C.I. TAKIRON

C.I. TAKIRON Group

Integrated Report

2023



Group Corporate Philosophy

Mission

Creating a people- and earth-friendly future

That is to say, we will carry on fulfilling our responsibility and role in people's lives and the global environment. And to do so, we will tap into the various business resources we have built over the years. Since our founding in 1919, the C.I. Takiron Group has been supporting people's daily lives and creating a better tomorrow, and we will continue to be a corporate group that provides peace of mind and comfort for the future.

Aspired Corporate Culture

Pride in our accumulated value and the courage to transform

These are things that are important for us to have in order to achieve our Mission. While remaining proud of the fact that we have refined our technology and built up trust over the past 100 years, we will continue to nurture a corporate culture that never settles for the status quo, is willing to transform, and always has the courage to boldly take on new challenges.

Sustainability Vision

Corporate Message

Supporting today, changing tomorrow

The C.I. TAKIRON Group supports the lives of people today and always works to build a better future for people and the environment with the courage to change toward more prosperous, comfortable lifestyles in tomorrow.

Editorial Policy

C.I. TAKIRON Group regards the Integrated Report as an important communication tool. We issue this report to help stakeholders understand our efforts to enhance our corporate value over the medium to long term, and to further deepen dialogue and enhance the sustainability of our company.
For Integrated Report 2023, we focused on inputs to and outputs from our value creation process to clearly show the interplay between our business strategies and our foundation for business growth. We have also presented both financial and non-financial information relevant to our efforts to build sustainable growth.

Reporting Period

FY 2022 (Friday, April 01, 2022 to Friday, March 31, 2023)
* This report includes some information outside of this reporting period.

Reporting Organizations

C.I. TAKIRON Corporation and its Group Companies

Publication Date

September 2023

Main Reference Guidelines

- Ministry of Economy, Trade and Industry
  "Guidance for Collaborative Value Creation"
- Ministry of the Environment
  "Environmental Reporting Guidelines"
- International Integrated Reporting Council (IIRC)
  International Integrated Reporting Framework
- GRI (Global Reporting Initiative)
  "Sustainability Reporting Standards"
- The SDG Compass

Environment Social Governance
価値協創ガイダンス



Introduction of Communication Tools

You can find more information about C.I. TAKIRON Group on the corporate website. General information is available in the Corporate section and more detailed management information is available in the Investor Relations section.

Corporate Information
https:// www.takiron-ci.co.jp/corporate/

Investor Relations
https:// www.takiron-ci.co.jp/ir/

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A History of Taking on Challenges and Expanding Business Domains

Our company has led the way in developing products to address customer needs since its founding in 1919 by accurately understanding the changes of the times. We remain unafraid of change and will continue to take on new challenges in order to safeguard people's affluent lives, support societal growth, and create a people- and earth-friendly future.

Concepting the circular economy since our founding to help support society

1919

Launch of Remanufactured Celluloid

Remanufactured celluloid is made by making recycled celluloid sheets from the waste celluloid produced when processing new celluloid sheets (average of 20% of waste celluloid is generated). Orders from processors boomed for these recycled celluloid sheets after the recycled product was praised for having almost the same high-quality as new celluloid sheets.



Celluloid Sheet

Shift toward Materials that Meet Market Needs

1955

Launch of Rigid Vinyl Chloride Sheet Sales

Our research into vinyl chloride resin as flame-retardant materials began in 1948 to overcome the shortcomings of celluloids. TAKIRON Plate started sales in 1955 as a rigid vinyl chloride sheet. We began to manufacture rain gutters in 1957, rigid vinyl chloride corrugated sheet with extrusion processing in 1958, and polycarbonate plate in 1961. We also transitioned metal products (galvanized iron sheet/tin rain gutters) to light plastics which does not rust.



Prototype Machine and Research Group

Drip, Dust, and Mist Prevention

1978

Launch of Sky 8

Mist inside of greenhouses causes diseases in crops. We set out to prevent fog and mist in greenhouses from around 1976 in light of feedback from farmers about mist forcing them to wear rain gear during work and other such concerns. After three years of testing, our research discovered a way to mitigate mist by applying a special silicone to change the disposition of wet film surfaces. This led to the acquisition of a patent and the start of Sky 8 sales in 1978.



With mist prevention (Sky 8)

Water-sealing/ Waterproofing Panels and Shields

1982

Launch of Vynon Aqua ATR (current Vynon Hydrotite) Hydrophilic Water Sealing Material

A specialized production method succeeded in blending and molding composite and water-absorbing resins. These panels and shields swell in water to obstruct the penetration of ground water. It is used as a segment sealant in underground tunnels and as a joint sealant in concrete, and is currently being used in subway construction throughout Asia.



Example of application: Tokyo Bay Aqua-Line Trans-Tokyo Bay Highway Umihotaru Undersea Tunnel

History of C.I. TAKIRON

1919



Takigawa Celluloid Plant. founded (former Takiron Co., Ltd.)

1935

Takigawa Celluloid Plant incorporates under the name Takigawa Celluloid Co., Ltd.

1957

Itochu Corporation invests in Takigawa Celluloid

1959

Takiron Chemical Co., Ltd. changes its corporate name to Takiron Co., Ltd.

1961

Takiron Chemical Co., Ltd. is listed on the Second Section of the Osaka Securities Exchange.



1963

Yokohama Rubber Co., Ltd. establishes Hama Kasei Co., Ltd. (former C.I. Kasei Co., Ltd.) **as a joint capital venture with the Zeon Corporation and other Furukawa Group companies.**

1965

Kobe Resin Co., Ltd. founded with 100% investment from Itochu Corporation

1967

Itochu Corporation invests in Takigawa Celluloid

Safe Even Under Outdoor Rainy Condition

1995

PVC Stair Treads with Sound Absorption and Slip Resistant Function

Industry-first sound insulation and slip-resistant flooring material for stairs Through repeated testing, we have continued to improve the quality of Takistep in terms of its materials, design, and the stair nosing method. Consequently, Takistep is now renowned across the industry for its unique features.



TAKISTEP

Lightweight and Highly Rigid with High Heat Insulation

2007

Launch of Lume Carbo Large Polycarbonate Plastic Double-layer Panel

The Lume series provides a lineup of products to drive energy savings by letting plenty of natural light into buildings while dramatically reducing the heat lost from openings. Applications include Lume Wall and Lume Roof.



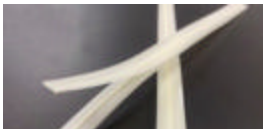
Lume Wall

Expand Environmentfriendly Products

2021

Development of Cellulose Compound

We developed Cellulose Compound, a polyolefin resin blended with cellulose, a natural fiber. It contributes to the reduction of CO_2 emissions by reducing the use of petroleum-derived resins.



Cellulose Zipper

Preventing the Spread of Fire Damage

1999

Launch of Flame-retardant Plastic Sales

We developed FM Plate that prevents the spread of fire and smoke by forming a carbon layer that acts as an oxygen shield against a fire heat source. This contributes to the enhancement of fire safety.



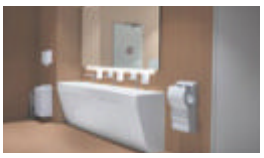
FM Plate Burning Test

Anti-bacteria/ Anti-virus

2021

Launch of Antibacterial and Antiviral Products: Belbien (Fireproof Decorative Adhesive Film) and Neo Clean (Flooring Material)

These products have an antibacterial activity value of at least 2.0. They also have antiviral properties that can kill 99% or more of viruses. By restricting the spread of bacteria and viruses, they help maintain a more hygienic environment.



Walls: Belbien Flooring: Neo Clean

Construction Materials Business

Polycarbonate building materials, housing materials, piping and pluming equipment, flooring materials, decorative materials, water damage prevention materials

Environmental Materials Business

Agricultural materials, binding materials, infrastructure materials, civil engineering products, liquid chemical tanks

Expanding Business Domains

High Functional Materials Business

Plastic sheets, machining materials, micro motors

Specialty Films Business

Shrinkable film, zipper tape

1971

Takiron merges with Kobe Resin, forming C.I. Kasei Co., Ltd.

1973

Takiron Chemical Co., Ltd. listed on the First Section of the Tokyo Stock Exchange.
Takiron Chemical changes its name to Takiron Co., Ltd.

1993

C.I. Kasei Co., Ltd. listed on second section of TSE

1995

C.I. Kasei Co., Ltd. listed on first section of the Tokyo Stock Exchange

2009

C.I. Kasei Co., Ltd. becomes fully consolidated subsidiary of Itochu Corporation

2017

Takiron and C.I. Kasei integrate their businesses, **forming C.I. TAKIRON Corporation**

2022

C.I. TAKIRON Corporation listed on the Tokyo Stock Exchange Prime Market

Business Overview

C.I. TAKIRON contributes to better life and development of society in addition to solutions toward environmental and social issues in four business sectors.

Construction Materials Business

Polycarbonate building materials, housing materials, piping and pluming equipment, flooring materials, decorative materials, water damage prevention materials

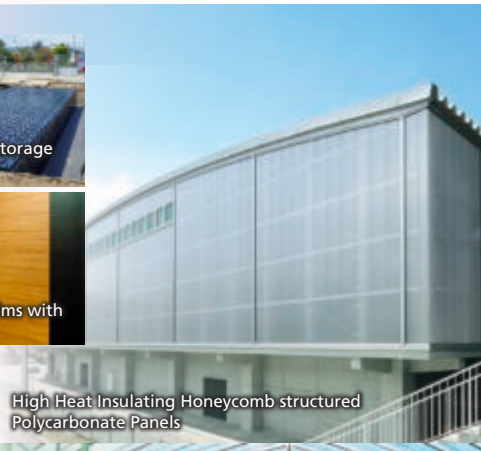
We comprehensively create urban spaces and provide future-oriented safe and comfortable living environments.

We of course provide safety and durability but also have a broad track record which has earned a high level of trust in the construction field where aesthetics and comfort are essential. Our wide-ranging product lineup supports comfortable living and urban environments.


Flooring for Apartment Corridors


Small-scale Rainwater Storage and Filtration Tanks


Fireproof Decorative Films with Adhesive

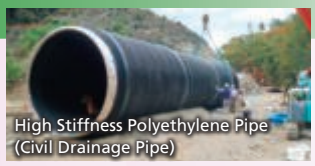

High Heat Insulating Honeycomb structured Polycarbonate Panels

Environmental Materials Business

Agricultural materials, binding materials, infrastructure materials, civil engineering products, liquid chemical tanks

We propose optimal environment with our wide array of agricultural materials and contribute to building, maintenance, and improvement of a safe and secure social infrastructure.

We contribute to the revitalization of agriculture by providing high-quality agriculture materials, such as agricultural films, agricultural supports and irrigation tubes. We also offer materials that support the functionality and safety of social infrastructure according to the various applications and purposes.


High Stiffness Polyethylene Pipe (Civil Drainage Pipe)


Waterproof Geomembranes (Industrial Waste Disposal Facilities)


Pipe Rehabilitation Work (Sewer Pipes)


Agricultural Plastic Film/Resin-coated Steel Pipe

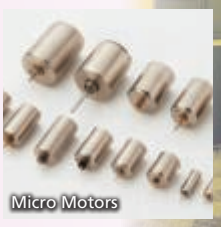
High Functional Materials Business

Plastic sheets, machining materials, micro motors

We support the growth of next-generation industrial fields through our advanced material processing technology.

C.I. TAKIRON high functional materials play an important role in many fields from industrial applications in technically high demanding semiconductor and liquid crystal manufacturing to the high reliability needs of cameras and RC servos.


Industrial Plastic Plates (Semiconductor Manufacturing Equipment)


Micro Motors

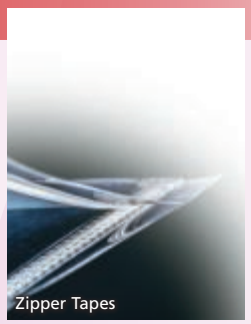

Static Dissipative Plastic Plates (Clean Room Partitions)

Specialty Films Business

Shrinkable film, zipper tapes

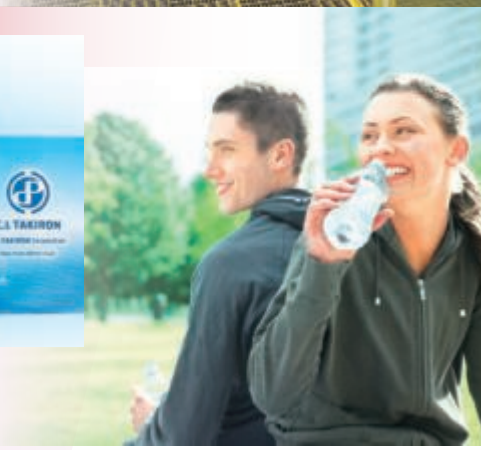
From a global perspective such as responding to the environment, we propose shrinkable films and a range of high-precision zipper tapes demanded by markets.

The mainstay products in this business are shrink films and zipper tapes, both a fixture of everyday life. We provide easily recyclable label films and zippers for mono-material packaging that can contribute to the recent trend toward transitioning to a circular economy.


Zipper Tapes



Shrinkable Films



Financial/Non-financial Highlights

Financial

Net Sales

FY2021 141,936 › FY2022 145,725 million

Ordinary Profit

FY2021 9,084 › FY2022 5,923 million

Profit Attributable to Owners of Parent

FY2021 6,660 › FY2022 2,460 million

Earnings Per Share

FY2021 68.47 › FY2022 25.30 Yen

Capital Investment

FY2021 4,145 › FY2022 5,070 million

Research & Development Expenses

FY2021 1,214 › FY2022 1,355 million

Non-financial information * non-consolidated

New Female Graduate Employment Ratio*

FY2021 28.6 › FY2022 63.6 %

Rate of Paid Leave Taken by Employees*

FY2021 89.4 › FY2022 90.5 %

Percentage of new hires who leave within three years (career-track)*

FY2021 (Joined 2019) 7 › FY2022 (Joined 2020) 0 %

Changes in Energy Use and Consumption Rate

FY2021 13.6 › FY2022 13.1 GJ/Manufacturing Ton

CO_2 emissions at Scopes 1 and 2

FY2021 81 › FY2022 71 kt-CO_2

Water Consumption

FY2021 981 › FY2022 953 km³

Third-party validation

Certified as excellent corporation for health and productivity management

In fiscal 2023, C.I. TAKIRON was once again certified as an out-standing organization for health management under the Certified Health & Productivity Management Organization Recognition Program for the second consecutive year.
To maintain this designation, we'll go even further to implement the Management Commitment on Enriching Lives.

2023 健康経営優良法人 Health and productivity

Kurumin Certification

The Minister of Health, Labour and Welfare recognized C.I. TAKIRON as an organization striving for a high level of childcare support through the 2021 Kurumin Certification.

* The Kurumin Certification is an initiative to recognize companies meeting certain require-ments for childcare support that provides work-life balance to employees based on the Act on Advancement of measures toSupport Raising Next-Generation Children.



