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## Corporate Governance

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**Toyobo Co., Ltd.**

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The corporate governance of Toyobo Co., Ltd. (hereinafter referred to as the “Company”) is described below.

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

#### 1. Basic Views

Based on the corporate philosophy “Jun-Ri-Soku-Yu,” the Company believes that its purpose is to contribute to solving social issues through its proprietary technologies after ascertaining these issues from a long-term perspective.

The Company, to respond to the changing times and enhance sustainable corporate value in the future as well, has established the policies of (1) ensuring timeliness and accuracy in decision-making, (2) ensuring transparency in management, and (3) emphasizing fairness, and will work to appropriately collaborate with all stakeholders, such as shareholders. Furthermore, by carrying out its fiduciary responsibility and accountability to shareholders, the Company will ensure the effectiveness of corporate governance and continually work on its improvement.

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

[Applicable Version of Japan’s Corporate Governance Code]

All the principles stated here are based on the revised version of Japan’s Corporate Governance Code effective in June 2021.

(This includes principles for the Prime Market that are scheduled to be applied from April 4, 2022).

[Supplementary Principle 4-2-2 Formulation of Basic Policy for Initiatives Concerning Sustainability]

The Sustainability Committee, which is chaired by the President, and the nine standing committees under its umbrella discuss issues concerning sustainability, taking into account the issues of “offense” (maximization of profitable opportunities) in addition to “defense” (risk minimization) thus far.

The Board of Directors is currently proceeding with preparations for the formulation of Sustainable Vision 2030 based on discussions by the Sustainability Committee stated above.

Furthermore, the Company will include into the next medium-term management plan, which will start from the next fiscal year, the appropriate distribution of management resources, including investment into human capital and intellectual property as well as business portfolio strategies, and will supervise the progress at the Board of Directors.

#### [Disclosure Based on the Principles of Japan’s Corporate Governance Code]

[Principle 1-4 Cross-Shareholdings]

The Company shall periodically review cross-shareholdings from assorted perspectives, such as the impact on improving medium- to long-term corporate value and economic rationality, and sell any stock which is no longer meaningful as is appropriate. On the other hand, the Company shall enter into cross-

shareholdings with key business partners when judging that the maintenance and strengthening of stable relationships with the business partners will contribute to sustainable growth and enhancement of medium- to long-term corporate value of the Company.

The Board of Directors individually reviews cross-shareholdings every year, including future business strategies and operational relationships, and determines whether or not to continue holding these shares.

Also, with regard to the exercise of voting rights in cross-shareholdings, the Company deeply considers the status of the business partner and the content of the proposals, and as needed, discusses with the business partner. The Company thereby confirms whether these holdings contribute to the sustainable growth and medium- to long-term enhancement of corporate value of the Company and its business partner, and makes a comprehensive decision.

[Principle 1-7 Transactions among Related Parties]

Competitive transactions and transactions involving conflicts of interest between the Company and Directors must be approved at the meeting of the Board of Directors according to laws and regulations, and internal rules. When this transaction is carried out, important facts shall be reported to the Board of Directors. Because there is no major shareholder who holds 10% or more of voting rights, the Company has not established approval procedures when conducting transactions with major shareholders.

[Supplementary Principle 2-4-1 Ensuring Diversity in Appointment of Core Human Resources]

As the Group believes that human resources are the most important management resource, it supports the growth of each employee through the creation of an environment where employees who have diverse experiences, skills and characteristics can work with pride and a sense of fulfillment.

The Group has specified in the Toyobo Group's Charter of Corporate Behavior that it will ensure the diversity of employees, and carries out various measures, such as the promotion of the active participation of female, active hiring of foreign employees, hiring of employees with experience at other companies, maintenance of employment rate of people with disabilities, and support of the active participation of middle-aged people and seniors. These policies and initiatives have been disclosed on the Company's website and in the Integrated Report.

(Company's website: [https://www.toyobo-global.com/sustainability/society/human\\_resources/](https://www.toyobo-global.com/sustainability/society/human_resources/))

(Company's website (Integrated Report): <https://ir.toyobo.co.jp/en/ir/library/integrated.html>)

The diversity of managers, who are core human resources, is being worked on as an important theme that will support the Group's sustainable growth, and the targets, current status, etc. of such is as follows (female and mid-career hires are on a non-consolidated basis and foreign hires are included in overseas Group companies).

- Appointment of female employees to management positions

Due to the continuous activities to promote the active participation of female, the ratio rose yearly to 3.1% in fiscal 2021. With the target of 5.0% by fiscal 2026, the Company will continue to proactively carry out the hiring and training of female employees. One policy is that the ratio of female employees who are hired as new graduates from the global course, making them candidates for management, shall be 40%, and the cumulative result over the past five years was approximately 37%.

- Appointment of foreign employees to management positions

The Company believes that human resource strategies, not only for the Company, but for overseas Group companies as well, are becoming even more important for the promotion of global expansion. Currently, there are a small number of foreign managers at the Company, but at overseas Group companies, foreign managers make up around 45% of the approximately 170 employees at a level equivalent to department manager (full-time) or higher. Going forward, the Group will focus even more on hiring and developing foreign employees, and will appoint even more to management positions.

- Appointment of mid-career employees to management positions

Currently, the ratio of mid-career employees among the Company's management is 20% or more. Going forward, the Company will proactively hire and appoint mid-career employees, primarily for roles where sophisticated skills are required, in order to improve the current level. The ratio of mid-career employees among officers (including Executive Officers, but excluding Outside Directors and Outside Corporate Auditors) is also 20% or more.

[Principle 2-6 Roles as Asset Owners of Corporate Pension Plan]

The results of operating reserves of the corporate pension fund has direct impact on the parent entity. Therefore, the Asset Management Committee is comprised of labor side representatives and members selected by the Finance, Accounting and Control, and Human Resources departments. This committee regularly monitors the status of asset management and deliberates the following items.

- 1 Matters concerning basic policy of management
- 2 Matters concerning management guidelines and ratios of policy-related asset holdings
- 3 Matters concerning the selection and evaluation of the fund management agencies
- 4 Other matters concerning asset management

The Company is taking efforts to construct a system which enacts proper management, including appointment of personnel with appropriate qualities in the executive director of operations of the corporate pension fund and regularly undergoing rotation, as well as regularly sending officers and employees to a pension seminar run by an outside institution to improve quality. In addition, regarding the exercising of voting rights by entrusted fund management agencies for proposals submitted at a General Meeting of Shareholders of the Company, the system appropriately manages conflicts of interest between the Company and beneficiaries by respecting the judgment of the entrusted fund management agencies and allowing labor union participation in the Asset Management Committee and Board of Representatives.

[Principle 3-1 Enhancement of Disclosure]

(i) Management philosophy, management plan, etc.

The Company maintains a corporate philosophy based on the words the founder Eiichi Shibusawa lived by: “Jun-Ri-Soku-Yu (realizing prosperity by acting rationally)” Please refer to the Company’s website for information about “Jun-Ri-Soku-Yu.”

<https://www.toyobo-global.com/company/philosophy/>

Upon the establishment and public announcement of the management strategy and management plan, the Company presents its specific goals and a focused explanation of what must be done to achieve these goals through disclosure and explanations at presentation to institutional investors, Integrated Report, and on the Company’s website. The details of the medium-term plan between 2018 and 2021 is disclosed on the Company’s website.

