and shall identify problems and deal with such risks upon occurrence thereof. CEO shall assess strategic risks and present his/her assessment to the Board of Directors of the Company as an important element upon which managerial decisions are made.

Chief Social Responsibility Officer shall establish a system for the Teijin Group to ensure the continuation of businesses when faced with risk events including disasters, the inappropriate performance of duties by directors, officers or employees, and damage to 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 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 properly and efficiently operate and assesses 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 the internal regulations. CEO 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 when necessary.

### **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 concurrently become statutory auditors of Teijin Group companies; however it shall not concurrently become corporate officers connected with performance of duties at Teijin Group companies.

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 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 Group Ethics Regulations and other regulations stipulate 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 statutory auditors that satisfy the requirements for independence that the Company specifies.

The statutory 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 statutory auditors can, at their own discretion, retain outside advisers, including Certified Public Accountants and other consultants.

**(2) Summary of the "Internal Control System Operating Status"**

In accordance with the "Basic Policy for the Establishment of Internal Control Systems," the operating status of the Company's internal control system for the relevant year is as follows.

**1) Operating Status Regarding Compliance with Laws and Regulations**

The Company has published the Teijin Group "Corporate Governance Guide" and the related regulations necessary to carry out its basic policy on the Company intranet, and has designated each October as Corporate Ethics Month in which internal training is held, promoting compliance education and awareness. Furthermore, for important decision making, the related divisions and departments perform verifications, working to prevent any violations of laws and regulations.

The Company has established a framework to promote compliance under the direction of the Chief Social Responsibility Officer, which works to identify and respond to problems across the Teijin Group. The Chief Social Responsibility Officer also responds appropriately to important compliance issues reported by the directors, officers and employees of the Company and its subsidiaries based on the Group Ethics Regulations, which establish rules for reporting illegal conduct and other responses, and make regular reports to the TRM Committee.

The Company has established an internal reporting system including an anonymous compliance hotline, responding appropriately to hotline inquiries from group companies in Japan and overseas, protecting the reporter, and publishing the status of the response biannually on the intranet, promoting education and awareness.

The Company respects and responds appropriately to points made by Statutory Auditors in audits and in evaluations of the condition and operational status of internal control systems.

The Company's Corporate Audit Department performs internal auditing across the Teijin Group based on the annual plan, and reports the audit results to the Directors and Statutory Auditors as necessary.

The Company maintains an action policy against anti-social forces in its Corporate Code of Conduct, and promotes education and awareness at its Corporate Ethics Month.

**2) Operating Status Regarding Management of Risk of Loss**

The Board of Directors of the Company receives reports from the TRM Committee on proposals for basic policies and annual plans related to TRM, as well as the status of the occurrence and response to risks, putting in place a system to manage important risks and ensure the continuation of the business.

The Chief Social Responsibility Officer implements regular evaluation and monitoring of operational risks, continually identifying risks and evaluating the validity of countermeasures. The Company has formulated "The Manual of Large-scale disaster prevention" that assumes the spread of widespread infectious diseases such as Covid-19. This time too, the Company is setting up Emergency Response Headquarters, prioritizing the safety of employees and their families all over the world, grasping the status of the entire Teijin Group, implementing various measures, disseminate information to inside and outside Teijin Group, and procuring relief supplies.

At meetings of the Board of Directors and other important meetings of the Company, deliberation items are evaluated based on the results of strategic risk assessment implemented based on the internal regulations.

To ensure the continuation of business, the Company will prepare the required manuals and hold regular drills to be prepared in the event of an emergency.

While preparing individual policies on personal information protection and information security, the Company has implemented various internal education programs and security enhancement policies, as well as enhancing countermeasures against the risk of information leaks.

### **3) Operating Status Regarding Securing Efficiency**

The Company publishes the Group regulations on the Company intranet, promoting education and awareness.

The Company assigns management systems and job duties as well as clarifying responsibilities and authorities based on the internal regulations, working to ensure efficient management execution and effective management.

### **4) Operating Status Regarding the Internal Control System within the Corporate Group**

The Company performs regular self-evaluations of the creation and operating status of its internal control system, continually guiding the creation of the internal control system including both the regulations and meetings of the various Teijin Group companies and a reporting system.

The Company's Statutory Auditors, to promote fair and efficient auditing activities within the Teijin Group, by holding regular meetings of the Group Board of Statutory Auditors, attending meetings in which accounting audit reports are given and report of results of internal audits, maintains close cooperation among the Accounting Auditors and Internal Audit Departments.