Yuji Fukuda
President & CEO

Striving to be an excellent company expected by all stakeholders

Fiscal 2022 in Review

Termination of the Medium-term Management Plan in Light of Changes in the External Environment Ensuring to Achieve Our One-year Plan, Preparing the Next Medium-term Plan

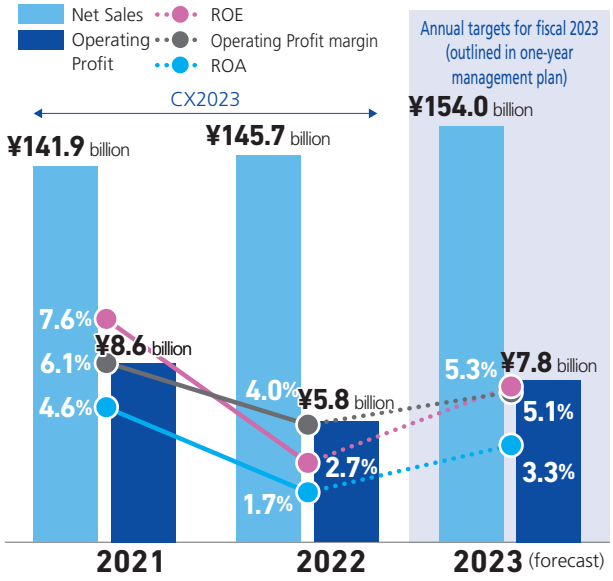
Back in fiscal 2021 (ended March 2022), we launched a medium-term (three-year) management plan titled Commit to Transformation 2023 (CX2023). CX2023 set out quantitative three-year targets along with six priority actions.

Over the first two years, we have been conducting business activities based on the plan. However, we faced a volatile business environment. As well as the pandemic impact, we faced global economic volatilities culminating in high material and energy costs, along with a reduction of civil engineering projects. These factors created a wide divergence between actual performance and the performance targets set out in CX2023, with the effect that profit dropped markedly in fiscal 2022.

After taking all circumstances into account, we decided to end CX2023 a year early, at the end of year 2. We did so because we felt that sticking to unachievable targets would be dishonest to our stakeholders and would demotivate employees.

Our focus in fiscal 2023 (ending March 2024) is to achieve the targets set out in our one-year plan announced in May 2023 and to prepare a new medium-term management plan for the three years that follow. We are determined to achieve the annual targets without fail so that we can restore stakeholders' confidence in us, which is an absolute must.

Performance, targets



Tasks for Today

Three Actions to Achieve the Growth Promised Prior to the Merger: Boosting Profitability, Empowering R&D Capability, and Reforming Organizational Management Structure

Against this challenging backdrop, I took over as C.I. TAKIRON Corporation's CEO in April 2023. I previously served Itochu Corporation as its representative director and executive vice president, and as president of one of Itochu's business divisions.

Itochu had held a stake in C.I. Kasei since before C.I. Kasei merged with TAKIRON. C.I. Kasei became a consolidated subsidiary of Itochu in 2009. Back when I was

managing Itochu's chemicals division, I felt that integrating C.I. Kasei with TAKIRON would unlock synergies between the two companies. At that time, Itochu, as well as having a stake in C.I. Kasei, had a stake of just over 30% in TAKIRON. The merger occurred, as I anticipated, in 2017, by which time I was working outside Japan as head of Itochu's Asia and Oceania bloc and its East Asia bloc.

However, the post-merger picture was not entirely as expected. True, TAKIRON's plastic plate business synergized with C.I. Kasei's film business, enabling the merged entity to deliver value-added resins efficiently and unlocking higher revenue potential. Ultimately, however, the merged entity struggled to grow its sales revenue and profit. I was particularly concerned that the company seemed to have lost its profitability. After becoming president, I reviewed the post-merger results. The findings were stark.

So what does C.I. TAKIRON Corporation need today? Last year, when I was serving as executive vice president of C.I. Takiron, I identified three areas that we need to focus on: boosting profitability, empowering R&D capability, and reforming organizational management structure.

To start with boosting profitability, as a manufacturing company, our top priority should be to enhance productivity through a process of rationalization. Better productivity means lower production costs. With lower production costs, we can increase profit without raising sales prices. That way, we can beat the competition. In short, we need to regain our Gembaryoku or frontline strength. To that end, we must adopt a more aggressive footing: Instead of sticking to what we did yesterday, we should invest in advanced assets to boost production capacity while using a production management system to save labor. In this way, we must keep raising the bar so that our production centers stay competitive.

Crucially, we can only boost profitability by leading the market in delivering new products with added value. This is where the second priority, empowering R&D capability, comes in. We must waste no time in synergizing the technical prowess of former TAKIRON and C.I. Kasei in order to accelerate expansion into new sectors. I fear that we still haven't sowed enough seeds of growth in this field.

To implement these aggressive strategies, we need to reform organizational management. For the first part of this reform, Head Office will take over from the Production Division in allocating budgets to production centers so that we can centrally manage the growth capital expenditure and other elements of the aggressive plan for production. Alongside this change, we'll consolidate the digital transformation team with the IT team into a single team. These changes will create an organizational footing in which we can identify, and then address, new issues that emerge, such as lack of coordination with manufacturing factories and the lack of an organization-wide, dynamic vision for digital transformation.



Only by pressing ahead with these actions simultaneously can we raise our future prospects for true growth. It will take some time to get all the production teams united behind this agenda and unleash our potential once again. But the market won't wait for us to be ready. For the time being, then, we must produce solid results with what we have. That means we must, without fail, achieve the targets in the one-year management plan we announced back in May.

One-year Management Plan

Improving Profitability to Ensure to Achieve Our Quantitative Targets, Reforming Business to Improve Growth Prospects

We set the following quantitative targets for fiscal 2023: \154.0 in net sales, \7.8 billion in operating profit, \8.0 billion in ordinary profit, and \5.0 billion in net income. Given the problems I've been discussing, we can only achieve these targets by taking three actions: 1) improving profitability, 2) reduce deficit companies and those total net loss, and 3) pursing M&A opportunities to drive business reform. [See p. 21: Annual targets for fiscal 2023].

To improving profitability, we must adapt to the harsh business climate by reducing costs, raising sales prices, and consolidating product categories. We've endured headwinds for some years now. Fiscal 2022 was particularly tough, with high prices for materials and energy undercutting our profit. Global financial and geopolitical conditions remained as volatile as ever. Prospects of economic recovery were slim in Europe, where some of our factories are located. In the United States, inflation and the accompanying interest rate hikes stifled demand, leading to a big drop in sales of shrink films, our mainstay product for the US market.

However, as we go into the second half of fiscal 2023, we see signs of a possible economic recovery in Europe. Japan, too, appears to be on a recovery path now. In the second half, I expect to see a return to sales growth in one of our mainstay products, industrial plastic plates for semi-conductors. With this growth, we can achieve the annual targets despite the harsh conditions.

Regarding the second action—reduce deficit companies and those total net losses—we've already started a process of identifying group companies that require close attention and monitoring them on a monthly basis. From now on, we'll conduct such monitoring centrally from Head Office, instead of delegating it entire to business units as we did before.

The third action is to actively pursue M&A opportunities with a view to driving business reform. We'll pursue two types of M&A deals: those that will increase our share of the Japanese domestic market, and those that will enable us to acquire new technology. An example of the first type is our acquisition, in March 2023, of MIYOSHI Corporation, whose forte lies in smoke-proof hanging partitions. The latter type would involve acquiring new nanotech, motor tech, and the like. We'll explore leads far and wide using a global patent search tool that we installed last year. We must secure our core tech and concentrate resources in areas with bright growth prospects.

Annual targets for fiscal 2023

(Unit: 100 million)

	Plans	Change from previous year's result
Net Sales	**1,540**	+82 (106%)
Operating Profit	**78**	+20 (135%)
Ordinary Profit	**80**	+20 (135%)
Profit Attributable to Owners of Parent	**50**	+25 (203%)

On the financial side, we do, I believe, have ample finances to fund these aggressive investments. However, it's also true that we don't always operate as efficiently as we could. We should therefore evaluate our business units based on ROIC to see how much return we are getting for cost of capital. By gaining precise data about capital efficiency, we can pursue a selection and focus strategy that will improve our consolidated revenue and profit. [See p. 17: Basic financial strategy]

There's only so much we can do in just one year. But we must press ahead with what we can do now so that we can deliver outcomes as soon as possible. To demonstrate our commitment and confidence to shareholders and investors, we've pledged that the dividend for the current fiscal year (ending March 2024) will be no less than \22 per share, with a payout ratio of no less than 40%. After we announced this pledge, our share price, previously on a downward trend, traced an upward path across the first quarter (April–June 2023). This trend suggests that stakeholders were reassured to some extent. But I also feel that stakeholders will give us no more than one year to turn performance around. We must make the most of this grace period. The management and staff have pulled themselves together and committed to preparing a new medium-term management plan that will start in fiscal 2024.

Toward the Next Medium-term Management Plan

As Well as Enhancing R&D and Production, the Lifeblood of Any Manufacturer, We'll Go Further in Empowering the Talent that will Drive Future Growth

I was determined that the management, as well as setting annual targets, should send out a clear message communicating the kind of organization we want to be in the longer term. That's why we announced in May, along with the one-year plan, seven strategic themes that we would integrate into the forthcoming medium-term management plan.

We have a wide-ranging portfolio, encompassing building materials, agricultural materials, civil engineering materials, industrial materials, and general goods. But what we need now is an overall vision to guide our strategic direction, which might be to channel our existing strengths—polycarbonate auto parts, for example—toward new frontiers, or it might be develop eco-friendly products that help build a sustainable world. We must then back-cast from this vision to determine which capabilities and assets we should enhance at short-, medium-, and long-term time frames. Particularly critical is the need to enhance what are the core capabilities of any manufacturer: R&D and production. To that end, we need talent.

Manufacturers live and die on the excellence of their technicians and researchers. To help attract the top talent that will carry our vision forward, we should locate our R&D sites in accessible areas. Currently, we have several R&D sites in disparate locations. It might be a good idea to build a new R&D facility in the outskirts of a big city. At the same time, we must facilitate the professional growth of younger employees, who represent the next generation. One idea is to adopt a talent management system that offers fast-tracked promotion to junior employees who excel. Since fiscal 2019, our organization has made fair progress in rolling out its agenda of workstyle reform and of health and productivity management, in accordance with the Management Commitment on Enriching Lives. Building on this progress, we'll balance the existing elements of this agenda with a system for evaluating employees' motivation to grow and excel. [See p. 39: Talent strategy]

I want C.I. TAKIRON to be an organization that always embraces new challenges. This is an age of high labor mobility. Even in Japan, young people increasingly hop from one employer to the next as they forge their careers. This trend makes it all the more important to be an inspiring organization that people want to work for. I mentioned earlier that we need to regain our Gembaryoku and expand into new business sectors. Both tasks will require an organizational culture that emphasizes employee engagement and active idea-sharing. Such a culture will support both employee growth and profit growth, leading to greater business success.

Strategic themes for the next medium-term management plan:

1	Restructure and strengthen business divisions
2	Develop new products, new tech, and a stronger structure for driving new business development
3	Overhaul R&D
4	Enhance Production Division
5	Enhance Planning and Administration Division
6	Enhance the talent management system so that it supports sustainable growth
7	Establish an investment strategy

Sustainability Management

What's Expected of Us: *Sustainability, Governance*

Another important part of our next medium-term management plan will be sustainability. Sustainability management must underlie everything we do as an organization. As a B2B manufacturer, we have a complex supply chain consisting of clients and suppliers around the world. With such a supply chain, we must take a dynamic, adaptive approach to building business relationships, keeping an eye on the relevant industrial trends. The trend toward sustainability is here to stay. We must understand the societal expectations and discharge our socio-environmental responsibilities as a public company.

That's not to say we'll ever neglect our business im-



perative: to pursue profit growth and deliver value to our employees, shareholders, investors, and other stakeholders. Our price-to-book ratio has remained lower than 1.0 for some years now. The question is how we can increase the value of our organization. To offer attractive wages, deliver generous dividends, and contribute to society, we need above all to boost our earning power. After all, if we can't achieve sustainable growth for ourselves, how can we be expected to deliver sustainable value to society?

Key to ensuring our own sustainable growth is corporate governance. Hence, one of the policies in our one-year plan for fiscal 2023 was to strengthen our governance structures. I'm confident we can succeed in this task with the leadership and extensive expertise of members of the Board of Directors and of the Audit and Supervisory Board, including those who are outside directors. The model of corporate governance we've adopted is that of a company with an audit and supervisory board. Under this model, we've worked to build a robust system of corporate governance to satisfy our parent company's demand for greater transparency and address the concerns raised by minority shareholders. On top of governance, we now face an urgent need to improve profitability and enhance capital efficiency as well. Board members all agree on the need to allow for more engaged and nuanced debate on strategic direction. Since April 2023, we've worked to further separate management from business execution and to further enhance the deliberation criteria for board meetings. We have the Governance Committee, whose membership comprises outside directors, members of the Audit and Supervisory Board, and myself. In this committee, we discuss a range of matters, from vetting prospective transactions for potential conflicts of interest to portfolio management. I feel most reassured by all the fresh insights and astute points members contribute. [See p. 53: Governance roundtable]

To All of Our Stakeholders

A Vision for Sustainable Growth with Society, and a Pledge to Achieve it

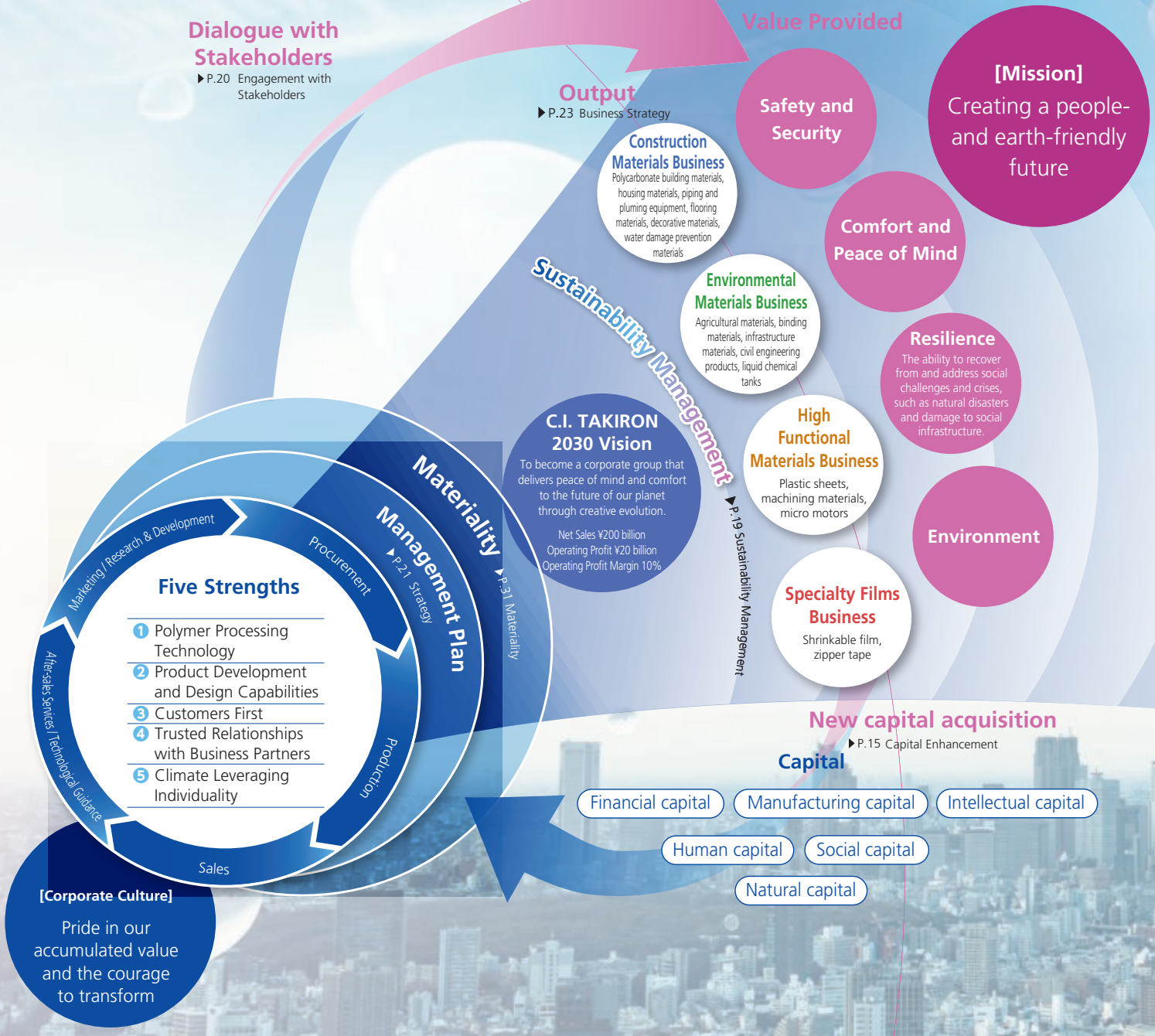
Our immediate priorities are to achieve the quantitative and qualitative targets set out in the one-year plan for fiscal 2023 and to regain our Gembaryoku and profitability. Drawing on our ample financial resources, we'll invest dynamically in projects to boost our prospects of growth and deliver the profits back to our shareholders and investors. Through such balanced capital allocation, we'll build up the value of our organization. We'll also invest in our talent, the source of our growth, by paying decent wages and providing a workplace that is motivating and offers plenty of opportunity for growth. All of these actions are essential and must be taken simultaneously. That's no easy feat, but it's something we must accomplish.