[https://ir.toyobo.co.jp/en/ir/management\\_policies/mid-plan.html](https://ir.toyobo.co.jp/en/ir/management_policies/mid-plan.html)

(ii) Basic views and basic policies on corporate governance

For basic views, please refer to “I. 1. Basic Views.” Basic policies are as follows:

[Basic policies on corporate governance]

(1) Securing the rights and equal treatment of shareholders

- The Company shall comply with laws and regulations to appropriately secure shareholders’ rights practically. Furthermore, the Company shall construct an environment for shareholders to appropriately exercise those rights in order to ensure appropriate cooperation with shareholders.

(2) Appropriate cooperation with stakeholders other than shareholders

- The Company shall respond flexibly to changes in the times based on the corporate philosophy of “Jun-Ri-Soku-Yu” and take efforts in corporate governance and compliance, which are the foundations of enhancing corporate value.
- The Company regards corporate value as value formed by balancing economic value (corporate interests) and societal value (trust and valuation from stakeholders, and contribution to solving social issues). Regarding societal value, the Company establishes a centralized system of grasping and monitoring efforts toward all stakeholders, including customers, business partners, shareholders, employees, local communities, etc., under the oversight of the Sustainability Committee (Chairperson: President) and appropriately engages in collaboration with each stakeholder while focusing on efforts to solve global social and environmental issues and enhancing sustainable corporate value.

(3) Ensuring appropriate information disclosure and transparency

- The Company conducts appropriate disclosure of not only financial information, but also non-financial information such as the management policy and corporate governance based on laws and

regulations. Furthermore, the Company takes efforts to provide easily understandable and useful information from the perspective of actively disseminating information about the Company's efforts and ensuring the transparency and fairness of Company's decision-making.

(4) Responsibilities of the Board of Directors

- Based on their fiduciary responsibility and accountability to shareholders, the Board of Directors of the Company shall construct a corporate governance system, described as below, which aim to enhance sustainable corporate value.
- The Company adopts a structure of a company with Board of Corporate Auditors and implements an executive officer system. This system allows for timely decision-making and efficient business execution by clearly separating the roles of "decision-making/oversight" by the Board of Directors and "execution" by the Executive Officers.
- Due to the diverse and specialized nature of the Company Group businesses, the Board of Directors is comprised of Directors who serve concurrently as Executive Officers, excluding Chairman and Outside Directors. Furthermore, one third or more of the Directors shall be Outside Directors to ensure the transparency and fairness of Company management.
- Outside Officers are appointed based on the Standards of Independence so that they will be able to execute its role and responsibilities. In particular, for Outside Directors, the following main roles and responsibilities are stipulated to be fulfilled from the perspective of ensuring a supervisory function and maximizing shareholder return.
  - i. advise on management policy, management plan formulation, and management improvement based on own knowledge.
  - ii. supervise management through the appointment and dismissal of management and other important decisions at the Board of Directors.
  - iii. oversee any conflicts of interest between the Company or shareholders and management.
- The Company aims to enhance its support system for Outside Officers, such as the administrative office of the Board of Directors providing prior explanation of important matters. Furthermore, a Liaison Meeting of Outside Officer, comprised only of Outside Officers, is held regularly, where they can share their understanding and exchange information.
- The Company shall maintain transparency and fairness regarding the nomination and compensation of Directors, etc. by consulting to the advisory body comprised mainly of Outside Directors.

(5) Dialogue with shareholders

- The Company, in order to contribute to the enhancement of sustainable corporate value, strives to construct an appropriate environment for its shareholders to exercise their rights. Furthermore, the Company discloses in a timely and appropriate manner both financial and non-financial information which can contribute to constructive dialogue as well as takes efforts to construct a system to promote constructive dialogue between the Company and shareholders and investors.

(iii) The Board of Directors' policies and procedures in determining the compensation of the senior management and Directors

The policies and procedures related to the compensation of senior management (hereinafter "Directors who serve concurrently as Executive Officers"; the same shall apply hereinafter) and other Directors are stated in the Notice of the Annual General Meeting of Shareholders ("4. Matters concerning corporate officers" of the Business Report).

(Company's website: <https://ir.toyobo.co.jp/ja/ir/stock/shareholder.html>)

(iv) The Board of Directors' policies and procedures in the election and dismissal of the senior management and the nomination of candidates for Director and Corporate Auditor

The Company established the Nomination and Compensation Advisory Committee (Chairperson: Outside Director), a majority of whose members are Outside Directors, as an advisory body for the Board of Directors in order to ensure the transparency and fairness of procedures related to the election and dismissal of the senior management and the nomination of candidates for Director. The Board of Directors makes decisions based on deliberations and reports from this committee. For the nomination of candidates for internal Director, the Board of Directors recommends persons who have knowledge, experience and achievements in their area of responsibility in addition to having the appropriate

qualifications as Directors with a company-wide perspective. For the nomination of candidates for Outside Director, the Board of Directors recommends persons with abundant experience and a high level of insight in order to objectively supervise management and increase corporate value. For the nomination of candidates for Corporate Auditor, the Board of Directors recommends persons with exceptional insight, ability, etc. appropriate for a Corporate Auditor, with the approval of the Board of Corporate Auditors.

Furthermore, the dismissal of senior management is decided by the Board of Directors based on deliberations and reports from the Nomination and Compensation Advisory Committee when corrupt, unjust, or disloyal actions are suspected, or when there are reasons unbecoming of an officer.

(v) The Board of Directors' statements concerning individual election, dismissal and nomination when electing and dismissing senior management and nominating candidates for Director and Corporate Auditor based on (iv) above

Career summaries of candidates for Director and Corporate Auditor are disclosed in the Notice of the Annual General Meeting of Shareholders (Reference Documents for General Meeting of Shareholders). (Company's website: <https://ir.toyobo.co.jp/en/ir/stock/shareholder.html>)

Information regarding the dismissal of senior management shall be disclosed as needed in a timely and appropriate manner to stakeholders, including shareholders.

[Supplementary Principle 3-1-3 Sustainability Initiatives, Etc.]

In order to accelerate initiatives for sustainability, the Group specified materiality (priority issues) on which to focus by taking into consideration stakeholders' expectations and wishes as well as management issues and the level of importance for the Group, and prioritizing them.

Concerning specific initiatives for solving materiality, the Group has set targets and KPI, and the progress of such is managed by the Sustainability Committee, which is chaired by the President.

These sustainability initiatives are proactively conveyed in the Integrated Report and on the Company's website.

(Company's website: <https://www.toyobo-global.com/sustainability/>)

(Company's website (Integrated Report): <https://ir.toyobo.co.jp/en/ir/library/integrated.html>)

Furthermore, concerning human capital, R&D and innovation, data security, supply chains, etc., the initiatives for realizing the corporate philosophy and achieving SDGs are presented in the Integrated Report.

Concerning the response to climate change, the Company plans to conform to the framework of the Task Force on Climate-related Financial Disclosures (TCFD), identify risks and opportunities in various scenarios and evaluate the financial impact from the latter half of fiscal 2022 in accordance with the declaration of support for TCFD in January 2020.

[Supplementary Principle 4-1-1 Outline of Scope of Matters Delegated to Management]

In addition to matters designated by laws and regulations, and the Articles of Incorporation, as well as matters delegated by the General Meeting of Shareholders, the Board of Directors of the Company shall make resolutions regarding important management matters designated in the Board of Directors Regulations, etc. Furthermore, matters which fall outside the scope of matters for decision by Board of Directors shall be decided by the Board of Managing Executive Officers and Controlling Supervisors delegated by the Board of Directors or by internal memos, based on detailed and specific proposal/report standards established based on importance.

[Principle 4-9 Independence Standards and Qualification for Independent Outside Directors]

Independence Standards for Outside Officers is stated in the Notice of the Annual General Meeting of Shareholders (Reference Documents for General Meeting of Shareholders).