### **5) Operating Status Regarding the Preservation and Management of Information**

The Company's Board of Directors appropriately preserves documents and important information concerning the performance of their duties in accordance with the internal regulations.

### **6) Operating Status Regarding Ensuring the Effectiveness of the Auditing of the Statutory Auditors**

The Company has established the Teijin Group Auditor Office, with the Teijin Group Auditor Office members under the direct control of the Statutory Auditors to assist the Statutory Auditors in performing their duties.

The Company's full-time Statutory Auditors attend important meeting bodies of the Company and of the main subsidiaries, receiving reports at the meeting bodies from the representative directors, other directors, and corporate officers on the status of the performance of duties.

The Chief Social Responsibility Officer reports on important stipulated items, including internal reporting by the hotline, promptly following their discovery, both individually and to the members of the meeting bodies including the Statutory Auditors, through the important meeting bodies.

Officers and employees of the Company properly respond to items requested by the Statutory Auditors, working to ensure the effectiveness of the auditing of the Statutory Auditors.

Note: Italicized product names and service names in this report are trademarks or registered trademarks of the Teijin Group in Japan and/or other countries, or, where noted, are protected as the trademarks and/or trade names of other companies.

## 9. Financial Statement

### (1) Consolidated Balance Sheets

(Millions of yen)

	FY2019 (As of Mar. 31, 2020)	FY2020 (As of Mar. 31, 2021)
<b>&lt; Assets &gt;</b>		
<b>Current assets</b>		
Cash and deposits	113,500	170,185
Notes and accounts receivable-trade	167,194	181,020
Securities	36,000	—
Merchandise and finished goods	96,935	89,693
Work in process	11,735	10,442
Raw materials and supplies	34,429	40,909
Short-term loans receivable	12,127	13,806
Other current assets	33,926	28,859
Allowance for doubtful accounts	(523)	(334)
<b>Total</b>	<b>505,323</b>	<b>534,580</b>
<b>Noncurrent assets</b>		
<b>Tangible assets</b>		
Buildings and structures, net	65,037	65,088
Machinery and equipment, net	110,956	100,467
Land	43,174	42,813
Construction in progress	42,226	39,470
Other, net	34,689	34,454
<b>Total</b>	<b>296,081</b>	<b>282,291</b>
<b>Intangible assets</b>		
Goodwill	23,813	39,355
Other	36,574	34,989
<b>Total</b>	<b>60,387</b>	<b>74,344</b>
<b>Investments and other assets</b>		
Investment securities	76,633	84,797
Long-term loans receivable	2,063	2,098
Net defined benefit asset	31,388	31,124
Deferred tax assets	9,578	4,642
Other	24,373	23,754
Allowance for doubtful accounts	(1,604)	(1,202)
<b>Total</b>	<b>142,432</b>	<b>145,212</b>
<b>Total noncurrent assets</b>	<b>498,900</b>	<b>501,847</b>
<b>Total assets</b>	<b>1,004,223</b>	<b>1,036,427</b>

(Millions of yen)

	FY2019 (As of Mar. 31, 2020)	FY2020 (As of Mar. 31, 2021)
<b>&lt; Liabilities &gt;</b>		
<b>Current liabilities</b>		
Notes and accounts payable-trade	80,068	92,544
Short-term loans payable	98,372	95,387
Current portion of long-term loans payable	34,268	18,065
Current portion of bonds	—	20,010
Income taxes payable	5,464	5,577
Provision for business structure improvement	1,089	2,330
Accrued expenses	21,912	23,645
Other	46,467	52,496
<b>Total</b>	<b>287,640</b>	<b>310,054</b>
<b>Noncurrent liabilities</b>		
Bonds payable	35,024	15,000
Long-term loans payable	202,013	218,857
Provision for business structure improvement	2,325	—
Net defined benefit liability	39,464	37,500
Asset retirement obligations	2,228	1,077
Lease obligations	10,764	11,275
Deferred tax liabilities	2,929	4,346
Other	10,426	10,061
<b>Total</b>	<b>305,174</b>	<b>298,116</b>
<b>Total liabilities</b>	<b>592,814</b>	<b>608,169</b>
<b>&lt;Net assets&gt;</b>		
<b>Shareholders' equity</b>		
Capital stock	71,833	71,833
Capital surplus	103,692	103,756
Retained earnings	247,055	229,805
Treasury stock	(13,131)	(13,047)
<b>Total</b>	<b>409,449</b>	<b>392,346</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	12,403	21,840
Deferred gains or losses on hedges	(1,020)	607
Foreign currency translation adjustment	(23,217)	(7,087)
Remeasurements of defined benefit plans	(3,452)	(1,557)
<b>Total</b>	<b>(15,286)</b>	<b>13,804</b>
<b>Subscription rights to shares</b>	<b>772</b>	<b>899</b>
<b>Non-controlling interests</b>	<b>16,475</b>	<b>21,209</b>
<b>Total net assets</b>	<b>411,409</b>	<b>428,257</b>
<b>Total liabilities and net assets</b>	<b>1,004,223</b>	<b>1,036,427</b>