One of our advertising slogans, literally translated, reads, "The Questioner, that is the Earth." This slogan communicates our resolve to deliver solutions by our manufacturing products to the global challenges to sustainability represented in the SDGs. In our next growth phase, we'll focus on ideas for specific products and services that address socio-environmental problems. By delivering real value to society, we'll increase our profits, creating a positive cycle of sustainable corporate development. As leader, my duty is to craft a vision for this very purpose.

The first step is to solve our immediate business problems so that we clear the way for growth during the next medium-term period. We can then achieve the excellence that our stakeholders rightly expect of us. In closing, I wish to thank our stakeholders for your confidence in our organization and I look forward to continuing our journey together.

Value Creation Process

By creating value through sustainability management, we can continue to produce products and services that create a people- and earth-friendly future.



Creating new buds of growth

Construction Materials

Safety and Security **Resilience**

Simple Waterproofing Panels that are Lightweight and Reliable

Climate change has increased the frequency and severity of flooding incidents, creating a greater need for measures to control flooding and prevent water ingress. We produce a range product for preventing and mitigating natural disasters. Recently, we added to this lineup plastic waterproofing boxes, "Flood Safe Box", that are a lightweight and durable. Each box has a bottom plate and washers to resist water ingress into the floor-facing side, frame, and coupling parts. The boxes are easy to use and require no great exertion of physical strength—you simply assemble them and lay them in place. With a foldable design that allows for easy storage, the boxes can be stored away in non-emergency times so that they don't take up space or create an eyesore. We market the boxes to disaster-readiness businesses, apartment buildings, and factories. In this way, we contribute toward a more disaster-resilient society.



Environmental Materials

Safety and Security **Environment**

Multipurpose Sheets for Clean Energy and Disaster Mitigation

One of the problems with solar panels is their variable output; the power they produce depends on the amount of sunshine and other climatic conditions. Another issue is that solar installations must be designed to minimize impacts to the local environment. To address these problems, we developed Multilining, a multipurpose sheet that increases the efficiency of solar panels. Placed under the panels, the sheets reflect sunlight, enabling the panels to generate energy more efficiently. They also absorb ultraviolet rays to reduce radiant heat, thereby minimizing panel heating and reducing the risk of fire. When integrated with our highly durable anti-grass mats, they can restrict the growth of grass for at least 20 years. They also have a waterproofing function to protect the soil. In this way, they prevent situations in which panels sustain damage and contaminate the environment. By providing a solution for the safe management of power generation at a competitive price, we're supporting the transition to clean energy.



High Functional Materials

Environment

Polycarbonate Plates Made from 99% Recycled Material

In April 2021, we launched an internal project called the Eco Plastics Project. This purpose of the project was to design an eco-friendly product that incorporated customer feedback. The result was PCECO, a polycarbonate plate. The product is made from 99% recycled material, an industry first. In just one year, we turned an idea into a product, stealing a march on the competition. Specifically, we recovered re-cycled pellets using waste materials generated during production (this process is known as pre-consumer recycling) and subjected them to extrusion molding so that they could be reused as plates. The product's durability and transparency hold up against that of virgin material, while. Moreover, since less energy is used in the polymerization process, CO_2 emissions from procurement to production are reduced by 90%. The product bears the Eco Mark (an ecolabel issued by the Japan Environment Association). It is used as a safety cover for machinery.



Speciality Films

Environment

Shrinkable Film Making Plastic Bottles Easier to Recycle

Packaging design has become a critical factor in the competitive edge of everyday products such as drinks. In the United States, people rarely remove the label and dispose of it, creating an urgent need for label material that can be easily removed from a plastic bottle. In the United States we have a subsidiary called Bonset America Corporation, which has gained a large market share in manufacturing and selling shrinkable film for plastic bottles. Bonset has developed Bonpet Renew, a shrinkable film that allows for easy removal and thus removes an impediment to recycling. Bonpet Renew is approved by the APR*. Ahead of the competition, Bonpet succeeded in creating an eco-friendly product that has the same functionality as its mainstream counterparts. Bonpet already boasts an output of 5 metric kilotons. It aims to reach 10 metric kilotons by 2025. In this way, our subsidiary is encouraging more people in the United States to recycle their plastic bottles.

* The Association of Plastic Recycle



Capital Enhancement

In the course of our century-long history, C.I. TAKIRON Group has honed six types of capital, which are sources of value creation: financial capital, manufacturing capital, intellectual capital, human capital, social capital, and natural capital. We'll continue deploying a wide variety of capital as effectively and efficiently as possible. We'll also keep enhancing the capital in the course of our business activities.

Financial capital

Ensuring the financial health necessary for sustained investment toward higher growth

Sound financial health provides a foundation for our sustainable business growth. To strengthen our finances, we manage our portfolio in a way that drives profit growth. In other words, we reinvest profits into areas with bright growth prospects and into M&A deals aligned with our growth strategy. We fully recognize, on the other hand, the need to deliver continuous and stable dividends to our shareholders. By striking a balance between reinvesting profits and returning them to the shareholders, we strive to increase our organization's overall value. (See p.17: Basic financial strategy)

How we strengthen this capital

- Enhance earning power by managing ROIC
- Pursue fruitful M&As
- Maintain a balance between continuous reinvesting profits and return to the shareholders

Total capital (consolidated, net)
¥92.6 billion
(as of March 31, 2023)

Equity ratio
61.1%
(as of March 31, 2023)

Profit attributable to owners of parent
¥2.4 billion
(FY2022)

Manufacturing capital

An international production network that adapts to changing conditions in business environment and customer needs

Our corporate group encompasses 25 producition sites in Japan and five overseas. While we aim to bolster our production capacity in sectors with growth potential, our overseas sites work to gain competitive edge by sourcing locally and producing products for local consumption. We'll also adopt the principles of a smart factory to streamline operations and reduce production processes and optimize human resources, thereby increasing efficiency and reducing production costs. (See p. 37: Production technology)

How we strengthen this capital

- Bolster production capacity in Japan and overseas
- Adopt the principles of a smart factory to build competitive edge
- Establish a policy and structures for managing business continuity planning

Production sites
Japan: 25
Overseas: 5 (in four countries)
(as of March 31, 2023)

Capital investment
¥5.0 billion (as of fiscal 2022)

Raw materials
Resins, processing agents, steel materials, etc.

Intellectual capital

Core technology for sustainable growth

Our core technology consists of technologies related to material compounds, fabrication, and assay evaluation. Using this core technology, we aim to build a differentiated and truly compelling value proposition. We also plan on overhauling our R&D activities as well as the organizational structures themselves. As part of this, we'll define our medium- and long-term portfolio strategies and concentrate resources on selected R&D themes. We'll also pursue alliances and M&A deals, both in and outside Japan, in order to acquire the technologies we need to launch new businesses. (See p.33: R&D)

How we strengthen this capital

- Adopt a concentration strategy as part of portfolio management
- Embrace open innovation
- Use alliances and M&As to acquire tech from outside

Diverse technology and technical expertise
Technology related to material compounds, fabrication, and evaluation

R&D expenses
¥1.3 billion (as of fiscal 2022)

New products sales composition (non-consolidated)
21.5% (as of fiscal 2022)

Number of patents held (non-consolidated)
Japan: 446
Overseas: 36
(as of March 31, 2023)

Human capital

Diverse group of talent to create innovation

We invest unsparingly in talent development, as we recognize how essential human capital is for delivering future growth and achieving business strategies. Central to our talent development strategy are the priority actions set out in our Better-Life Management Declaration. Through these actions, we aim to create a workplace that values every member and to foster an organizational culture conducive to professional growth. We also aim to create a positive cycle for attracting talent, nurturing talent, and promoting diversity and inclusion. In this way, we aim to be an organization that fully unleashes the potential of its talent. (See p.39: Talent strategy)

How we strengthen this capital

- Invest strategically in developing and educating talent
- Strengthen efforts to manage employee health and productivity and to reform work-styles
- Promote diversity & inclusion

■ **Number of employees (non-consolidated)**
1,095
(as of March 31, 2023)

■ **Amount invested in talent development (non-consolidated)**
¥130 million
(FY2022)

■ **Ratio of women in leadership positions (non-consolidated)**
5.7%
(as of April 1, 2023)

Social capital

A stakeholder network built upon solid trust

In an effort to increase our organization's value, we engage in active and constructive dialogues with internal and external stakeholders. We also aim to build a sustainable supply chain founded on trust with our valued partners. Similarly, our business sites engage in local activities to deepen the trust and understanding of local communities. In this way, we are building a strong network with all stakeholders to help create a better world. (See p.20: Stakeholder engagement)

How we strengthen this capital

- Engage actively and constructively with stakeholders
- Build a sustainable supply chain
- Ensure mutual prosperity between business sites and local communities

■ **History**
Years in business: **104**
(as of 2023)

■ **Networks**
Domestic and overseas supply chain network

■ **Number of social contribution activities at various business sites**
233 (as of fiscal 2022)
(See ▶p.52: Social Contribution Activities)

Natural capital

Limited natural resources are essential for business activities

We make sustained efforts to use natural resources as effectively and efficiently as possible and to use as few resources as possible in our business activities. We identify climate-related risks relevant to business activities across our corporate group, assess their probability and impact, and take action to treat the risks. Having committed to becoming carbon neutral (net-zero emissions) by 2050, we'll take action to cut emissions across our entire supply chain. We will also contribute toward a sustainable economy by supplying a wide range of eco-friendly products. (See p.47: Supporting the carbon transition)

How we strengthen this capital

- Improve engagement based on TCFD-compliant disclosures and press ahead with the goal of carbon neutrality
- Use natural resources effectively
- Develop and provide eco-friendly products

■ **Amount of water used:**
953 km³ (as of fiscal 2022)
■ **Reduction in amount of water used:**
28 km³ (year on year)

■ **CO_2 emissions at scopes 1 and 2:**
71 kt-CO_2 (as of fiscal 2022)
■ **Reduction in CO_2 emissions at scopes 1 and 2:**
10 kt-CO_2 (year on year)

■ **Changes in energy use and consumption rate**
13.1 GJ / manufacturing ton (as of fiscal 2022)
■ **Reduction in energy consumption rate**
0.5 GJ / manufacturing ton (year on year)

Financial Capital Strategy



While maintaining financial health, we improve the accuracy in our business portfolio, and continue to invest in projects to further our growth prospects.

Toshio Tamaki Director, Managing Executive Officer, Chief Operating Officer of the Corporate Planning Division, CCO

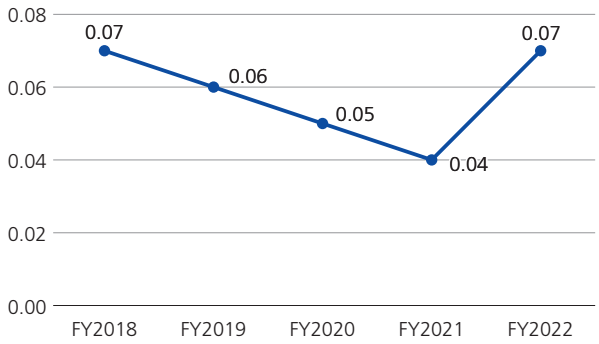
Sound financial foundation

Improving earning power to bolster our finances

Although our finances remain solid, our operating cash flow have dropped considerably as a result of the sharp drop in profit we recorded in fiscal 2022. Our debt-to-equity ratio remains below 0.1, indicating sound financial health. Still, we're working in a top-down fashion to improve our earnings so that we can invest further in sectors with bright growth prospects, in M&A deals to expand our business portfolio, in digital solutions, in R&D, and in the human capital we'll need for sustainability management. We'll also ensure that we can keep delivering a stable dividend to our shareholders and investors.

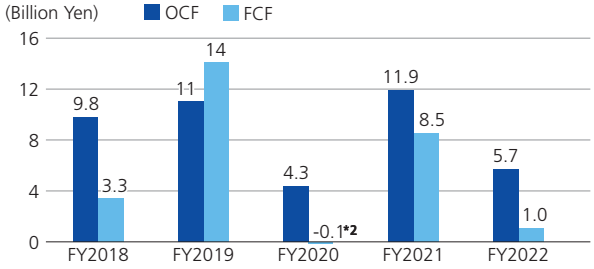
We use return on invested capital (ROIC) as a measure in our portfolio strategy. If a business's ROIC falls below the benchmark figure, we'll first give the business a period of time to turn performance around. If the necessary improvements fail to materialize by the end of that period, we'll consider selling or divesting it. We also endeavor to make our investments as efficient as possible and to allocate our resources optimally in order to enhance our ability to generate cash. In this way, we aim to drive sustainable business growth and build the overall value of our organization.

Debt-to-equity ratio*



* In this calculation, we excluded lease liabilities and guaranteed deposits from interest-bearing liabilities.

Operating cash flow / Free cash flow*1



*1 In this calculation of free cash flow, deposits to Itochu Corporation are excluded.
*2 Free cash flow in fiscal 2020 resulted in negative due to taxes on gains from the sale of real estate in the previous fiscal year.