(Company's website: <https://ir.toyobo.co.jp/en/ir/stock/shareholder.html>)

[Supplementary Principle 4-10-1 Views, Authority, Roles, Etc. Related to Independence of Composition of Committees]

The Company has established the Nomination and Compensation Advisory Committee as an advisory body for the Board of Directors after ensuring one third or more of the members of the Board of Directors are Independent Outside Directors. The majority of members of this committee are Outside Directors, and an Outside Director serves as Chairperson (current member composition: two Outside Directors, one inside Director (does not execute business); Observer: one Outside Corporate Auditor). With regard to the basic policy for nominating Directors and nomination proposals for individual Directors as well as the systems, standards, and calculation methods and other factors for officer compensation for this committee, the President, who is responsible for executives, ensures further transparency and fairness by appropriately carrying out accountability, and seeks appropriate involvement and advice from this committee. Furthermore, the Board of Directors shall pay maximum respect to the reports of this committee, which is highly independent, when carrying out decisions concerning nominations and compensation.

[Supplementary Principle 4-11-1 Composition of the Board of Directors]

The Board of Directors shall be comprised of the Chairman who also serves as Chairperson of the Board of Directors, Outside Directors and Directors who serve concurrently as Executive Officers. The Company currently has a system with a total of 11 people that consists of five Directors who do not execute business (of which, four are Outside Directors (including people with management experience)), and six Directors who serve concurrently as Executive Officers. The Company considers that this system has composition and size which allows the overall Board of Directors to conduct accurate and timely decision-making while maintaining diversity. The skill matrix, which lists the skills of each Director, is presented in the Integrated Report together with the policies and procedures concerning the election of Directors (Principle 3-1 (iv)).

[Supplementary Principle 4-11-2 Concurrent Positions Held by Directors and Corporate Auditors]

In the election of Directors and Corporate Auditors, the Company confirms that candidates do not have concurrent positions which could hinder the expected execution of their duties before they are nominated. In the Business Report and the Reference Documents for General Meeting of Shareholders, the Company discloses the status of important concurrent positions, including cases when a candidate is serving concurrently as an officer in another listed company.

[Supplementary Principle 4-11-3 Evaluation of Effectiveness of the Board of Directors]

From January to April 2021, in order to further enhance the functions of the Board of Directors, the Company carried out an overall analysis and evaluation of the effectiveness of the Board of Directors in fiscal 2021 with the support of an external organization. An outline of this evaluation is as follows:

(Method for the analysis and evaluation of effectiveness)

A survey of roughly 40 questions was conducted to Directors and Corporate Auditors. The responses to this survey were made directly to the external organization as in the previous fiscal year. The analysis and evaluation were carried out by the Board of Directors based on the aggregate results reported by the external organization.

(Outline of the analysis and evaluation after conducting the survey)

1. Analysis and evaluation

- (1) The results of the evaluation indicated that the number of members of the Board of Directors, the ratio of inside and outside Directors and management of the Board of Directors meetings by the Chairperson were largely appropriate.
- (2) The Company has made efforts to further separate decision-making/oversight and business execution. However, there are insufficient discussions on solving medium- to long-term management issues, such as DX, personnel strategies and the business portfolio.
- (3) Regarding the fire accident and inappropriate cases concerning quality, the Company takes these matters seriously and believes it is necessary to further promote initiatives for improving effectiveness, such as enhancing risk management systems and confirming the progress of those enhancements.

## 2. Issues and future initiatives

The issues identified and future initiatives for improving the overall effectiveness of the Board of Directors are as follows:

- (1) Further enhancement of risk management for safety and disaster-management measures, quality assurance, etc.
  - Further enhance risk management systems for the entire Group through initiatives such as the establishment of Risk Management Committee and supervision of the committee's activities.
- (2) Enhancement of the internal audit function for the entire Group
  - To enhance the internal audit function, establish a system for regularly reporting the status of internal audits directly to the Board of Directors.
- (3) Enhancement of sustainable corporate value through initiatives related to ESGs, DX, the business portfolio, etc.
  - For ESGs, DX, the business portfolio and other themes from a medium- to long-term perspective that require continued deliberations, hold meetings in addition to the Board of Directors meetings as needed.
- (4) Further enhancement of initiatives related to the succession plan and election procedures for CEO
  - To improve the transparency, fairness and effectiveness of the procedures for determining the nominations and compensation of officers, review the operation of the advisory body for the Board of Directors.
- (5) Greater efficiency regarding the management of the Board of Directors meetings
  - Review the following items regarding the management of the Board of Directors meetings, further improve efficiency of the meeting management and secure sufficient time for deliberations for important management matters.
    - (i) Narrow down the individual items, such as by reviewing the agenda criteria.
    - (ii) Make the time for advance distribution of materials earlier.
    - (iii) Further ensure organization of the issues for deliberation and shorten the time for explanations.
    - (iv) Create an annual plan for agenda items (including important themes).

Through these efforts, the Board of Directors strives to improve the overall effectiveness of the Board of Directors.

### [Supplementary Principle 4-14-2 Policy on Training of Directors and Corporate Auditors]

As well as giving explanations to newly appointed Directors and Corporate Auditors concerning their roles and responsibilities, the Company bears the cost to send Executive Officers and Directors to an external training program upon their appointment, in order to acquire the necessary knowledge. In addition, newly appointed Outside Directors and Outside Corporate Auditors are given explanations concerning the Company's operations, finances, and organization, etc. and provided visits to each business site. They are continuously provided with opportunities after assuming office to acquire the necessary knowledge in order to sufficiently fulfill their roles and responsibilities.

### [Principle 5-1 Policy for Constructive Dialogue with Shareholders]

Basic policy for dialogue with shareholders are as follows:

#### [Basic policy for dialogue with shareholders]

The Company constructs a system and takes efforts to promote constructive dialogue between the Company and investors and shareholders based on the below policy in order to continuously improve corporate value.

#### (Controlling supervisors)

Appointing Executive Officers who control IR operations as controlling supervisors, the Company constructs a system and takes efforts to generate constructive dialogue between the Company and investors and shareholders.

#### (Sufficient opportunities for dialogue)

The Company implements the below measures for sufficient opportunities for dialogue.

- Annual General Meeting of Shareholders
- Earnings briefings
- Presentation to analysts and institutional investors
- Disclosure of related information on the Company's website

(Execution of individual dialogue)

In addition to the measures above, when the Company determines that it is beneficial to the medium- to long-term improvement of corporate value and sustainable growth of the Company, it also conducts individual dialogue with institutional investors, while taking into consideration fairness in information disclosure.

(Method of feedback)

Executive Officers controlling IR operations report information gained by dialogue with institutional investors to the Board of Directors, etc.

(Cooperation with internal departments which assist dialogues)

The department in charge of IR operations cooperates with the Accounting and Control Department and other related departments and summarizes the content, etc. of the dialogues while sufficiently taking into consideration management of insider information.

(Management of insider information)

The management of insider information is handled in accordance with the disclosure policy posted on the Company's website.

(IR related materials)

The Company's website includes the following materials to contribute to dialogues, etc.