## (2) Consolidated Statements of Income

(Millions of yen)

	FY2019 (Apr. 2019-Mar. 2020)	FY2020 (Apr. 2020-Mar. 2021)
<b>Net sales</b>	<b>853,746</b>	<b>836,512</b>
Cost of sales	590,321	581,515
<b>Gross profit</b>	<b>263,424</b>	<b>254,997</b>
Selling, general and administrative expenses	207,219	200,066
<b>Operating income</b>	<b>56,205</b>	<b>54,931</b>
Non-operating income		
Interest income	928	680
Dividends income	1,444	1,322
Equity in earnings of affiliates	1,997	2,548
Foreign exchange gains	1,145	—
Gain on valuation of derivatives	7	2,276
Miscellaneous income	1,283	1,490
Total	6,804	8,317
Non-operating expenses		
Interest expenses	3,717	2,831
Foreign exchange losses	—	3,615
Loss on valuation of derivatives	2,168	—
Loss on investments in partnerships	324	998
Contribution	408	373
Miscellaneous loss	2,056	1,773
Total	8,673	9,589
<b>Ordinary income</b>	<b>54,337</b>	<b>53,658</b>
Extraordinary income		
Gain on sales of noncurrent assets	160	1,821
Gain on sales of investment securities	5,998	2,626
Gain on step acquisitions	—	2,009
Other	548	7
Total	6,706	6,463
Extraordinary loss		
Loss on sales and retirement of noncurrent assets	2,677	2,192
Loss on valuation of investment securities	114	1,001
Impairment loss	11,030	44,101
Business structure improvement expenses	4,232	125
Loss related to COVID-19	—	267
Other	1,432	3,085
Total	19,485	50,770
<b>Income before income taxes</b>	<b>41,557</b>	<b>9,351</b>
Income taxes - current	12,306	12,467
Income taxes - deferred	2,272	1,098
Total	14,578	13,565
<b>Profit (loss)</b>	<b>26,980</b>	<b>(4,213)</b>
Profit attributable to non-controlling interests	1,727	2,448
<b>Profit (loss) attributable to owners of parent</b>	<b>25,252</b>	<b>(6,662)</b>

### (3) Consolidated Statement of Changes in Net Assets

FY2020 (Apr. 2020 - Mar. 2021)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of March 31, 2020	71,833	103,692	247,055	(13,131)	409,449
Changes of items during the period					
Dividends from surplus			(10,557)		(10,557)
Profit (loss) attributable to owners of parent			(6,662)		(6,662)
Purchase of treasury stock				(8)	(8)
Disposal of treasury stock		(31)		91	60
Transfer of loss on disposal of treasury shares		31	(31)		—
Change in treasury shares of parent arising from transactions with non-controlling shareholders		64			64
Net changes of items other than shareholders' equity					
Total	—	64	(17,250)	84	(17,102)
Balance at March 31, 2021	71,833	103,756	229,805	(13,047)	392,346

	Accumulated other comprehensive income					Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total			
Balance as of March 31, 2020	12,403	(1,020)	(23,217)	(3,452)	(15,286)	772	16,475	411,409
Changes of items during the period								
Dividends from surplus								(10,557)
Profit (loss) attributable to owners of parent								(6,662)
Purchase of treasury stock								(8)
Disposal of treasury stock								60
Transfer of loss on disposal of treasury shares								—
Change in treasury shares of parent arising from transactions with non-controlling shareholders								64
Net changes of items other than shareholders' equity	9,438	1,627	16,130	1,895	29,090	127	4,734	33,951
Total	9,438	1,627	16,130	1,895	29,090	127	4,734	16,848
Balance at March 31, 2021	21,840	607	(7,087)	(1,557)	13,804	899	21,209	428,257