Business portfolio management

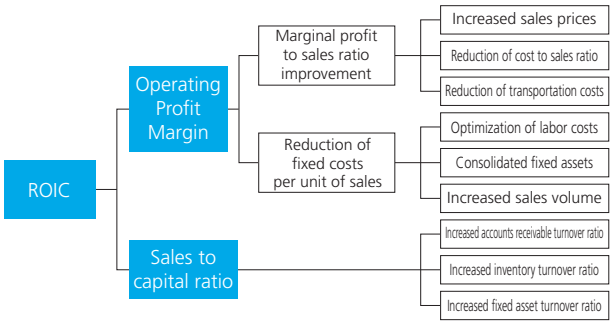
Using ROIC as a measure to evaluate businesses more precisely and visualize our fields of strategic investments

In our business portfolio management, we use ROIC to provide a dashboard to visualize current performance value of each business. ROIC has an advantage over other profitability indicators in that it can provide granular data for each business unit. In other words, we can get an ROIC breakdown for each front-line within the business unit in question. With this granular data, we can track and review the ROIC calculation values in a continuous manner, improve our business portfolio management by promoting improvement of the return of capital. While making these improvements on each business foundation, we'll also make swift and discerning decisions at a higher strategic level, such as decisions on strategic investments in growing businesses and whether to divest an under-performing business. In this way, we aim for optimum business portfolio management.

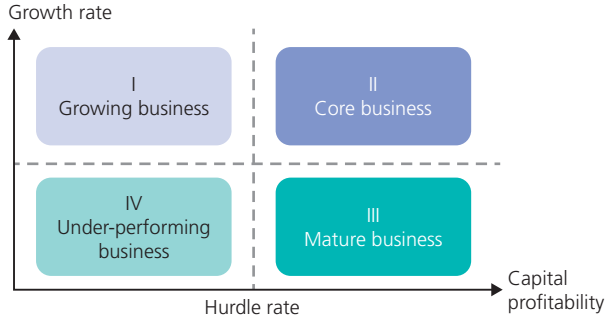
For the next medium-term plan, we'll monitor market trends,

enhance our performance indicators—ROIC included—and incorporate them into our business strategy, taking into account the market value of the company. Specifically, for each business "growth rate" and "capital profitability", we'll plot a graph using sales growth rate as a measure of the business's growth rate and ROIC as a measure of its profitability. For growth rate and capital profitability, we'll factor in a minimum acceptable rate (hurdle rate) and assign each business to one of the following quadrants based on its results: growing business, core business, mature business, under-performing (low profit, low growth) business. This matrix will help us track the status of each business and to analyze and evaluate our business portfolio more accurately and precisely. We'll keep improving the accuracy and precision of our business portfolio analysis through a plan-do-check-act cycle.

Breakdown by front-line workplace (ROIC improvement tree)



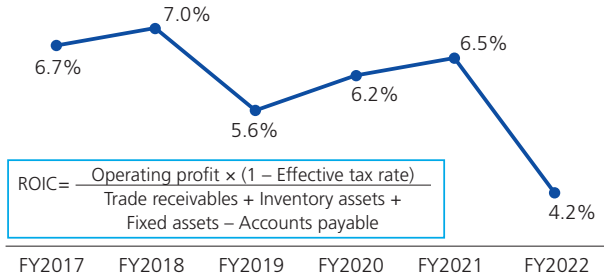
Four-quadrant matrix



Inter-year ROIC

In fiscal 2022, we recorded a consolidated average ROIC of 4.2% (the formula is presented in the graph on the right). This ROIC drop was associated with the sharp drop in profit in that year. For fiscal 2023, senior management and front-line staff are both committed to a program of business reform for profitability improvement. We're also working to entrench an ROIC-focused approach across our organization.

Return on invested capital (ROIC)



Capital allocation

Balancing reinvestment with shareholder returns to improve corporate value

In the previous mid-term management plan, CX2023, we'd allocated a budget of ¥33 billion over three years. Ultimately, we spent a total of ¥7.34 billion over two years (fiscal 2021 and fiscal 2022). Having switched to the annual plan, we'll continue investing in fiscal 2023, and we'll set a new investment strategy as part of the next medium-term plan. This investment strategy will focus on expediting our agenda for business reform. We'll be investing in new products, new technology, productivity improvements, as well as in stronger structures for promoting new businesses. Alongside this, we'll also invest in M&As to expand our business portfolio.

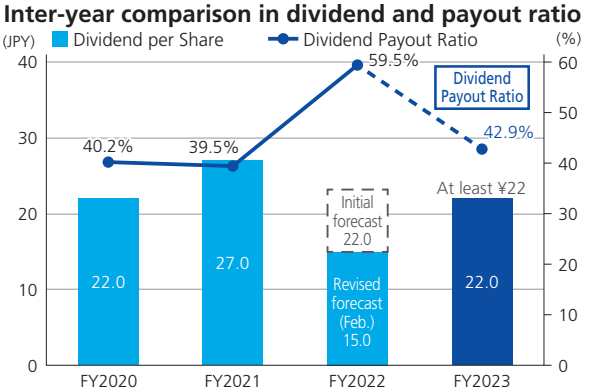
On the other hand, we fully focus on the need to return profits to shareholders. By striking a balance between reinvesting profits and returning them to shareholders, we aim to build our organization's overall value. For fiscal 2022 (ended March 2023), the dividend paid at the end of the year was ¥4 per share (for an annual dividend of ¥15). For fiscal 2023 (ending March 2024), we're determined to stick to our target of no less than ¥22 per share. Based on our benchmark payout ratio of 40%, we may make an upward revision on the dividend forecast if we perform better than expected.

Spend vs budget

		Medium-term Management Plan (fiscal 2021 to fiscal 2022)		Future policy
		Target*	Results	
Investment budget	Business investments	¥33.0 billion	¥4.21 billion	↗ Invest to expedite business reform agenda
	Environmental investments		¥0.38 billion	→ Develop sustainability initiatives
	Digital investments		¥2.75 billion	↗ Expedite digital transformation
Research & Development Expenses		Sales composition: 2.0% or above	0.9%	↗ Acquire tech, including M&As

* As of fiscal 2021

Inter-year comparison in dividend and payout ratio



Sustainability Management

C.I. TAKIRON Group keeps raising the bar in sustainability management to be an organization that contributes to the sustainable development of society, in line with our sustainability vision: Supporting today, changing tomorrow.

The Basic Design of Sustainability Management

Sustainability Management at the C.I. TAKIRON Group focuses on the following two points:

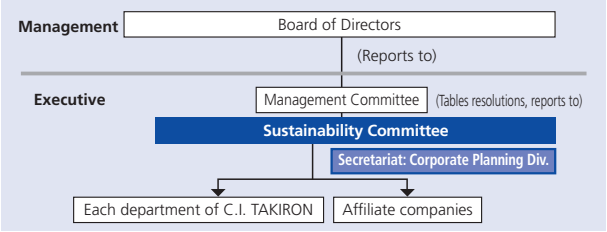
(1) Business and management at "outside-in" point of view

(2) Focus on stakeholder communication



Sustainability Management System

Until fiscal 2022, the Sustainability Committee took charge of planning and facilitating sustainability management at C.I. TAKIRON Group. However, in April 2023, we adopted a new approach. Now, the Sustainability Committee serves as an advisory body to the Management Committee and is chaired by the chief operating officer of the Corporate Planning Division. Our aim in having the committee advise the management was to enhance the linkage between sustainability and corporate strategy. We also changed Sustainability Committee's membership. By selecting members from divisions closer to front-line operations, we enhanced the ability of the committee to facilitate sustainability and communicate with stakeholders.



Chair: Chief operating officer of the Corporate Planning Div.
Membership: Corporate Planning Div.
Legal & Compliance Dept.
Human Resources & General Affairs Dept.
R&D Dept.
Production Planning Dept.
Quality Assurance Dept.
Business segments (construction materials, environmental materials, high-function materials, specialty films)
Production sites (Shiga Plant, Ibogawa Office)

Accomplishments in fiscal 2022

1. Adopted a human rights policy

We published the C.I. TAKIRON Group Human Rights Policy.

- The policy is based on international standards on human rights, including the Guiding Principles on Business and Human Rights adopted by the UN Human Rights Council.
- The policy affirms that respect for human rights underlies all of our business activities.

2. Established new carbon neutrality strategy

We defined our approach to carbon neutrality and started combating climate change based on this approach.

- Fiscal 2050 target: Net-zero carbon emissions
- Fiscal 2030 target: 35% reduction (compared to fiscal 2018 level) in CO_2 emissions at Scopes 1 and 2
  Reduction in CO_2 emissions at Scope 3 (emissions in the entire supply-chain)

3. Addressed climate change issues

We identified potential risks and opportunities associated with climate change, and their potential impacts on our corporate group (initial scope) over the short, medium, and long term.

- We disclosed the information in line with the TCFD's recommendations (governance, strategy, risk management, and metrics and targets).
- We performed a scenario analysis (for transition risks and physical risks)
- We disclosed financial impact evaluation and specific measures for the risks and opportunities

4. Promoted CSR procurement

We integrated corporate social responsibility into our criteria for selecting suppliers, and selected suppliers based on these criteria.

- We requested key suppliers in Japan to comply with our CSR Procurement Guidelines.
- We requested overseas group companies to comply with our CSR Procurement Guidelines.
- We surveyed suppliers to check the degree to which our supply chain consents to the CSR Procurement Policy.

Priority sustainability themes for fiscal 2023

In fiscal 2022, we identified a set of priority sustainability themes: climate change, biodiversity, and human rights. We will continue to work on these themes in fiscal 2023. We will also work to raise sustainability awareness among employees across our corporate group, including their awareness of the value of sustainability initiatives, sustainability targets, and concrete actions to meet these targets. In fiscal 2023, we will establish and disseminate a basic policy on sustainability, which we failed to adopt in the previous year.

- **General sustainability actions**
  - Establish a basic policy on sustainability
  - Prepare a master plan for sustainability
- **Climate change (TCFD)**
  - Update items and refine actions (and work out implications for the next medium-term plan)
  - Organize education program to improve awareness
- **Biodiversity (TNFD)**
  - Ascertain trends in Japan and overseas and plan actions
- **Human rights**
  - Plan and implement measures to improve respect for human rights
  - Ascertain trends in Japan and overseas
  - Organize education program to improve awareness
- **Other**
  - Identify new themes

Engagement with Stakeholders

C.I. TAKIRON Group aims to be an organization that retains the confidence of, and shares values with stakeholders. To that end, we work to build trust with stakeholders and create, together with stakeholders, a better future for people and the planet.

Stakeholders	C.I. TAKIRON Group Responsibilities	Stakeholders' expectation and interests	Frequency of Communication
Shareholders and Other Investors	In order to meet the expectations of our shareholders and investors, we will strive to increase corporate value through high capital efficiency, fair and impartial information disclosure, proper return of profits, and sustainable growth.	● Increased corporate value ● Decent share value ● A return that exceeds cost of capital ● True, fair, and timely disclosures ● Constructive dialogue ● Active and sustained ESG action	**Corporate Governance Department** ● General Shareholders' Meeting ..... Once a year ● Report to shareholders (Notice to Our Shareholders) ... Twice a year ● Corporate governance reports ..... Occasionally ● Shareholder surveys ..... Occasionally **IR Department** ● Financial results briefings ..... Twice a year ● Individual investor briefings ..... Several times a year ● News releases ..... Occasionally **Sustainability Department** ● Integrated reporting ..... Once a year ● Responding to ESG rating agency surveys ..... Occasionally
Customers	We listen sincerely to our customers, provide products and services that continue to be nominated with outstanding technology and quality, and strive to build long-term relationships of trust with our customers.	● High-quality products and services ● Fair sales prices ● Supply continuity ● Continuous adaptation and innovation to keep abreast of evolving needs ● Global expansion	**PR Department** ● Website and advertisements ..... Occasionally **Sales Department** ● Sales activities and social media ..... Daily basis ● Exhibition spaces, showcases, and events ..... Occasionally **Quality Assurance Department** ● Quality certificates ..... Daily basis ● Inspection certificates ..... Daily basis ● Delivery specifications ..... Daily basis **Customer Support Department** ● Contact point for inquiries ..... Daily basis
Business Partners	When procuring materials, we base our actions on openness, fairness and impartiality, legal compliance, mutual trust, and consideration for the environment, striving for coexistence and mutual prosperity by deepening partnerships and through impartial transactions. We will also work to promote CSR and compliance with the cooperation of our business partners.	● Fair, equitable, transparent, and stable trading practices ● Socially and environmentally conscious trading practices ● Collaboration and open innovation that benefits both parties ● Action to improve quality ● Promotion of CSR procurement across supply chain ● Coordination in emergencies	**PR Department** ● Website and advertisements ..... Occasionally **Compliance Department** ● Consultation and Report Desk ..... Occasionally **Purchasing Department** ● Material procurement activities ..... Daily basis ● Supplier briefing sessions ..... Regularly ● CSR procurement surveys ..... Once a year
Local Communities	We contribute to the development of local communities through our business, coexist with them, and emphasize environmental conservation. We consider and implement measures that meet the needs of each region and promote trusted business activities.	● Co-existence and prosperity with local communities ● Job creation, contributing to local development ● Conserving local environment ● Minimizing environmental impact (restricting emissions from business operations) ● Compliance with legal and regulatory requirements ● Safe operation	**PR Department** ● News releases ..... Occasionally **Sustainability Department** ● Employees' volunteer activities ..... Regularly ● Dialogue with NPOs and NGOs ..... Occasionally **Plants and offices** ● Exchanges with local communities, study support, and plant tours ..... Regularly
Government and Municipalities	We comply with laws and regulations and strive to disclose information in a timely and appropriate manner. In addition, we support disaster recovery and reconstruction through various efforts in cooperation with the government and municipalities. Plants and offices	● Contribution to a carbon-neutral society ● Contribution to a circular economy ● Contribution to a sustainability in the entire society	**Sustainability Department** ● Employees' volunteer activities ..... Regularly **Plants and offices** ● Coordination with relevant government organizations ..... Regularly/occasionally
Employees	We support the challenging spirit possessed by our employees and promote the creation of a rewarding workplace where each and every one of us stands out and diverse human resources play an active role.	● Engaging workplace ● Diversity and inclusion ● Work–life management (balancing work and private life, giving employees control over how they work) ● Talent management (providing opportunities and spaces for self-actualization and growth)	**PR Department** ● Messages from the president ..... Occasionally ● Employee surveys (surveys published in-house, job training, etc.) ..... Occasionally ● Intranet ..... Occasionally ● In-house bulletin ..... Twice a year **Compliance Department** ● Internal reporting system ..... Occasionally **Human Resource Department** ● Counseling with occupational physicians .... Regularly/occasionally ● Health and Safety Committee ..... Regularly ● Labor–management talks ..... Regularly/occasionally **Each department** ● One-on-one sessions held between a manager and employee ..... Regularly

One-year Management Plan

CX2023, a mid-term management plan launched in fiscal 2021, set out quantitative three-year targets along with six priority actions. We proceeded with the plan for the first two of the three years. However, the external business environment suddenly changed. As well as the pandemic impact, we faced global economic volatilities culminating in high material costs, along with a reduction in orders for, and cancellation of, civil engineering projects. These factors created a wide divergence between actual performance and the performance targets set out in CX2023, with the effect that profit dropped markedly in fiscal 2022.
After taking all circumstances into account, we decided to end CX2023 a year earlier than scheduled and switch to an annual plan for fiscal 2023, which was initially set as the final year of CX2023.
Our focus now is to take three priority actions designed to achieve the quantitative and qualitative targets set out in the annual plan and to regain our manufacturing capability and earning power. At the meantime, we aim to ensure certain business growth during the next medium-term period as part of our endeavor for sustainable growth.