- Consolidated Financial Report (in Japanese and English)
- Presentation materials for earnings briefings (in Japanese and English)
  - Audio recordings and scripts of presentations (H1 and year-end earnings; in Japanese and English)
  - Scripts of Q&A for the presentation (in Japanese and English)
- ESG Meeting materials (in Japanese and English)
- Consolidated Financial Statements (in Japanese and English (partial excerpt))
- Notice of the General Meeting of Shareholders (in Japanese and English)
- Extraordinary Reports (voting results) (in Japanese and English)
- Newsletter to Shareholders
- Factbook (in Japanese and English)
- Integrated Report (in Japanese and English)



## 2. Capital Structure

Foreign Shareholding Ratio	From 10% to less than 20%
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### [Status of Major Shareholders]

Name	Number of Shares Owned (Shares)	Shareholding Ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	8,303,100	9.35
Custody Bank of Japan, Ltd. (Trust Account)	5,431,100	6.11
National Mutual Insurance Federation of Agricultural Cooperatives	3,558,000	4.00
Custody Bank of Japan, Ltd. (Trust Account 9)	2,091,700	2.35
JAPAN POST INSURANCE Co.,Ltd.	2,015,000	2.27
TOYOBO Employee Stockholders' Association	1,832,674	2.06
Toyukai	1,801,110	2.03
Nippon Life Insurance Company	1,750,803	1.97
Meiji Yasuda Life Insurance Company	1,402,900	1.58
DFA INTL SMALL CAP VALUE PORTFOLIO	1,258,200	1.42

Controlling Shareholder (except for Parent)	—
Parent (Listed Stock Market)	N/A

Supplementary Explanation	
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## 3. Corporate Attributes

Listed Stock Market and Market Section	Tokyo Stock Exchange First Section
Fiscal Year-End	March
Type of Business	Textiles & Apparels
Number of Employees (Consolidated) at End of the Previous Fiscal Year	1,000 or more
Net Sales (Consolidated) for the Previous Fiscal Year	From 100 billion yen to less than 1 trillion yen
Number of Consolidated Subsidiaries at End of the Previous Fiscal Year	From 50 to less than 100

**4. Policy for Measures to Protect Minority Shareholders in Conducting Transactions with Controlling Shareholder**

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**5. Special Circumstances Which May Have Material Impact on Corporate Governance**

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

### 1. Organizational Composition and Operation

Organization Form	Company with Board of Corporate Auditors
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#### [Directors]

Maximum Number of Directors Stipulated in Articles of Incorporation	14
Term of Office Stipulated in Articles of Incorporation	1 year
Chairperson of the Board	Chairman (excluding the case where the person concurrently serves as President)
Number of Directors	11
Appointment of Outside Directors	Appointed
Number of Outside Directors	4
Number of Independent Officers Designated from among Outside Directors	4

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

Name	Attribute	Relationship with the Company*										
		a	b	c	d	e	f	g	h	i	j	k
Masaru Nakamura	From another company								△			
Takafumi Isogai	Academic											
Kimie Sakuragi	From another company											
Masaaki Harima	Attorney at law											

\* Categories for "Relationship with the Company"

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

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

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

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

a. Executive (a person who executes business; hereinafter, the same) of the Company or its subsidiary

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

c. Executive of a fellow subsidiary of the Company

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

e. Major client or supplier of the Company or an executive thereof

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

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

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

- i. Executive of a corporation to which outside officers are mutually appointed (the director himself/herself only)
- j. Executive of a corporation that receives a donation from the Company (the director himself/herself only)
- k. Other

Outside Directors' Relationship with the Company (2)

Name	Designation as Independent Officer	Supplementary Explanation of the Relationship	Reasons for Appointment
Masaru Nakamura	○	Masaru Nakamura worked for Sumitomo Corporation, a business partner of the Company. Sales from transactions with Sumitomo Corporation make up less than 1% of the Company's sales on average for the past three years. Therefore, the Company determined that there is no risk of a conflict of interest between him and general shareholders.	The Company elected Masaru Nakamura so that his extensive experience and wide-ranging knowledge as a manager can be leveraged to provide advice and supervision to the Company's management.
Takafumi Isogai	○	No items to report.	The Company elected Takafumi Isogai so that his extensive experience and wide-ranging knowledge as an academic specializing in the quality control field can be leveraged to provide advice and supervision to the Company's management.
Kimie Sakuragi	○	No items to report.	The Company elected Kimie Sakuragi so that her extensive experience and wide-ranging knowledge in the fields of corporate ethics, compliance, sustainability, etc. can be leveraged to provide advice and supervision to the Company's management.
Masaaki Harima	○	No items to report.	The Company elected Masaaki Harima so that his extensive experience and wide-ranging knowledge as an attorney at law can be leveraged to provide advice and supervision to the Company's management.

Voluntary Establishment of Committee(s) Equivalent to Nominating Committee or Compensation Committee	Established
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#### Committee's Name, Composition, and Chairperson's Attributes

	Committee Equivalent to Nominating Committee	Committee Equivalent to Compensation Committee
Committee's Name	Nomination and Compensation Advisory Committee	Nomination and Compensation Advisory Committee
Total Committee Members	3	3
Full-time Members	0	0
Inside Directors	1	1
Outside Directors	2	2
Outside Experts	0	0
Other	0	0
Chairperson	Outside Director	Outside Director

#### Supplementary Explanation

For the major items of deliberation in the above committee, please refer to “(iii) Policies and procedures in determining the compensation of the senior management and Directors” and “(iv) Policies and procedures in the election and dismissal of the senior management and the nomination of candidates for Director and Corporate Auditor” in [Principle 3-1 Enhancement of Disclosure] in [Disclosure Based on the Principles of Japan’s Corporate Governance Code]. The composition of the Nomination and Compensation Advisory Committee is as follows:

(Nomination and Compensation Advisory Committee)

Chairperson Masaru Nakamura, Outside Director  
 Committee Member Kimie Sakuragi, Outside Director  
 Committee Member Seiji Narahara, Chairman and Director  
 (Observer Hiroyuki Sugimoto, Outside Corporate Auditor)

#### [Corporate Auditors]

Establishment of Board of Corporate Auditors	Established
Maximum Number of Corporate Auditors Stipulated in Articles of Incorporation	5
Number of Corporate Auditors	4

#### Cooperation among Corporate Auditors, Financial Auditor and Internal Audit Department

- Corporate Auditors hold regular meetings to exchange information, in addition to receiving reports on the audit plans and results from Financial Auditor.
- Corporate Auditors receive explanations on the status of activities, including internal audit plans, from the Internal Audit Department, exchange opinions, and receive reports on the results of internal audits and reports on the status of internal control evaluations related to financial reports.

Appointment of Outside Corporate Auditors	Appointed
Number of Outside Corporate Auditors	2
Number of Independent Officers Designated from among Outside Corporate Auditors	2

Outside Corporate Auditors' Relationship with the Company (1)

Name	Attribute	Relationship with the Company*												
		a	b	c	d	e	f	g	h	i	j	k	l	m
Hiroyuki Sugimoto	Certified public accountant										△			
Akihiko Irie	From another company										△			

\* Categories for "Relationship with the Company"

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

"△" when the corporate auditor fell under the category in the past;

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

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

- a. Executive (a person who executes business; hereinafter, the same) of the Company or its subsidiary
- b. Non-executive director or accounting advisor of the Company or its subsidiary
- c. Non-executive director or executive of the parent of the Company
- d. Corporate auditor of the parent of the Company
- e. Executive of a fellow subsidiary of the Company
- f. Party whose major client or supplier is the Company or an executive thereof
- g. Major client or supplier of the Company or an executive thereof
- h. Consultant, accounting professional or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as a corporate auditor
- i. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a corporation)
- j. Executive of a client or supplier of the Company (which does not correspond to any of f., g., or h.) (the corporate auditor himself/herself only)
- k. Executive of a corporation to which outside officers are mutually appointed (the corporate auditor himself/herself only)
- l. Executive of a corporation that receives a donation from the Company (the corporate auditor himself/herself only)
- m. Other

Outside Corporate Auditors' Relationship with the Company (2)

Name	Designation as Independent Officer	Supplementary Explanation of the Relationship	Reasons for Appointment
Hiroyuki Sugimoto	○	Hiroyuki Sugimoto worked for KPMG AZSA LLC, the Financial Auditor of the Company. However, he resigned from the aforementioned firm in 2010. Therefore, the Company determined that there is no risk of a conflict of interest between him and general shareholders.	The Company elected Hiroyuki Sugimoto to reflect his knowledge, etc. in the auditing of the Company because he possesses extensive experience in auditing as a certified public accountant.
Akihiko Irie	○	Akihiko Irie worked for Osaka Gas Co., Ltd., a business partner of the Company. The Company's procurement volume from Osaka Gas Co., Ltd. made up less than 1% of the company's sales on average for the past three years. Therefore, the Company determined that there is no risk of a conflict of interest between him and general shareholders.	The Company elected Akihiko Irie to reflect his extensive experience and knowledge, etc. as an auditor in the auditing of the Company because he has been involved in auditing as an auditor of listed companies, etc.