## Consolidated Statements of Comprehensive Income (Reference)

(Millions of yen)

	FY2019 (Apr. 2019-Mar. 2020)	FY2020 (Apr. 2020-Mar. 2021)
<b>Profit (loss)</b>	<b>26,980</b>	<b>(4,213)</b>
<b>Other comprehensive income</b>		
Valuation difference on available-for-sale securities	(14,656)	9,894
Deferred gains or losses on hedges	(967)	1,627
Foreign currency translation adjustment	(11,764)	15,195
Remeasurements of defined benefit plans, net of tax	(1,019)	1,912
Share of other comprehensive income of associates accounted for using equity method	(11)	949
<b>Total</b>	<b>(28,416)</b>	<b>29,577</b>
<b>Comprehensive income</b>	<b>(1,436)</b>	<b>25,363</b>
Comprehensive income attributable to :		
Owners of parent	(2,762)	22,429
Non-controlling interests	1,325	2,935

## Consolidated Statements of Cash Flows (Reference)

(Million yen)

	FY2019 (Apr. 2019-Mar. 2020)	FY2020 (Apr. 2020-Mar. 2021)
<b>Cash flows from operating activities</b>		
Income before income taxes	41,557	9,351
Depreciation and amortization	50,950	51,840
Impairment loss	11,030	44,101
Increase (decrease) in net defined benefit liability	1,617	822
Decrease (increase) in net defined benefit asset	(665)	(307)
Increase (decrease) in allowance for doubtful receivables	(95)	(630)
Increase (decrease) in provision for business structure improvement	3,332	(5)
Interest and dividends income	(2,372)	(2,002)
Interest expenses	3,717	2,831
Equity in (earnings) losses of affiliates	(1,997)	(2,548)
Loss (gain) on valuation of derivatives	2,161	(2,276)
Loss (gain) on sales and retirement of noncurrent assets	2,517	370
Loss (gain) on sales of investment securities	(5,986)	(2,626)
Loss (gain) on valuation of investment securities	114	1,001
Loss (gain) on step acquisitions	—	(2,009)
Decrease (increase) in notes and accounts receivable-trade	19,875	(6,765)
Decrease (increase) in inventories	(4,460)	7,558
Increase (decrease) in notes and accounts payable-trade	(9,465)	7,455
Other, net	(5,488)	10,957
<b>Subtotal</b>	<b>106,342</b>	<b>117,119</b>
Interest and dividends income received	6,575	6,245
Interest expenses paid	(3,745)	(2,883)
Extra retirement payments	—	(1,058)
Income taxes paid	(14,958)	(11,694)
<b>Net cash and cash equivalents provided by operating activities</b>	<b>94,214</b>	<b>107,729</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(66,301)	(56,817)
Proceeds from sales of property, plant and equipment	261	2,221
Purchase of intangible assets	(4,020)	(4,109)
Purchase of investment securities	(5,700)	(2,194)
Proceeds from sales of investment securities	9,250	6,991
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(12,681)	(22,226)
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	13,158	—
Payments for acquisition of businesses	(906)	—
Decrease (increase) in short-term loans receivable	1,147	(713)
Payments of long-term loans receivable	(1,277)	(131)
Collections of long-term loans receivable	1,273	42
Other, net	(2,127)	(2,650)
<b>Net cash and cash equivalents used in investing activities</b>	<b>(67,922)</b>	<b>(79,587)</b>
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term loans payable	(2,769)	(6,046)
Proceeds from issuance of bonds	15,000	—
Redemption of bonds	(15,000)	—
Proceeds from long-term loans payable	16,675	35,692
Repayment of long-term loans payable	(6,735)	(37,835)
Purchase of treasury shares	(12)	(8)
Cash dividends paid	(13,427)	(10,557)
Cash dividends paid to non-controlling interests	(652)	(753)
Proceeds from share issuance to non-controlling shareholders	297	—
Other, net	(1,437)	(1,371)
<b>Net cash and cash equivalents provided by financing activities</b>	<b>(8,059)</b>	<b>(20,878)</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>(2,438)</b>	<b>2,901</b>
Net increase (decrease) in cash and cash equivalents	15,794	10,165
<b>Cash and cash equivalents at beginning of period</b>	<b>140,434</b>	<b>156,290</b>
Increase in cash and cash equivalents resulting from merger with unconsolidated	62	—
<b>Cash and cash equivalents at end of period</b>	<b>156,290</b>	<b>166,455</b>