Fiscal 2022: Qualitative review

We made some progress in SDGs-aligned initiatives, such as fostering an organizational culture that values environmentalism and diversity. We made less progress, on the other hand, by comparison in core business tasks, including creating new businesses that will lead the next generation (part of our business reform agenda), expanding globally, and developing consolidated business strategies.

1 Solving social issues

We will contribute to solving specific social issues by being conscious of social sustainability and steadily implementing business activities and materiality based on the SDGs.

	Initial goals for fiscal 2023		Accomplishments in fiscal 2022
1	Number of environment-friendly product development themes	15 per year	6 per year
2	CO_2 emissions reduction rate (compared to FY2018)	28% reduction	35% reduction
3	Number of participants in waterside clean aid activity	At least 1,200	2,074

2 Acquire new businesses, products, and technologies

With an eye on future changes and demands, we will tackle on the challenge of creating new businesses, products, and technologies that will lead the next generation.

	Initial goals for fiscal 2023		Accomplishments in fiscal 2022
1	Sales from new business areas	¥6 billion or more	¥0.26 billion
2	New product sales composition (non-consolidated)	20% or above	21.5%
3	Number of new technologies created (number of patent filings)	At least 50 applications/ year	50 per year

3 Accelerate borderlessness

We will enhance corporate value and pursue business growth from a "borderless" perspective, including global expansion of sales and production bases, marketing based on new value standards, and achieving diversity (gender, race, nationality, religion, and age) in the organization and corporate culture.

	Initial goals for fiscal 2023		Accomplishments in fiscal 2022
1	Overseas sales composition	20% or above	17.7%
2	Ratio of female to male employees in management positions	3% or above	*3.0%
3	Ratio of Women in Leadership Positions	5% or above	*5.7%
4	Ratio of Female Employees in Career-track Positions	20% or above	*19.4%
5	Percentage of career-track female hirees	40% or above	63.6%

* As of April 1, 2023

4 Adopt digital technology

We will explore the use of cutting-edge technology in all business processes to pursue results such as improved work efficiency, labor savings, and cost reductions. We will promote the use of digital technology to create new added value in our sales activities and create a new business model.

	Initial goals for fiscal 2023		Accomplishments in fiscal 2022
1	Digital maturity score	At least 3.0	2.09

5 Restructure group management

We will create value as a consolidated entity by maximizing the efficiency of complex business collaboration and investment.

	Initial goals for fiscal 2023		Accomplishments in fiscal 2022
1	Consolidated operating profit margin	7% or above	4.0%
2	Businesses/companies running at a loss	Zero	1 business operation, 6 companies

6 Further improve our management base

We will further improve our program design with a focus on work-life balance and carry out the commitments made in the Management Commitment on Enriching Lives for all employees. We will also strive to create a safe and secure workplace by re-evaluating our work environment and daily communication to ensure no accidents and harassment takes place.

	Initial goals for fiscal 2023		Accomplishments in fiscal 2022
1	Employee Work Engagement Score	At least 3.0	2.5
2	Employee Loyalty Score	At least 3.0	2.8
3	Critical compliance violations	0	0

2 sources of growth

1 Investment budget

Investment budget: 33 billion

Total spend in fiscal 2021 and fiscal 2022: 7.34 billion

Breakdown:
- Business investments ¥4.21 billion
- Environmental investments ¥0.38 billion
- Digital investments ¥2.75 billion

2 R&D budget

Target: Sales composition 2.0 % or above

Accomplishments in fiscal 2022: Sales composition 0.9 %

Basic policies of the one-year management plan for fiscal 2023

I Achieve the one-year quantitative plan without fail

Quantitative plan

Unit: 100 million yen

	FY2023 Plan	Year on Year
Net Sales	1,540	+82 (106%)
Operating Profit	78	+20 (135%)
Ordinary Profit	80	+20 (135%)
Profit Attributable to Owners of Parent	50	+25 (203%)

Measures

1. Steady implementation of improvement in business earnings
2. Reduce the number of companies in the red and the amount in the red
3. Implement M&A that contributes to business restructuring

II Certain Execution of One-year qualitative plan

1. Promotion of business restructuring

Using ROIC as a performance measure, we will reevaluate existing businesses to overhaul our business portfolio. In addition, we will strengthen managing capability, including establishment of an organization dedicated to managing group companies, to take other steps to manage group companies more precisely.

2. Deepen the governance system

We will revise the discussion criteria for meetings of the Management Committee and Board of Directors, clearly distinguish supervisory roles from executive roles, and expedite decision making. We will reskill administrative personnel to slim down the organization and tighten risk management.

3. Promote DX implementation

We will use digital transformation tools to visualize and digitize production processes, and then use this data to optimize production processes. We will also use digital labor-saving solutions, including robotic process automation (software robotics), to streamline routine tasks. Alongside this, we will look into a adoption plan of a new LOB system.

4. Promote SDGs Management

Societal expectations toward companies have changed amid rising concern about socio-environmental issues (as exemplified by the SDG agenda) and the rise in ESG (environment, society, and governance) investing. In response to these changes, we identified 10 materiality issues (sustainability priority issues). We will endeavor to achieve our materiality targets for fiscal 2023 and take other action to integrate sustainability into our businesses, including going further toward the carbon neutrality goal.

III Draft and implement measures for the next mid-term management plan

1. Restructure and strengthen business departments

We will reorganize business divisions and consolidate sales companies to optimize the corporate group and generate synergies. Having used ROIC to reevaluate our existing businesses, we will launch a new business portfolio strategy and look into increasing production capacity to penetrate sectors with bright growth prospects.

2. Develop new products, new technologies, and strengthen new business promotion framework

Our fledgling businesses are struggling to grow sales. We will therefore take steps to enhance business development. One option is to establish a cross-organizational body for spearheading business development. Another is to establish a new R&D facility.

3. Radical review of research and development

We will review and consolidate the entire R&D themes under examination and establish category-specific R&D portfolios. We will also explore opportunities for bringing in new technologies from outside, including joint projects with universities and overseas firms and M&As.

4. Strengthen the functions of Production Division

To enhance horizontal function of production sites across our corporate group, we will reorganize/restructure our production divisions and prepare a master plan for consolidating production sites. We will also get each plant to adopt smart-factory principles to optimize production planning.

5. Strengthen management planning functions

We will enhance strategic planning functions to enable more effective strategic planning and execution.

6. Deepen personnel systems for sustainable growth

While we keep applying our Better Life Management Declaration for all employees as part of our ongoing effort to provide a positive workplace, we will shift to a new talent management system in which position/rank and wages reflect employee performance (as opposed to seniority) and allocate human resources as necessary to advance our strategies. Through these efforts, we will build a talent management system geared toward fostering the talent that will drive our future growth, and foster an empowering, team-challenging organizational culture.

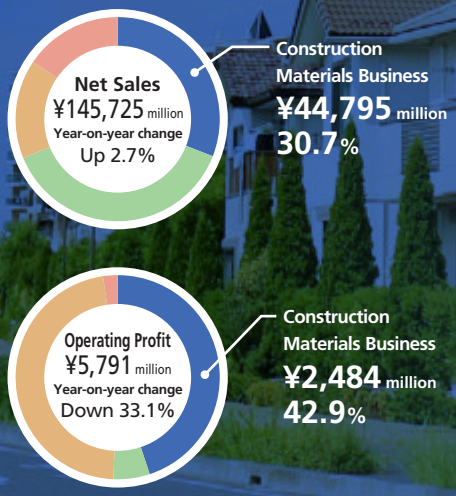
7. Develop investment policy

For aggressive investment to expedite our business reform agenda, we will prepare a budgetary framework for the next mid-term management plan period.

Construction Materials Business

Our wide-ranging product lineup supports comfortable living and urban environments

FYE 3/23 Result



Construction Materials Business Growth Strategy

Strengths

- Comprehensive development capabilities offering functionality to construction materials
- 'te building materials, housing materials, and slip-resistant vinyl flooring materials, all with high market share
- Global expansion through overseas production sites (BLX)
- 'te fabrication technology and the best manufacturing capacity in Japan

Weaknesses

- Limited expansion of overseas flooring and construction business sites
- Small flooring and construction business compared to major competitors
- Our flooring and fixtures business is not a comprehensive interior design company
- Overseas sales channels for housing and construction materials products

Opportunities

- Increase in long-term superior housing
- Expansion of the scope of application of the Building Energy Conservation Law
- Changing lifestyles and values
- Aging domestic population and declining birthrate
- Expansion in untapped overseas markets
- Demand expansion due to higher living standards in developing nations
- Enforcement of the Livestock Barn Special Provisions Act

The Building Energy Efficiency Act, revised in June 2022, requires accelerating energy efficiency in construction fields, which account for around a third of the country's energy consumption. To capitalize on this opportunity, we're working to expand sales of Lume Wall, our brand of honeycomb-structured polycarbonate panels that serve as high-performance thermal insulators without compromising safety or blocking daylight. Today's lifestyles and values emphasize sustainable and higher-quality living spaces. To capitalize on these needs, we are marketing flooring solutions that combine durability, design values, easy maintenance, and safety of slip resistance. We are also marketing an environmentally-friendly product (recycled Bonlex) globally to attract new customers. In connection with this, we're leveraging our integrated global production system to flexibly accommodate customer requirements.

Threats

- Decrease in new housing starts
- Shrinking market due to declining domestic population
- Rapid changes in weather environment
- High raw material prices
- Marine plastic pollution
- Higher electricity and transportation costs combined with reduced transportation capacity (the 2024 logistics issue).
- Demand stagnation caused by geopolitical risks

We're responding to the growing frequency and intensity of natural disasters by stepping up sales and development of disaster prevention/mitigation. To address the potential threat of soaring electricity and transportation costs, we will establish a system that enables price pass-through with understanding from customers. To address the threat of lower number of housing starts, we will reorganize our sales and production systems in a flexible manner. To address the threat of a shrinking domestic market, we will ramp up global expansion, leveraging our foothold in the European market provided by our European subsidiary Bonlex Europe S.R.L.

Business Description

Housing Materials Business

We handle rain gutters, drainage, and other water processing products essential to housing construction, as well as a wide range of construction materials used in residential and non-residential buildings, such as the Lume Wall high heat insulating honeycomb structured polycarbonate panels that contribute to a decarbonized society.

Flooring and Decorative Materials Business

We provide flooring materials offering excellent slip-resistant function for aquatic facilities, safety in apartment corridors, safety on stairs, etc., and beautifully designed decorative films that make room interiors and buildings look attractive.

Use of capital

Use and development of human resources

We will develop global human resources highly skilled and knowledgeable in manufacturing, technology, development, and sales fields. We will actively post these human resources around the world.

Building intellectual property portfolio

We will enhance our polycarbonate fabrication and processing technology, for which we already boast the best manufacturing capacity in Japan.

We will promote global manufacturing that contributes to solving social issues by integrating product-out and market-in approaches.

The Construction Materials Division commits to supporting sustainable construction. Part of this involves working toward carbon neutrality through energy saving as well as the adoption of recycled and bio-based materials. It also involves meeting customers' needs for safety and security by providing disaster prevention/mitigation products, in addition to products with high durability, comfortability, and design aesthetics.

In fiscal 2022, sales were sluggish because companies reduced spending on physical assets amid higher prices for construction materials and livestock feed prices. However, the segment's sales revenue ultimately remained at a similar level to that of the previous year. This is because net sales increased after we raised product prices and because we saw a recovery in orders for apartment/condominium repair and renovation projects, which had stagnated during the pandemic years. On the other hand, profit declined from the previous year's level. Despite our efforts to reduce fixed costs and passing on cost increases to product prices, we were unable to fully absorb the cost increases. We are committed to maximizing profitability in this segment. We will waste no time in accelerating price pass -through to reflect the increases in material, electricity, and transportation costs. Alongside this, we will work to increase the market share of our mainstay products. In particular, we will step up efforts to design and develop environment-friendly products. Overseas, we will leverage the strengths of our local production assets to improve supply continuity and customer responsiveness. Meanwhile, we will also tighten control over group companies and drive forward the digital transformation to increase our competitive edge.



Hiroji Kimura
Managing Executive Officer
Chief Operating Officer of the Construction Materials Div.



Polycarbonate Plates

Accomplishments in fiscal 2022

- Development of environmentally friendly and disaster prevention/mitigation products
- Minimize costs and revise product prices to reflect high raw material costs and soaring electricity costs.

Objectives for fiscal 2023

- Pass on prices to reflect high raw material costs and soring electricity and transportation costs.
- Expand existing businesses through increase in market share of mainstay products.
- Tighten control over group companies and drive forward digital transformation to increase competitive edge.
- Step up efforts in design proposition and development of environment-friendly products as part of the carbon neutrality agenda.

(Millions of Yen)	FY2022	Fiscal 2023 outlook
Net Sales	26,506	29,520
Operating Profit	1,628	2,060



Slip-resistant Vinyl Flooring Sheet

Accomplishments in fiscal 2022

- Expanded sales of recycled products in Europe and other overseas markets.
- Expanded sales of long-life non-slip flooring materials with stain resistance and easy maintenance.

Objectives for fiscal 2023

- Develop quiet flooring materials that make living spaces more comfortable, based on the concept of safety and assurance.
- Expand sales of environment-friendly products in overseas markets.
- Strengthen marketing/sales in North America and China; boost local production capacity to enable better customer responsiveness in Europe.

(Millions of Yen)	FY2022	Fiscal 2023 outlook
Net Sales	18,288	19,430
Operating Profit	856	1,610

Expanding our group network

In March 2023, we acquired a 100% stake in MIYOSHI Corporation by buying up all its outstanding shares, making the company an equity-method affiliate. Miyoshi is renowned in the industry, and has extensive expertise for creating compelling added-value solutions, including environment-friendly products and solutions for social issues. We will work with Miyoshi to streamline production and unleash synergies.

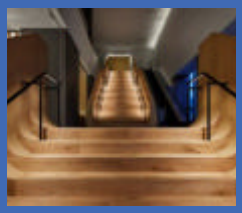
FOCUS Examples of creating social value

Dan Smoke N (smoke-proof hanging partition wall made of sheet)



We developed Dan Smoke N, an anti-smoke solution consisting of fire-proof plastic panels that hang from the ceiling. We observed a rising demand for anti-disaster paneling that is lightweight and that will not break or shatter if it falls during a disaster.

Belbien (fireproof decorative films with adhesive)

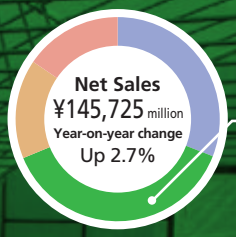


Belbien is a popular choice in all manner of interior spaces. Belbien includes WR Series, a range of wood color tones, which allow customers to select a color scheme to create a refined and sophisticated feel. It also includes Ex Series, which offers weather resistance and anti-friction properties. Customers can choose the properties to suit their requirements for interior or exterior decoration.