**[Independent Officers]**

Number of Independent Officers	6
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Matters relating to Independent Officers

All Outside Officers who meet the qualifications for independent officer are designated as independent officers.

**[Incentives]**

Implementation of Measures to Provide Incentives to Directors	Other
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Supplementary Explanation

The Company introduced a plan of compensation for granting restricted shares to Directors (excluding Outside Directors). Furthermore, the Company introduced a similar plan for Executive Officers (excluding Directors who are also an Executive Officer).

Recipients of Share Options	
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Supplementary Explanation
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**[Director Compensation]**

Disclosure of Individual Directors' Compensation	No individual disclosure
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Supplementary Explanation
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The total amount of compensation, etc. for Directors and Corporate Auditors for the previous fiscal year was 325 million yen for 15 Directors and 66 million yen for four Corporate Auditors. Of the amount, the total amount of compensation, etc. for Outside Directors and Outside Corporate Auditors was 41 million yen for five Outside Directors and 15 million yen for two Outside Corporate Auditors.

The total amount of compensation, etc. includes the compensation for five Directors who retired at the conclusion of the 162nd Annual General Meeting of Shareholders held on June 24, 2020.

Policy for Determining Compensation Amounts or Calculation Methods Thereof	Established
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Disclosure of Policy for Determining Compensation Amounts or Calculation Methods Thereof
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This information is stated in the Notice of the Annual General Meeting of Shareholders ("4. Matters concerning corporate officers" of the Business Report).

(Company's website: <https://ir.toyobo.co.jp/ja/ir/stock/shareholder.html>)

**[Supporting System for Outside Directors and/or Outside Corporate Auditors]**

As the administrative office of the Board of Directors, the Corporate Planning Department holds prior briefings of important matters.

Members of the Internal Auditing Department are assigned as Corporate Auditors' staff to assist Corporate Auditors in their duties.

**[Status of Persons Who Have Retired from a Position Such as President, CEO & Co-COO]**

Retired President, CEO & Co-COO, etc. Holding Advisory or Any Other Position in the Company
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Name	Title/Position	Responsibilities	Working Form and Conditions (Full-time/Part-time, Paid/Unpaid, etc.)	Date of Retirement from Position Such as President	Term of Office
Minoru Shibata	Honorary Senior Advisor	External activities, etc. (uninvolved in management)	Part-time, unpaid	June 29, 2004	1 year
Junji Tsumura	Honorary Senior Advisor	External activities, etc. (uninvolved in management)	Part-time, unpaid	June 29, 2010	1 year
Ryuzo Sakamoto	Senior Advisor	External activities, etc. (uninvolved in management)	Part-time, paid	June 24, 2020	1 year



Total Number of Retired President, CEO & Co-COO, etc. Holding Advisory or Any Other Position in the Company	3
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Other Matters
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The senior advisor and honorary senior advisor system is established in internal rules.

## 2. Matters on Functions of Business Execution, Audit and Supervision, Nomination and Compensation Decisions (Overview of Current Corporate Governance System)

The Company is a company with Board of Corporate Auditors, and under this governance system, has elected four Outside Directors and adopted the Executive Officer system.

### (1) Board of Directors

The Board of Directors has 11 Directors, including four Outside Directors. The term of office of a Director is set at one year to ensure a timely response to changes in the business environment and to clarify the responsibilities of the Directors. Directors are appointed in a well-balanced manner, with Executive Directors and Outside Directors who perform duties from a company-wide perspective. The Board of Directors makes decisions and reports on matters such as management policy and management planning, as well as oversees the business execution of each Director and Executive Officer. Regular Board of Directors meetings are held once a month, with extraordinary meetings being held as necessary.

### (2) Business execution

There are 20 Executive Officers, including some who serve concurrently as Directors. President and Representative Director serves currently as CEO and efficiently executes businesses. The Board of Managing Executive Officers and Controlling Supervisors, where Managing Executive Officers and Controlling Supervisors participate, deliberates in advance on matters to be resolved by the Board of Directors, and determines matters related to business execution that has been entrusted by the Board of Directors. The Corporate Planning Committee and the Financial Control Committee are established under the Board of Managing Executive Officers and Controlling Supervisors. They deliberate on important investment and financing projects, etc. from their respective expert standpoints, thereby managing business risk. The Board of Executive Officers also discusses management issues and communicates management policies.

### (3) Board of Corporate Auditors

There are two full-time Corporate Auditors and two part-time Corporate Auditors (Outside Corporate Auditors). They execute their duties by utilizing their knowledge and extensive experience related to finance and accounting.

### (4) Audit by Corporate Auditors, internal audit, and accounting audit (Audit by Corporate Auditors)

- The Board of Corporate Auditors of the Company consists of four members - two full-time Corporate Auditors and two part-time Corporate Auditors (Outside Corporate Auditors). In addition, in order to assist the duties of the Corporate Auditors, we have assigned two staff members for Corporate Auditors to have them support the Corporate Auditors in their execution of duties.
- Corporate Auditors attend Board of Directors meetings and other important meetings to express their opinions based on the Company's regulations, and investigate the business and property status of the Company by verifying the content of reports received from Directors, etc., and reading important documents such as approval requests, etc. They request explanations as necessary and express their opinions from an independent and objective standpoint. Additionally, Outside Corporate Auditor Hiroyuki Sugimoto has many years of experience as a certified public accountant and has considerable knowledge of finance and accounting.

(Internal audit)

- The Company has an “Internal Control Committee,” which is chaired by the officer in charge of internal auditing. In addition, the Internal Audit Department has been set up with 14 members to conduct internal audits, including at group companies, and conducts monitoring activities to evaluate the effectiveness of internal controls.
- The Internal Audit Department explains the status of activities, including internal audit plans, exchanges opinions with Corporate Auditors, and reports internal audit results and internal control evaluation status related to financial reports. It also regularly exchanges opinions with Accounting Auditor.

(Accounting audit)

- The status of the accounting audit is as follows.  
Name of audit corporation: KPMG AZSA LLC  
Continuous audit period: 52 years  
Certified public accountant who executed business: Tomoyuki Ono, Tetsuo Yamada, Seiko Ohashi  
Composition of assistants: 15 certified public accountants, 12 others, total 27 persons

(5) Outline of limited liability agreements with Outside Directors and Outside Corporate Auditors

Pursuant to the provisions of Article 427, paragraph (1) of the Companies Act, the Company has entered into agreements with all Outside Directors and Outside Corporate Auditors to limit their liability for damages. The maximum amount of liability under these agreements is the minimum liability amount provided for under laws and regulations.

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

The Company is a company with Board of Corporate Auditors, and under this governance system, has adopted the Executive Officer system and has constructed a governance system which enables timely decision-making and efficient business execution. Outside Directors bear a role of maintaining the transparency and fairness of the Company’s management by utilizing their extensive experience and providing opinions from an objective perspective. The Company strives to further ensure transparency and fairness by establishing a voluntary committee (Nomination and Compensation Advisory Committee). In view of the diverse and specialized nature of the Company’s businesses, the Company considers this current governance system to be the most suitable.

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

#### 1. Measures to Energize General Shareholders Meetings and Smooth Exercise of Voting Rights

	Supplementary Explanations
Early Notification of General Shareholders Meeting	In addition to sending notification 22 days before the date of the General Meeting, the Company publishes information on the websites of the Tokyo Stock Exchange and the Company prior to sending notification.
Scheduling AGMs Avoiding the Peak Day	The Company schedules General Meetings to avoid so-called peak days.
Allowing Electronic or Magnetic Exercise of Voting Rights	It is possible to exercise voting rights using the internet.
Participation in Electronic Voting Platform and Other Efforts to Enhance the Voting Environment for Institutional Investors	The Company participates in the electronic voting platform operated and administered by ICJ, Inc.
Providing Convocation Notice in English (Translated Fully or Partially)	The brief Notice of Convocation and Reference Documents for General Meeting of Shareholders are provided in English.
Other	The Company strives to enhance report details at the General Meeting of Shareholders by using IT equipment.

#### 2. IR Activities

	Supplementary Explanations	Explanation by Representative
Preparation and Publication of Disclosure Policy	This is published on the Company's website.	
Regular Investor Briefings for Analysts and Institutional Investors	After announcing the H1 and year-end earnings, the Company holds briefings in which either President or Director in charge of the Accounting and Control Department reports an outline of earnings, short-term and medium-term goals, and issues of the Company.	Yes
Posting of IR Materials on Website	The Company posts materials of earnings briefings for analysts.	
Establishment of Department and/or Manager in Charge of IR	The Company established an IR Group in the Corporate Communication Department.	

### 3. Measures to Ensure Due Respect for Stakeholders

	Supplementary Explanations
Provisions to Ensure Due Respect for Stakeholders in Internal Rules, etc.	Provisions are included in Toyobo Group's Charter of Corporate Behavior.
Implementation of Environmental Conservation Initiatives, CSR Activities, etc.	The Company established a Sustainability Committee chaired by President, describes initiatives related to CSR in the Toyobo Group's Charter of Corporate Behavior, and issues an Integrated Report once a year.
Formulation of Policies for Information Provision to Stakeholders	Provisions related to the disclosure of information are included in the Toyobo Group's Charter of Corporate Behavior.

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

### **1. Basic Views on Internal Control System and Progress of System Development**

In accordance with Article 362 of the Companies Act and Article 100 of the Regulation for Enforcement of the Companies Act, the Board of Directors approved a resolution as follows and the Company is promoting a framework ensuring the properness of business operations.

- (1) Framework ensuring that execution of duties by directors and employees complies with laws and regulations and the Articles of Incorporation
  - The Company adopts an Executive Officer system in order to improve the transparency and fairness of management by clearly separating “decision-making/oversight” and “business execution.” In the Executive Officer system, which is clearly defined by the Management Regulations, the Board of Directors oversees the business execution of Executive Officers. The system also clearly defines in the Executive Officer Regulations, which state that Executive Officers have an obligation to comply with laws and the regulations, and the Articles of Incorporation.
  - The Company establishes a “Compliance Committee” which is chaired by the Executive Officer in charge of compliance, and the Legal and Compliance Department promotes compliance throughout the Group. Furthermore, the Company establishes compliance consultation centers as a contact point for reporting internal problems.
  - The Company formulates the “Toyobo Group Charter of Corporate Behavior” and the “Toyobo Groups Staff Code of Conduct,” which will be distributed to the Group’s officers and employees to ensure thorough compliance with laws and regulations, and corporate ethics.
- (2) Framework ensuring the efficiency of execution of duties by Directors
  - The executive officer system enables timely decision-making and oversight by the Board of Directors and efficient business execution by the Executive Officers.
  - The Board of Directors is in charge of “decision-making/oversight” and the Chairman serves as Chairperson of the Board of Directors. For “business execution,” President leads business execution and serves as Chairperson of the Board of Managing Executive Officers and Controlling Supervisors while also convening the Board of Executive Officers.
  - The Board of Managing Executive Officers and Controlling Supervisors deliberates in advance on matters to be resolved by the Board of Directors, and determines matters related to business execution that has been entrusted by the Board of Directors. The Board of Executive Officers discusses management issues and communicates management policies. Through this system, the Company strives for efficient business execution.
- (3) Framework for storing and managing information related to execution of duties by directors
  - Directors and Executive Officers shall appropriately store and manage documents related to the execution of their duties and other information, in accordance to the Company’s Document and Information Management Rules.
- (4) Rules and framework for managing risks of loss
  - The Corporate Planning Committee and the Financial Control Committee are established under the Board of Managing Executive Officers and Controlling Supervisors. They deliberate on important investments and new projects, important investment and financing projects, etc. from their respective expert standpoints, thereby managing business risk.
  - The Company establishes a “Sustainability Committee” and “Risk Management Committee” chaired by President, to focus on efforts to solve global social and environmental issues, as well as to enhance the risk management systems supporting the management foundation of the entire Group.
- (5) Framework ensuring the properness of business operations of the corporate group consisting of the Company and its subsidiaries
  - In terms of Group management, each responsible department of the Company manages based on the business content of the relevant company. In this system, the Corporate Planning Department promotes governance from an overall perspective.

- The Company ensures the properness of operations by clarifying the scope in which the Company can be involved in the important decision-making matters of subsidiaries and associates in accordance with the Companies Act based on the Board of Directors Regulations, the Board of Managing Executive Officers and Controlling Supervisors Regulations, the internal regulations of management of subsidiaries and associates, and other regulations.
  - The Company promotes compliance with laws and regulations across the entire group.
  - In order to ensure the reliability of financial reports, the Company constructs an internal control system which includes group companies and conducts effective management and evaluation of the system.
- (6) Framework ensuring the effectiveness of auditing by Corporate Auditor
- a. Matters related to employees who assist the duties of the Corporate Auditors, matters related to the independence of such employees from Directors, and matters related to securing the effectiveness of instructions to such employees
    - In order to assist in the duties of Corporate Auditors, Corporate Auditor staff will be assigned. Corporate Auditors maintain the authority to provide directions and orders to the staff. The consent of the Board of Corporate Auditors is required for human resource operations, such as the appointment and dismissal of such staff, employee performance evaluation, performance evaluation for bonuses, etc. The opinion of the Board of Corporate Auditors must also be requested in order to apply provisions related to rewards and punishments.
  - b. Systems for Directors and employees, etc. of the Company and its subsidiaries to report to Corporate Auditors; Other systems related to reporting to Corporate Auditors; Systems to ensure that employees will not receive disadvantageous treatment due to reporting
    - The Company and group companies regularly undergo audits by Corporate Auditors and report the status of business operations. Furthermore, when Corporate Auditors of the Company request a report of officers and employees of the Group, they must issue that report promptly and appropriately.
    - The Company establishes a dedicated e-mail address to enable officers and employees of the Group to directly consult with or report to Corporate Auditors of the Company.
    - The Company thoroughly communicates that persons who consult with or report to Corporate Auditors of the Company cannot be dismissed or receive other disadvantageous treatment in the Company or group companies due to the reason that they conducted this consultation or report.
  - c. Policy on procedures for advance payment or reimbursement of expenses incurred in the execution of duties by Corporate Auditors, and other expenses incurred in the said execution of duties, or handling of debts
    - When there is a request from the Board of Corporate Auditors or an individual Corporate Auditor for expenses required to seek the advice of legal or accounting specialists, this amount is paid based on the request, excluding cases when that request is acknowledged as unnecessary to their execution of duties.
  - d. Other Framework ensuring the effectiveness of auditing by Corporate Auditor
    - It shall be clearly stated in the Management Regulations, etc. that Corporate Auditors attend important meetings related to group management such as the Board of Managing Executive Officers and Controlling Supervisors, the Board of Executive Officers, and Management Board, and provide their opinions. The same rules are clearly stated for the "Sustainability Committee" and "Risk Management Committee."
    - Corporate Auditors regularly hold Group auditor liaison meetings targeting major group companies, where they aim to enhance auditing related to the construction of an appropriate internal control.
    - Corporate Auditors receive reports on the results of internal audits from the Internal Audit Department, receive reports on the status of evaluations of internal control related to financial report, and exchange information.
- (7) Basic views on eliminating anti-social forces and progress of related efforts
- In the "Toyobo Group Charter of Corporate Behavior," the Company aims for the elimination of anti-social forces by standing firmly against antisocial forces and organizations that pose a threat to the