Environmental Materials Business

Offering materials that support the function and safety of social infrastructure

FYE 3/23 Result



Environmental Materials Business
¥54,816 million
37.6%



Environmental Materials Business
¥304 million
5.5%

Environmental Materials Business Growth Strategy

Strengths

- Industry share and brand strength
- Production technology capabilities
- Sales system and customer support capabilities
- Support capabilities from manufacturing and sales to processing and installation

Weaknesses

- New Group product development system
- System for collaboration with external partners

Opportunities

- Expansion of demand for infrastructure redevelopment and renewal
- Expansion of demand for environmental responsiveness and product longevity
- Rising demand for labor-saving solutions amid the labor shortages
- Expanding demand in emerging countries

The Agricultural Materials Business develops and markets resource-efficient products to meet the rising demand for ecological sustainability. We have a horticultural testing lab, which helps us align our production system more accurately with real-world needs, expediting development.
We target the growing demand for redeveloping social infrastructure. Recently, we started marketing our services for airport-related contracts. Meanwhile, we continue expanding sales of Hydrotite, a hydrophilic water-sealing material, which served as a shielding material for subway tunnels in Manila and Jakarta. We focus on developing products that align with local climatic conditions and local quality requirements. While we continue developing plant-based materials, we have started to develop a joint-filler product for repairing concrete structures in the fields of hydropower installations and agricultural irrigation systems.

Threats

- Decline in domestic demand in existing businesses
- Plastic materials recycling issues
- Soaring construction and management costs amid the labor shortages
- Quality improvement among overseas manufacturers

The Agricultural Materials Business will work to gain a larger share of the value-added market and pursue M&A opportunities, in response to the shrinking domestic market. We will strive to cut costs by developing labor saving materials as well as tightening control of construction operations across our corporate group. In an effort to promote plastic recycling, we will develop products made from scrap plastics generated during secondary processing.
The Infrastructure Materials Business will penetrate new markets as quickly as possible by developing environment-friendly products and improving existing products. To gain a competitive advantage over overseas manufacturers, we are developing products with functions that no other company offers in the local market (namely, Vynon FPA sheets with signal layers). We are also working with Tochigi Plant and Hatsukaichi Plant to explore applications for pre-consumer recycled polyvinyl chloride (PVC).

Business Description

Agribusiness

We contribute to agricultural development by expanding a product lineup centered on highly functional agricultural films that are able to realize the optimal environments for growing vegetables and fruit to satisfy customer needs.

Infrastructure Materials Business

We support social infrastructure by developing and renewing waterproof/impermeable sheets, high-density polyethylene pipes, and other related materials increasing the lifespan and emergency readiness of facilities through redevelopment and renovations of social infrastructure.

Use of capital

Strengthening partnerships

We have an extensive supply chain encompassing many downstream partners, including sales companies and distributors. Through these partners, we aim to offer a rich product lineup that covers a wide array of needs. We will also build stronger brand awareness by communicating product information effectively through social media and other digital media and by enhancing the experience and satisfaction of end consumers. By deploying our social capital as effectively as possible, we continue to strive to build strong customer loyalty.

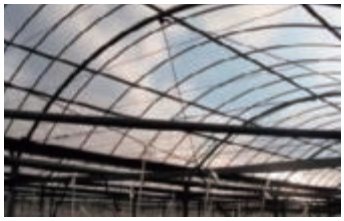
We work with group companies to build a stronger value chain, expediting efforts to create added value and improve earnings growth

The Environmental Materials Business is working to develop environmentally friendly products that deliver high quality, high performance, safety and security. In this effort, we draw on our impressive share in the industry, our branding prowess, and our customer responsiveness covering up to construction/installation processes that accommodate variety of customer requirements. To gain a greater competitive advantage, we'll improve our sale power and product development capability, while thinking outside the box to find ways to reduce costs and gain a greater market share. To build a sustainable business foundation, we'll foster organizational openness, emphasizing mutual contributions within our corporate group, and keep pursuing goals with passion.

In fiscal 2022, sales volume declined because producers had less appetite for investing amid soaring raw material prices and higher prices for agricultural materials including livestock feed. To build our growth potential in this situation, we will work for greater profit growth, while reorganizing our production and sales organization structure for thorough cost cuts and turning around unprofitable products. We will also tighten control over group companies, and use an agenda of business reform and M&As to rebuild our supply chain. In overseas markets, we will increase profitability by developing and marketing value-added products tailored to customer requirements.



Kenji Matsui
Managing Executive Officer
Chief Operating Officer of the Environmental Materials Div.



Agricultural Films

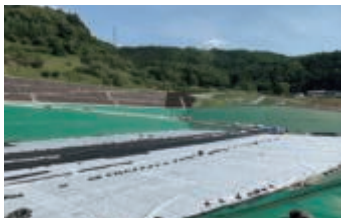
Accomplishments in fiscal 2022

- Developed environment-friendly products and tested their performance ahead of market launch in fiscal 2023.
- Adopted six product development projects, two of which were moved to the design review phase with a view to commercialization.
- Worked on joint-development projects with group companies.
- Proceeded with digital transformation and started training in its use.

Objectives for fiscal 2023

- Launch and expansion of sales of environmentally friendly products
- Greater ability to respond to producer needs
- Expansion of business domains by further strengthening cooperation with Group companies and deepening sales capabilities
- Advancement in commercialization of smart agriculture with horticulture-related materials
- Market penetration and expansion of Japanese-quality agricultural coverings in East Asia

(Millions of Yen)	FY2022	Fiscal 2023 outlook
Net Sales	35,658	36,880
Operating Profit	597	940



Waterproof Geomembranes

Accomplishments in fiscal 2022

- With stable contract orders related to an official development assistance project provided by Japan as well as successful negotiations by overseas distributor, overseas sales of Vynon Hydrotite is increasing in a stable manner.

Objectives for fiscal 2023

- Offer new products for disaster prevention/mitigation and clean energy, while developing environmentally friendly products
- Capture opportunities created by the demand for infrastructure renewal, including upgrading and maintaining expressways, tunnels, sewerage systems, etc.

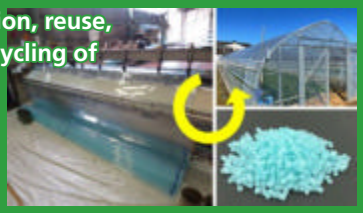
(Millions of Yen)	FY2022	Fiscal 2023 outlook
Net Sales	19,158	21,110
Operating Profit	-292	530

Bolstering production capacity

We will develop a more sophisticated strategy for boosting productivity, with a high-level and group-wide perspective in evaluating each production site. Under this approach, we will build an integrated production system to optimize productivity by, for example, sharing production assets among multiple production sites and reallocating resources. To improve competitiveness, we will take into account the characteristics of each production site and local market needs to refine product portfolios and differentiate our products from our competitors'.

FOCUS Examples of creating social value

Reduction, reuse, and recycling of plastics



We recover scrap plastics generated in secondary processing, pelletize them, and use them as product materials. In a resource-efficiency initiative, we launched a polyolefin film that is thinner and more lightweight but no less durable than conventional films. The product can help reduce transportation costs, labor costs, and the costs of after-use disposal.

Waterproof geomembranes that safeguard soil and ecosystems.

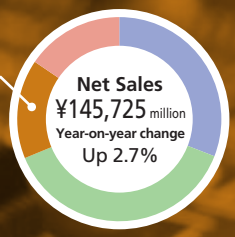


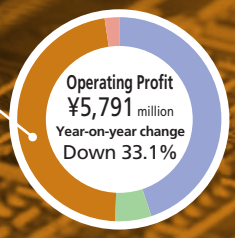
Our waterproof geomembranes serve in disposal sites. They help ensure that the site contains the waste without adversely affecting the local environment. They have sufficient long-term durability to hold the material until it is stabilized. We are developing a number of products that have added functionality not seen in conventional waterproof geomembranes.

High Functional Materials Business

Sustainably provide products that support the accelerating growth of advanced industrial sectors and enrich people's lives

FYE 3/23 Result





Growth strategy for the High Functional Materials Business

Strengths

- **Abundant product Lineup**
- **High market share and brand strength**
- **Solid sales channels**
- **Meticulous technical support**

Weaknesses

- **Large product assortment limits production efficiency**
- **High dependence on the semiconductor and FPD industries**

Opportunities

- **AI, automation, and changing work styles**
- **Growing demand for energy efficiency (shift to lightweight and use of resin)**
- **Unprecedented demand for semiconductor**
- **manufacturing equipment amid proliferation of 5G, 6G, data centers, metaverse, and EVs**
- **Increased public expectations for SDG initiatives**

The number of data centers is expected to increase sharply, creating a need for better cooling efficiency. We propose FM plates as a material for partitions to achieve high cooling efficiency in data centers, through which we also contribute to reduce fire risk.

Threats

- **Sharp fluctuations in demand for semiconductor and FPD manufacturing equipment**
- **Changes in standards and regulations**
- **Opportunity loss due to shortages of materials**
- **for semiconductor manufacturing equipment**
- **Raw material price hikes and supply chain disruptions due to social conditions**
- **High utility costs (electricity, gas)**

With customers urging us to increase production, we continue to take action to increase production capacity year after year. In fiscal 2023, we will continue the phased capacity increase for pressed products.

Business Description

High Functional Materials Business

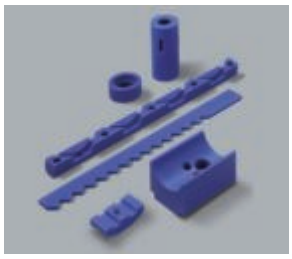
By improving basic performance and adding various functions, we have enhanced the added value of our products and are deploying them domestically and internationally. We provide products in a wide range of fields, from those that support industrial infrastructure, including semiconductor manufacturing equipment, to raw materials for products that enrich our lives.

<Plate>
General-purpose and functional resin plates, mainly PVC, PC, PET, etc.



Industrial plastic plate

<Engineering plastic materials>



Super cast nylon

Use of capital

Strengthening partnerships

The solid rapport we have with our international supply-chain partners has enabled us to build up the C.I. Takiron brand and gain a formidable share in the semiconductor and LCD production industry. We will actively continue holding dialogues with customers to further strengthen this network.

Technological enhancements

We have amassed technologies for formulating PVC resin, fabricating plastic plates, and nanoizing substances. We enhance these technologies, while exploring ways to register them as intellectual properties through their utilization and application.
By using these technologies to their fullest effect, we will proceed with product development for the semiconductor industry, which is expected to grow further, as well as for untapped sectors.

We will establish a profit base that is resistant to change, and driven by market growth in advanced technology fields such as semiconductors.

The High Functional Materials Business offers proprietary materials that support different industries. Among them, the semiconductor industry is expected to grow further and whose importance is increasing. To meet chipmakers' needs, we will boost our production capacity so that we can ensure supply continuity in resin plates, machining materials, and nanomaterials. This is especially true for industrial plastic plates. To prepare for the next surge in demand for semiconductor equipment, we will increase our capacity to produce these plates and strengthen ties with customers.

We also aggressively engage in developing new markets, including data centers and aircrafts, as well as developing environment-friendly products to accelerate market entry. To expand sales in the micro motors sub-segment, we will leverage our responsiveness to individual customers to penetrate untapped markets such as medical solutions and robotics. We will also strive to increase sales further by expanding our lineup of function-added products, such as gears and air conditioners. Meanwhile, we will keep pushing forward in our internal digital transformation and aggressively go further in digitally streamline quality management and development, thereby enhancing overall efficiencies and improving our service. We will contribute to our corporate group by producing value-added products with high profit margins, improving the organization's business resilience to external changes.



Takahisa Miyake
Senior Managing Executive Officer
Chief Operating Officer of the
High Functional Materials Div.

<Acetate board>



Eyeware frame materials

<Micro motors>



Coreless and brushless motors

Accomplishments in fiscal 2022

- We invested in new production assets and structures to boost capacity to produce industrial plates and engineered plastic materials, enabling us to respond swiftly to the next recovery in the semiconductor market.
- Motors: We developed new products with gearhead and encoder functions, explored untapped overseas markets, and developed range of applications.
- Nanomaterials: We significantly grew sales of materials for circuit boards and displays and invested in assets for boosting production.
- Environment-friendly products: We launched recycled polycarbonate plate (PCECO) with Eco Mark Certification (see p.14).

Objectives for fiscal 2023

<Plate>

- Expand production capacity to meet increasing demand for semiconductor manufacturing equipment.
- Develop environment-friendly products.
- Explore untapped markets to complement semiconductor market.

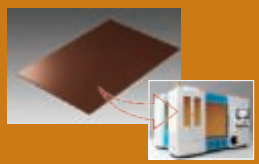
<Micro motors>

- Develop a controller/driver and roll out automation for better productivity and profit margins through modularization.
- Explore untapped markets.

(Millions of Yen)	FY2022	Fiscal 2023 outlook
Net Sales	22,729	23,520
Operating Profit	2,603	2,380

FOCUS Examples of creating social value

Laser shielding plates that excels in safety and visibility



The shift to electric vehicles is expected to lead to growing demand for batteries and electric motors. These goods are produced using a hybrid (blue and near infrared laser. In anticipation of the growth of this laser market, we launched a laser shielding plate, HTSLA CP807. This product delivers safety and visibility in wielding and other processes.

Ultrafine Particle Materials that help drive the evolution of semiconductors



To make further inroads in the semiconductor market, we are developing materials that enhance functionality of CPU and memory circuit boards (miniaturization, multi-layering, 3D) as well as display materials that enables high resolution and flexible display.

Compact and reliable high-precision motors



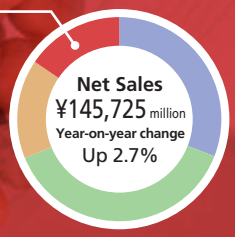
People are increasingly switching to digital keys to enhance security. Our micro core-less motors, when fitted in cylinders, can recognize the correct key and release the lock, thereby reducing the risk of lock-picking.

Specialty Films Business

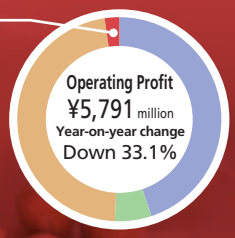
Develop and design products that best supply the market's needs

FYE 3/23 Result

Specialty Films Business
¥22,442 million
15.4%



Specialty Films Business
¥126 million
2.2%



Specialty Films Business Growth Strategy

Strengths

- **We can manufacture a variety of products according to application with our unique compounding technologies**
- **Global consumption-based production and sales system with production bases in Japan (Hiratsuka, Okayama and Tochigi) and overseas (China, U.S.A., Uruguay).**

Weaknesses

- **Few new products launched, other than existing ones**
- **Competition in technology development, including IP strategy**
- **Poor brand recognition overseas (tapes)**
- **Shrinking and aging workforces at production sites**

Opportunities

- **Expanding demand and applications both domestically and internationally (food, chemical products, pharmaceuticals, etc.)**
- **Strict quality standards in Japan impede entry of inexpensive foreign products**
- **Growing demand for environment-friendly products**

To contribute to the growing demand for a transition to a circular economy, we actively promote the use of recycled and biodegradable resins as well as reduction of waste products. To supply the growing demand in Japan for zipper tapes used in packaging for food products and medical goods, we opened a new plant in Tochigi Prefecture in October 2022. By opening this second plant in Japan, we have increased our capacity to meet the demand.
To be able to deliver exactly what the volatile packaging industry requires in a timely manner, we consolidated business operations into the packaging business in fiscal 2023 and adopted a new organizational framework in which product development departments work in lockstep with sales departments.