order and safety of civil life, and takes efforts to thoroughly block any kind of relationship with these forces.

## **2. Basic Views on Eliminating Anti-Social Forces and Progress of Related Efforts**

The Company's basic views are published in the above "1. Basic Views on Internal Control System and Progress of System Development (7)."

## V. Other

### 1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	Not adopted
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#### Supplementary Explanation

At the Board of Directors meeting held on April 24, 2020, the Company resolved that upon the expiry of the effective period of "Countermeasures Against Large-Scale Purchases of the Company's Shares" (hereinafter the "Existing Plan"), which was at the conclusion of the Annual General Meeting of Shareholders held on June 24, 2020, it would not to continue and abolish the Existing Plan.

The basic policy on ideal person who has control over decisions on the Company's financial and business policies after the abolition of the Existing Plan is as follows.

(1) Basic policy on ideal person who has control over decisions on the Company's financial and business policies

The Company believes that since the Company allows the Company shares to be freely traded as a listed company, the decision on whether to accept or reject any large-scale purchases that involve a transfer of control over the Company should be ultimately decided based on the shareholders' will.

However, some large-scale purchase actions include those that aim to realize the profits of the large-scale purchaser at the expense of the Company and those that may actually force shareholders to sell their shares. We believe that there are some that may impair corporate value and, in turn, the common interests of shareholders.

As for the person who has control over decisions on its financial and business policies, the Company believes that anyone who engages in a large-scale purchase or similar activities that may impair the corporate value of the Company and, in turn, the common interests of shareholders as described above, is not appropriate. The Company believes that a person who has a sufficient understanding of the Company's finances, basic philosophy, business activities and core technologies, and aims to increase corporate value and, in turn, the common interests of shareholders from a long-term perspective is appropriate.

(2) Special efforts for realization of the basic policy

a. Efforts to improve corporate value by promoting the medium-term management plan

The Company was founded as a cotton spinning business, and thereafter expanded its business to chemical textiles and synthetic fibers. The Company later entered into the markets of films, functional polymers, ultrahigh strength polyethylene fiber, functional membranes and enzymes for diagnostics, and has continued to expand its specialty businesses as represented by these products. In the course of its long history, the Company has nurtured and developed its core technologies, namely, "Polymerization," "Modification," "Processing," and "Biotechnology." The Company has established a business model that responds to meticulous demands of customers with an integrated marketing, development and production segment. Under this business model, the Company has been steadily executing the medium-term management plan, aiming to maintain and expand its businesses in order to further place the Company on the path to growth.

b. Efforts to improve corporate value by strengthening corporate governance

Under our corporate philosophy of "Jun-Ri-Soku-Yu," the Company has established an appropriate corporate governance system according to the Company's position, and through various measures such as the medium-term management plan, we will address social issues. In addition to contributing to the solution of the above, we will strive to improve economic value and enhance corporate value.

(3) Measures to prevent decisions on the Company's financial and business policies from being controlled by persons deemed inappropriate under the basic policy

In the event of a large-scale purchase, the Company will make efforts to secure sufficient information and time for consideration so that shareholders can properly judge the pros and cons of the large-scale purchase. The Company will take appropriate measures within the range permitted by the Financial Instruments and Exchange Act, the Companies Act and other related laws and regulations.



(4) The reasons why the specific efforts described in (2) and (3) above are in line with the basic policy, do not impair the common interests of the shareholders of the Company, and are not intended to maintain the position of the Company's officers

The specific efforts described in (2) above are based on the medium- to long-term management strategy for continuously improving the corporate value of the Company and, in turn, the common interests of shareholders, and are in line with the basic policy of (1) above.

In addition, the specific efforts described in (3) above are to take measures for shareholders to appropriately judge the propriety of a large-scale purchase of the Company's shares when a large amount of the Company's shares are to be purchased. It is intended to maintain and improve the corporate value of the Company and, in turn, the common interests of shareholders and is in line with the basic policy of (1) above.

Therefore, we believe that these efforts do not impair the common interests of the Company's shareholders, nor are they intended to maintain the position of the Company's officers.

## **2. Other Matters Concerning Corporate Governance System**

### Overview of Timely Disclosure System

The status of internal framework for timely disclosure of corporate information of the Company are as follows:

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

The Company's basic policy in regards to corporate communication is to "aim for lively communication and strive for timely and appropriate information disclosure, taking into consideration fairness and equality." As such, the Company is focusing on a. information disclosure as a social responsibility (accountability) and b. communication which doesn't harm corporate value.

#### (2) Internal Framework for timely disclosure

The Company has set General Manager of Corporate Communication Department as a person responsible for information handling and the IR Group as an organization responsible for information disclosure. The departments responsible for matters related to account settlement (including results forecasts) are the Finance Department and the Accounting and Control Department. The department responsible for matters related to basic policy of management is the Corporate Planning Department. The department responsible for matters related to organizational operations, etc. is the Human Resources Department. The department responsible for matters related to stock and securities exchanges is the Legal and Compliance Department. Proposal of important matters will be issued by each responsible department and, after passing through the Board of Managing Executive Officers and Controlling Supervisors and being approved in the Board of Directors, the information will be promptly and timely disclosed. Furthermore, proposals related to decisions will be deliberated in the Corporate Planning Committee and Financial Control Committee before being proposed to the Board of Managing Executive Officers and Controlling Supervisors.

If, contrary to our intention, a newspaper publishes information about matters not officially provided by the Company, our first response will be to disclose the information to our shareholders, investors, etc., as promptly as possible, through the stock exchange.

#### (3) Methods of information disclosure

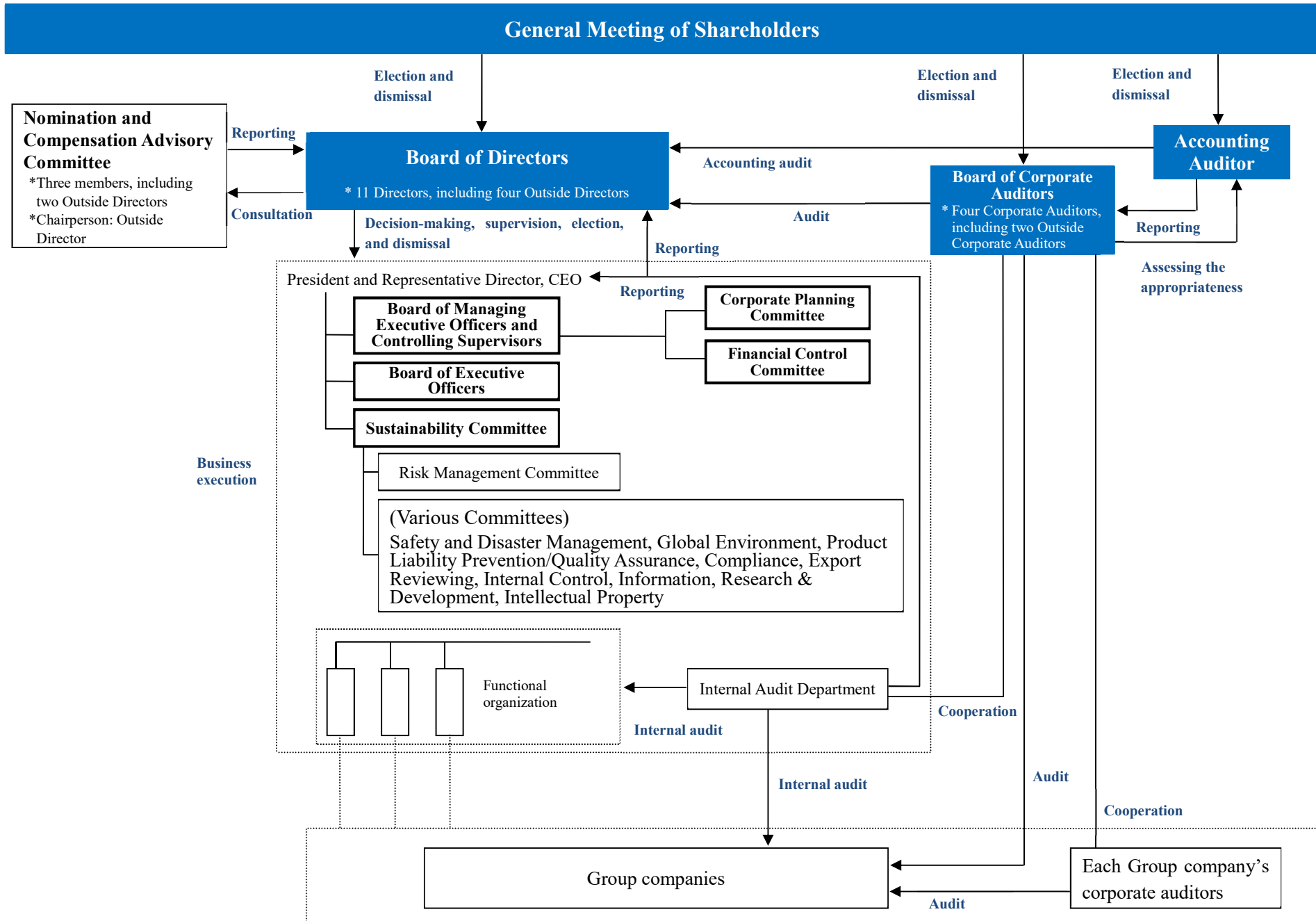
The Company shall disclose information through one or multiple of the following methods: submission of Consolidated Financial Statements, etc., registration to stock exchange, distribution of press release, and posting on the Company's website.

#### (4) Monitoring pertaining to management of corporate information

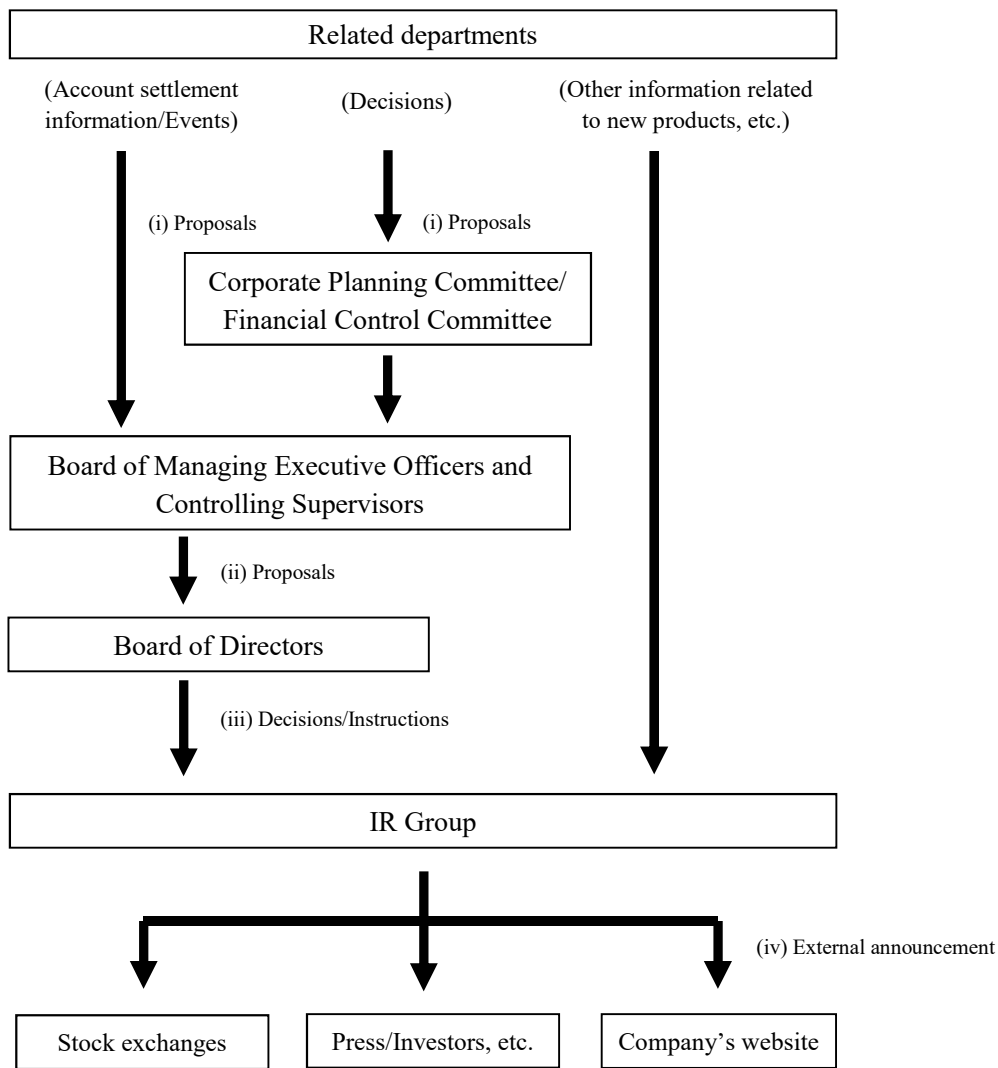
Multiple departments will inspect beforehand whether timely information disclosure is conducted properly and appropriately. In addition, Corporate Auditors will conduct an audit once a year.

(5) Other

The Company makes efforts to train employees regarding information management, spread knowledge and raise awareness by establishing rules in the Compliance Manual and the provisions on information handling management.



[Information Disclosure Structure]



- Information related to account settlement ... Content of account settlement, revisions to performance, revisions to dividends, etc. (Consolidated Financial Report, etc.)
- Information related to decisions ... Issuance of new shares, decrease in equity, share buybacks, share splits, etc.
- Information related to events ... Damages, changes in major shareholders, matters that cause delisting, etc.