Threats

- **Increasing environmental concerns leading to a shift to alternative materials for packaging materials**
- **U.S.-China friction and China risk**
- **Securing stable raw materials for business continuity**
- **High raw material costs and utility costs**

To gain the agility to adapt to trends among consumers (end-users) and the changing demand landscape for packaging in the environmental perspectives, we made organizational changes to consolidate organizations in the Head Office business division to enable the product development and sales departments to share information with each other, facilitating development in environmental fields.
For our current production site in China, we plan to strengthen sales in the local market and, taking a global perspective, explore the possibility of opening a new plant.
When it comes to raw material procurement, we will enhance resilience in our production by forming strategic partnerships and continually evaluating available options with potential alternative materials should the need arise.

Business Description

Packaging Business

BONSET, our brand of heat-shrinkable films, has properties that enable a range of applications, including labels, cap sealing, and molded goods. SANZIP, our brand of plastic zipper tapes, is used in various fields, including food packaging and medical packaging. With the pandemic years making people more aware of the need for hygiene, demand for the product has risen.

Use of capital

Bolstering production capacity

Okayama Plant and Hiratsuka Plant, as the "mother factories" (production units that support overseas factories), maintain supply continuity to the domestic market, while developing new products to support our overseas production sites. With production systems geographically closer to local consumption around the world, we engage in business continuity planning, and incorporating global trends into product design. We plan to digitize our plants in Japan to mitigate the risk of a shrinking domestic workforce.

We will accelerate improvements in productivity and environmental responsiveness while enhancing performance through structural reforms.

Our division is expanding global sales of our mainstay light packaging products: shrinkable films and zipper tapes. To that end, we focus on fast response to two major themes: environmental problems and global economic trends. We strive to add further value to our products and improve profit growth by delivering plastic products that contribute to the three Rs, streamlining and optimizing our production sites, including three overseas plants, and offering product lineup that satisfies the needs of customers around the world. We are expanding our lineup of environment-friendly products, such as Bonpet Renew, mono-material zippers, and bio-based films, and working with key customers on joint development projects so that our production and sales activities contribute to the SDG agenda.

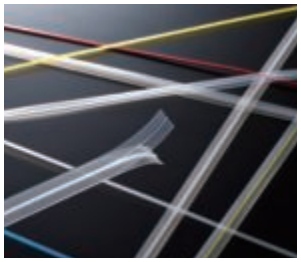
During the period in which the next medium-term plan applies, we will focus on developing human resources to drive forward digital transformation and rolling out robotic process automation in order to boost productivity. We will also look into opening a second overseas site for SANZIP production. To strengthen competitiveness, we will develop an intellectual property strategy and integrate competitor targeting into our strategy for increasing our market share.



Akihiro Ueda
Senior Managing Executive Officer
Chief Operating Officer of the Specialty Films Div.



Shrinkable film
(for drink bottle labels, etc.)



Zipper Tapes
(for food package laminates)

Accomplishments in fiscal 2022

- We increased revenue from shrinkable film by raising sales prices in Japanese and European markets to absorb higher raw material costs. In the US market, sales volume flagged because raw material shortages occurred in H1 and because customers were dealing with excess channel inventory in H2. However, revenue ultimately increased because of higher sales prices and the weak yen.
- We opened a second domestic production site for SANZIP.
- As an active action to realize the recycling-oriented society, we accelerated development and sales expansion of environment-friendly products with various concepts.
- We expanded our lineup of high functional products, including Sound Zipper and child resistant zippers.
- We allocated marketing staff to Europe (Düsseldorf)

Objectives for fiscal 2023

- Expand environment-friendly product lineup
- Work on strategic initiatives with material suppliers to expand in new markets. Recover profit through enhanced sales and operation at Bonset America Corporation in the North American market.
- For SANZIP, we will improve production capacity and supply continuity at three production sites in Japan and Shanghai. Plans for optimized production, including building the second overseas plant
- Further price pass-through of SANZIP and increase of market share with clear market

(Millions of Yen)	FY2022	Fiscal 2023 outlook
Net Sales	22,442	26,080
Operating Profit	126	1,370

Cultivating intellectual capital

We integrate our technologies and expertise in manufacturing and processing with our proprietary compounding technologies in order to unleash all our corporate group's overall strength and to develop solutions for socio-environmental issues in the packaging sector.

Building a diverse workforce

We leverage our global networks to nurture a diverse workforce and an organizational culture of engagement, where different values are respected, where value creation goes hand in hand with higher productivity, and where employees feel passionate about their jobs.

FOCUS Examples of creating social value

Bonpet Renew: Promoting plastic bottle recycling in the USA



Bonpet Renew is a next-generation shrinkable film that the US public demands today. Approved by the Association of Plastic Recyclers (APR), plastic bottles can be recycled without removing the labels. Bonpet Renew also has properties equivalent to those of mainstream products in the US market. Bonset America Corporation is working to get drink manufacturers to switch to its label as soon as possible. (See p.14: Value creation process)

Polyethylene zipper for mono-material packaging



We will promote a zipper for mono-material packaging, as part of our environment-friendly products, which can be easily recycled. Excelling at low-temperature sealability, the product helps improve the production of mono-material pouches, which involves complex processes.

The source of sustainable growth

Materiality

The C.I. TAKIRON Group identified ten materiality subjects (priority sustainability issues) to prioritize our efforts in fiscal 2019 based on changes in social issues, such as SDGs as well as environmental, social, and corporate governance (ESG) issues.

With numerical targets for each subject formulated as a three-year Materiality Mid-Term Plan, we have made organizational arrangements to promote sustainability management in a practical manner.

Source of Corporate Growth
(1) Cultivate a Corporate Climate Supporting Value Creation
(2) Advancement of Polymer Processing Technology
▶P.33

Responsibilities to Society
(5) Address marine plastic pollution
(6) Promote CSR procurement
(7) Reduce environmental impact
(8) Expand environmentally friendly products
▶P.47

Materiality

Respect of Individuality
(3) Promote diversity
(4) Management Commitment on Enriching Lives
▶P.39

Management Platform
(9) Comprehensive Compliance and Risk Management
(10) Enhance Corporate Governance
▶P.53

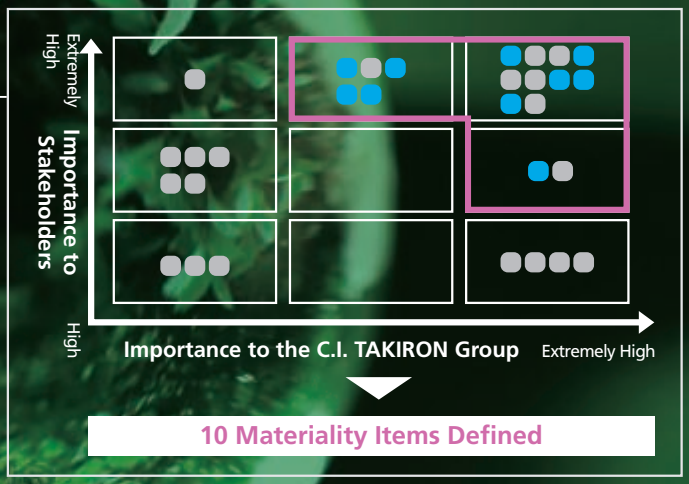
Process to Define Materiality

C.I. TAKIRON collected feedback from each business division throughout the Group about potential materiality items while keeping in mind the corporate philosophy as well as international standards such as the United Nations Global Compact, the SDGs, ISO 26000, and the OECD Guidelines for Multinational Enterprises. Next, with reference to the social-and business environments as well as social trends that matter the most to our business and stakeholders, we identified a shortlist of 30 potential materiality issues based on the evaluation of our initiatives to create our corporate value from perspectives of risks/opportunities and advantage/disadvantage. We then evaluated the potential issues from both quantitative and qualitative aspects, and sought advice from external experts. Having done this, we plotted the issues on a matrix with their priority and weighting. To narrow down the issues, we held internal discussions and conducted a questionnaire. Finally, through a review by the management, ten issues were identified. For each issue, we defined a vision (the desired future scenario), a strategy, and KPIs. and a medium-term annual plan.

1. Identify potential materiality issues
2. Create a materiality matrix
3. Define the materiality through a management review
4. Set objectives by departments in charge and management per issue
5. Manage the progress, including revision of material issues

See our corporate website for more about materiality and our process for defining the materiality issues.
https://www.takiron-ci.co.jp/sustainability/policy/materiality.html

Materiality Matrix



Medium-term Plan for Materiality

	Materiality Subject	Evaluation Standards (KPI)		Medium-term Roadmap				Relevant Sustainable Development Goals (SDGs) (▶P.2)	Relevant Page
				FY2021 Results	FY2022 Targets	FY2022 Results	FY2023 Targets		
Source of Corporate Growth	1 Cultivate a Corporate Climate Supporting Value Creation	Number of Challenge Promotion Measures Implemented During the Period		3	4	3	4	8 9	—
		Survey-based Evaluation of the Extent the Corporate Culture Where Employees Take on Challenges has Permeated		—	70% or above	62%	70% or above		
	2 Advancement of Polymer Processing Technology	New product sales composition (non-consolidated)		20.8%	18% or above	21.5%	20% or above	2 6 9 11	P.33
		Number of New Technologies Created (Number of Patent Filings)		34	42+ per year	50	50+ per year		
Respect of Individuality	3 Promote Diversity	Rate of Participation in In-house Training Classes Related to Diversity & Inclusion		100%	100%	100%	100%	5 8 10	P.42
		Level of Understanding Regarding Diversity & Inclusion Identified Through Surveys Conducted After Training		90%	—	94%	60%		
		Ratio of female to male employees in management positions* (as of April 1, 2024)		2.4%	—	3.0%	3% or above		
		Ratio of women in leadership positions (as of April 1, 2024)		4.6%	—	5.7%	5% or above		
		Ratio of female employees in career-track positions (as of April 1, 2024)		—	—	19.4%	20% or above		
		Percentage of career-track female hirees		28.6%	—	63.6%	40% or above		
		Ratio of Employees Who Return To Work After Leave		81%	—	80%	80%		
	4 Better Life Management Declaration	Employee Work Engagement Score		2.5	—	2.5	At least 3.0	8	P.40
		Employee Loyalty Score		2.8	—	2.8	At least 3.0		
		Recognition Status as an Excellent Corporation for Health Management		Recognition status continued	Continued	Continued	Continued		
Responsibilities to Society	5 Handle Marine Plastic Pollution	Number of Waterside Clean Aid Activity Participants (total participants for the year, including community clean-up activities)		859	At least 1,000	2,074	At least 1,200	14	P.52
		Number of Marine Plastic Related Events and Seminars Held (Total number of seminars and events held for the period)		85	30	157	30		
	6 CSR Procurement	Request rate for major domestic business partners to comply to the CSR procurement policy (based on monetary amount in purchase)		100%	100%	100%	100%	12 17	P.51
		Request Rate for CSR Procurement Policy by Important Domestic Business Partners in Overseas Group Companies (% of purchase base)		0%	100%	99%	100%		
		Level of Agreement with CSR Procurement Policy (Based on business partner survey)		—	Level of Agreement: 100%	100%	Level of Agreement: 100%		
	7 Reduce the Environmental Impact	CO_2 emissions reduction rate (Scope 1 and 2) (compared to FY2018)		26%	27% reduction	35%	28% reduction	13 14 15	P.47
	8 Expand environmentally friendly products	Number of environmentally friendly product development themes		16	10 per year	6	15 per year	2 6 9 11 13 14 15 17	P.35
		Environment Related Awards		—	—	—	Aim to receive an environment related award by FY2025		
Management Platform	9 Engage in comprehensive compliance and risk management	Compliance Related Enlightenment and Education Implementation (percentage)		100%	100%	100%	100%	5 16	P.61
		Number of Critical Compliance Violations		0	0	0	0		
		Rate of Completion of Response to Important Risk Issues Within Period		80%	80%	At least 80% on all items	80%		
		Regular Important Risk Reviews		1	At least once	1	At least once		
	10 Enhance Corporate Governance	Board of Directors Attendance Rate		97.6%	85% or above	100%	85% or above	5 16	P.57
		Formulation of Corporate Governance Guidelines		Information gathering	Formulation	Withdraw themes	—		
		Number of Times Explanatory Meetings Were Held for Shareholders/Investors	Financial results briefings	2	2	2	2		
			Meetings with Individuals	1	At least two time	2	At least three time		
			Small-sized Meetings	—	—	0	At least once		

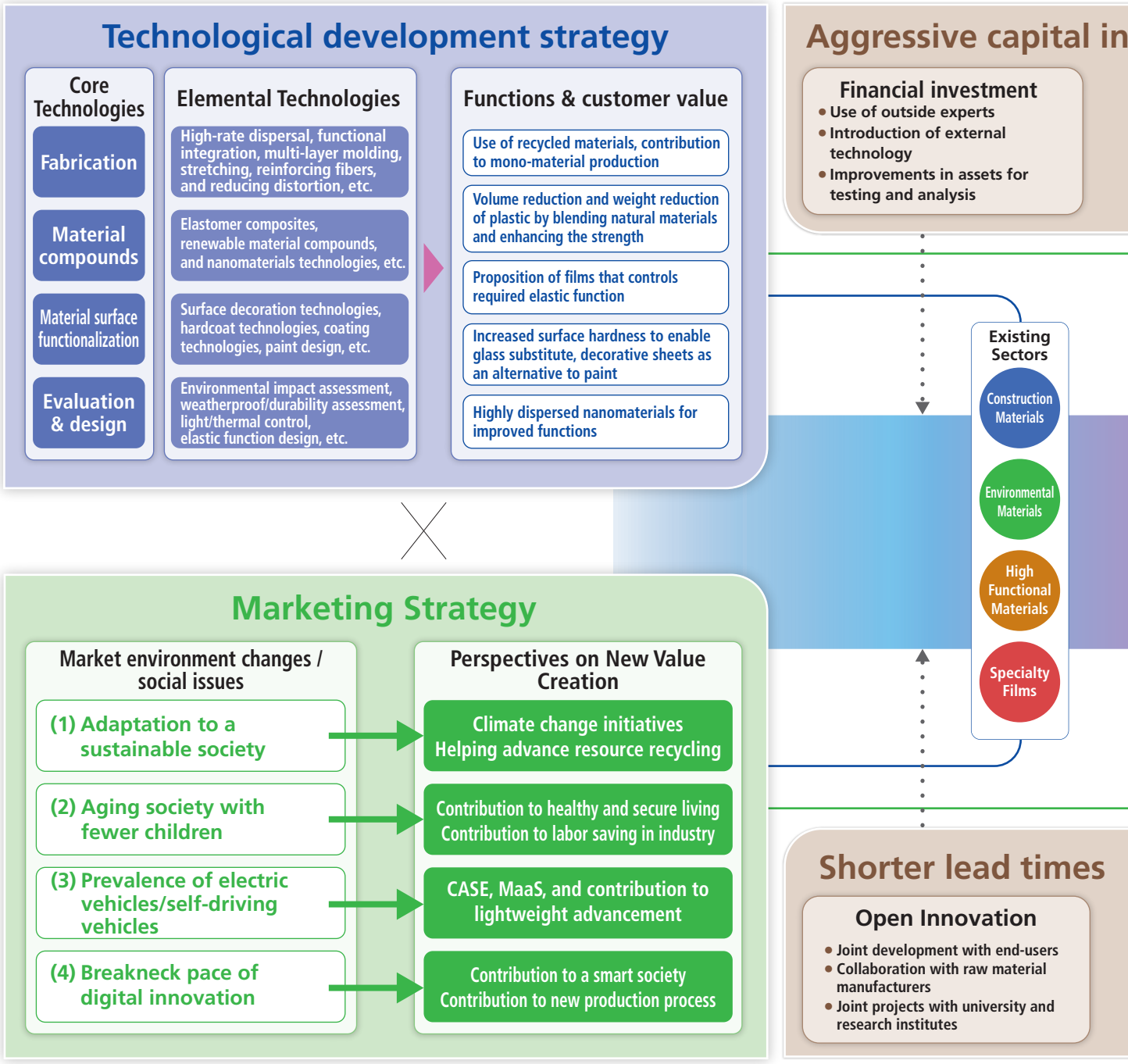
*: Includes positions at or equivalent to management rank

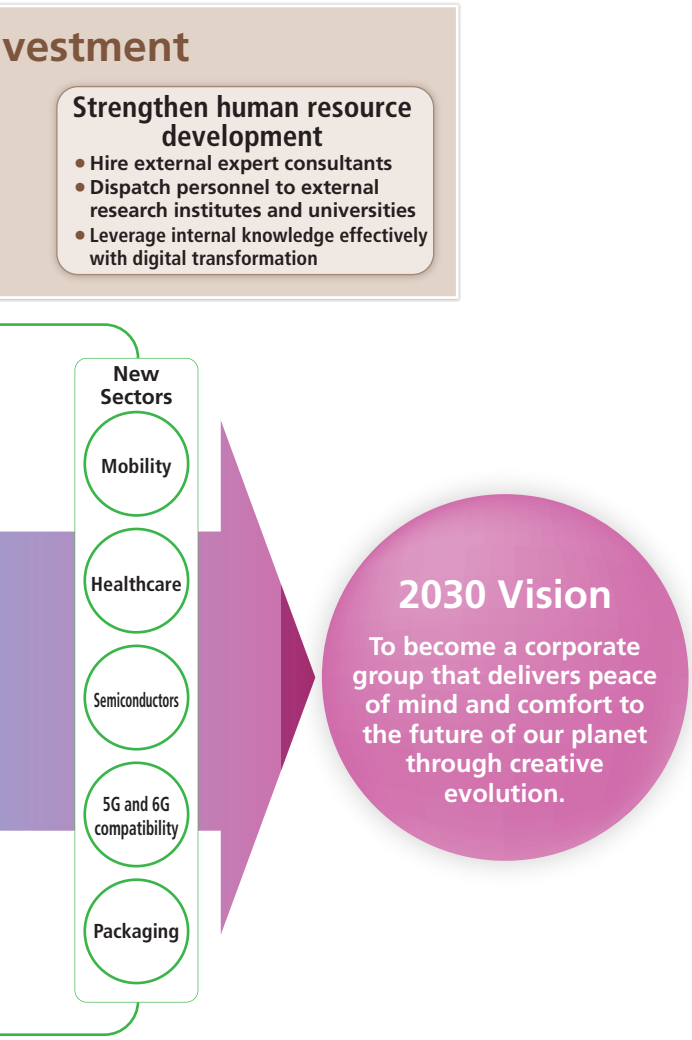
Research & Development

Overhauling our R&D strategy

We choose R&D themes that help our organization build formidable corporate value and concentrate resources on them. With a solid portfolio, we will then make the necessary organizational enhancements and embrace open innovation and select dynamic opportunities (adoption of external technologies, M&As, for example).

Overall R&D Strategy to Realize our 2030 Vision





Messages from the Chief Operating Officer

Improving R&D performance and pushing harder into new areas



Hideharu Iwasaki
Managing Executive Officer,
Chief Operating Officer of the R&D Division

To support our organization's growth, we will address societal demands and fulfill our corporate mission. We must then strengthen our existing businesses, develop new products to penetrate new sectors, and pursue technological innovation.

In a project to radically overhaul R&D operations, we're subjecting all R&D themes to a review to decide which to abandon and which to retain. For those we do retain, we'll redraft the development plan, setting clearer objectives. We've already identified growing markets as our new target areas: mobility, healthcare, semiconductors, 5G and 6G compatibility, and packaging. To enter these markets, we will focus on developing functional films using our film-fabrication technology, nanotechnology, and surface-processing technology, while setting relevant themes, including provision of these films as modules and devices.

To meet the demand for environmental sustainability, we will develop technologies that enable us to practice the three Rs on our existing products. We will also develop mono-material substrates and cellulose-resin composites that contribute to recycling and reduction of packaging materials.

To build an effective structure for R&D, we will go further in embracing open innovation, while looking into M&As involving venture and startup companies. We will also train up R&D human resources and actively hire external experts.

To protect our IP, we will use patent landscaping to gain insights for building a competitive IP strategy, and build an IP portfolio during R&D stages, ensuring IP readiness ahead of commercialization.

Research & Development System

The R&D Department accelerates further development of the technologies possessed in each business division across three research and development sites and six groups. We have driven forward activities to develop new products, acquire new technologies, and create new businesses to contribute to business expansion. Our focus in fiscal 2023 is to overhaul R&D operations and structures. This means deciding which R&D themes to abandon and which to retain and preparing a new portfolio strategy for the R&D themes to focus on in the future. In this overhaul, we will identify medium-to long-term themes for our core themes, prepare an R&D strategy and roadmap aligned with the next medium-term management plan, and prepare an IP strategy. Currently, we have several R&D sites in disparate locations. We will look into consolidating these sites in accordance with the R&D areas we will be focusing on. We will also work with external research institutes and universities to acquire the technologies needed for creating new businesses, while pursuing business alliances and M&As with organizations in Japan and overseas.

Core Technology

Number of new technologies developed (number of patent filings) **50** (FY2022)

For our existing businesses, we acquire and develop surface functionalization technologies (paint design and coating technologies) based on our core technologies (advanced material composite technology, various fabrication technologies, performance and analysis evaluation technology) to give our mainstay products (films, sheets, panels) unique qualities that create a formidable competitive advantage. Looking beyond our core area of construction materials, we aim to create value for the glass alternatives sector, including mobility products. To expand the business portfolio, we are also developing film substrates with elastic properties. These are now being tested in healthcare and semiconductor sectors. Ecological sustainability is another focus. Based on Japan's Plastic Resource Circulation Act (the New Plastic Law), we also focus on developing mono-material packaging materials that enable functionality equivalent to conventional materials with single materials (Topic ①), develop cellulose compounds that allows to significantly reduce petroleum-derived plastics (Topic ②) and other functional packaging materials.

TOPIC ①

Development of mono-material plastics that support resource circulation and recycling

Amid the rising global interest in sustainability, we are developing mono-material packaging materials that allow for easier recycling. These packaging materials retain properties required for a wide variety of packaging materials (gas barriers and permeability to water vapor). We are marketing them to major packaging converters and brand owners.



Recyclable mono-material packaging materials
Picture: Packages using C.I. TAKIRON Group's mono-material SANZIP tape and mono-material film

Creation of new and environmentally friendly products

We have completed the process of digitally transforming development design review (step management) across the whole organization. The system is now in operation. The purpose of this project was to expedite product development, provide graphical data for tracking progress, and create a databank to enable analytics. The ability to visually track progress accelerates development. The system can also track and aggregate KPIs (number of environmentally friendly development projects, number of IP filings, percentage of total sales revenue attributable to new products). This data provides insights for setting and reviewing goals, leading to significant improvements in operational efficiency.

Developing environment-friendly products is an organization-wide endeavor. Embracing "3R+Renewable" environmental initiative, we actively promote reduction, recycle, and use of biomass plastics and biodegradable resins. For the theme of reduction, we have developed resin-waste composites (the waste component includes food and drink waste) such as our cellulose compound. For recycle, we procure pre-consumer recycled materials and recycle them back to products (known as "horizontal recycling"). We are also rolling out schemes in each business sector for recycling aged materials. In developing biomass plastics, we follow the mass balance approach in our supply chain. As such, we encourage key production sites to obtain certification from the ISCC (International Sustainability & Carbon Certification) system so that we fulfill our responsibility in supply chain management.

Using our composite technologies and shaping technologies, we are stepping up development of environment-friendly products in all directions.

TOPIC ②

Development of a cellulose compound for blow-molding and inflation molding

To commercialize our olefin resin cellulose compound, we have defined the specific target applications (films, bottles) and upgraded our design mix. We are also taking on the challenge to give the material the same properties as the conventional material for containers and packaging. This means equipping the material with gas barriers and vapor barriers. Because of significant reduction of less petroleum-derived resins, the product helps reducing CO_2 emission to meet the requirement of Japan's Plastic Resource Circulation Act.



Cellulose compound (left), a roll of film and a bottle (right)

FOCUS Protecting our intellectual property

Our IP initiatives

One of the policies in our annual management plan for fiscal 2023 is to use our IP to strengthen R&D. This policy requires us to invest in IP. Shown on the right is our basic policy for IP investing.

<Basic Policies for IP investing>

1. Practical action to create intellectual property to establish a competitive advantage
2. Intellectual property clearance to ensure business execution
3. Development of intellectual property human resources to support business promotion

According to these basic policies, we take the following four actions to enhance organization-wide IP activities:

1. Using IP-related information more effectively
We used patent landscaping to understand the patent situation related to strategies for plastic recycling businesses. We will continue using patent landscaping and actively incorporating the results into business strategies.

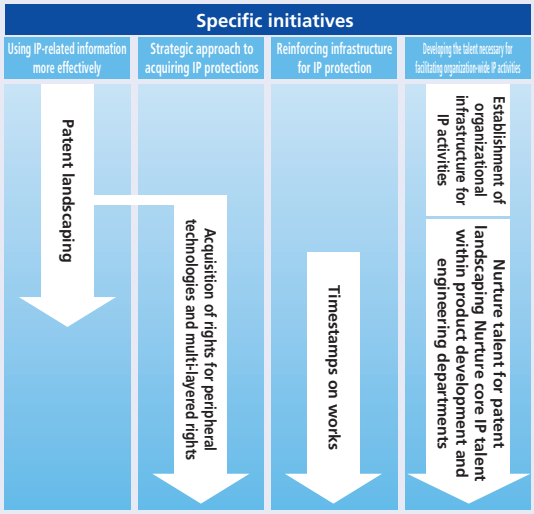
2. Taking a strategic approach to acquiring IP protections
Having identified key strategic themes, we file patent applications in a targeted manner to build a patent portfolio.

3. Reinforcing infrastructure for IP protection
We identify relevant internal documentation and timestamp them to ensure prior-use rights.

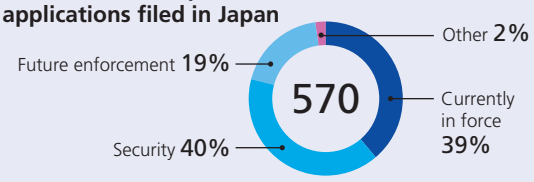
4. Developing the talent necessary for facilitating organization-wide IP activities
We have established an IP promotion committee in charge of improving IP literacy across our workforce. We also provide relevant e-learning to all of our engineers.

IP activities

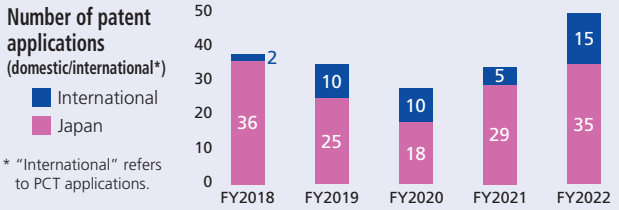
Phase	Outputs of IP activities
Organization-wide strategy Business Strategy	・Clearer idea of our position in market ・Potential M&A deals (proposal / review) ・Organizational infrastructure for IP activities
R&D strategy Product development strategy	・Business expansion and growth in sales and profit by establishing competitive advantage ・Proposal to potential customers (new and existing products) ・R&D themes reviewed and presented
R&D activities Product development activities	Further mitigation of IP-related threats to business
IP acquisition activities	Buildup of IP portfolio (allowing horizontal expansion of IP rights)
Business Activities (those related to IP)	・Buildup of infrastructure for IP protection, including prior use rights and rights for publicly worked inventions. ・Greater business scope thanks to cross-licensing



Patents held and patent applications filed in Japan



Number of patent applications (domestic/international*)



* "International" refers to PCT applications.

Production Technology

Messages from the Chief Operating Officer

To become one of the world's leading production sites, we will raise the bar in terms of environmental impact reduction, quality, efficiency, and cost competitiveness

Hironori Kikuchi Managing Executive Officer, Chief Operating Officer of the Production Division



We will use our processing techniques and production technologies to make our production sites first-class in terms of carbon footprint reduction, quality, efficiency, and cost competitiveness. To that end, we must prioritize two actions. The first is safety. Safety must always come first. We will develop an effective strategy for reaching zero occupational accidents. The second priority is quality. We need to reach zero customer complaints. Accordingly, we will keep striving for top-quality workmanship, reducing repeat complaints to zero and minimizing quality assurance risks.

Besides these two priorities, we also digitize and automate our production sites. This task involves implementing wireless technologies, digital forms, and robotic process automation in order to improve operations and consolidate production processes, so that we can allocate staff optimally. In this way, we can keep raising production efficiency.

The Production Division is also committed to reduction of negative environmental impact. Our actions include optimizing production lines to save energy and reduce CO_2 emissions, as well as promoting recycling to reduce plastic waste.

Creating value with our resin-forming technologies

The C.I. TAKIRON Group can mold virtually any kind of resin. From the foundation of our business, our resin-forming technologies have undergone unique evolution. These technologies support livelihoods and industries across a wide spectrum of sectors.

We aspire to be a leader in resin processing and one that creates value for the future by delivering safety and comfort. In pursuit of this vision, we keep honing our technological prowess.

Our strengths in production technology

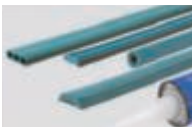


Key products
- Shrinkable films
- Corrugated plates

Properties
With our wide array of resin materials, we can create all manner of films and sheets across the thickness scale, covering a wide array of needs, from building materials to medical goods and food products.

Key products
- Hydrophilic Water Sealing Materials

Properties
The ability to consolidate multiple resins with disparate functions into a single cross section enables the formation of water sealing material to be formed into shapes based on unique concepts.





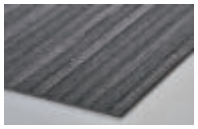
Key products
- Decorative films for interior and exterior surfaces

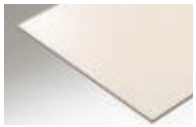
Properties
With our ability to create sheets with high thickness accuracy, we can post-process laminates and prints to produce exterior and interior surface materials that are highly functional and aesthetically pleasing.



Key products
- Flooring sheets, stair flooring

Properties
The flooring material retains its color scheme even when the surface is removed, enabling aesthetic design that withstands weather and abrasion.





Key products
- Industrial plastic plates

Properties
With manufacturing technology rare in Japan, we create high-quality industrial plastic plates. Additionally, when subjected to heat, difference between lengthwise and lateral expansion is minimized.

Key products
- Piping and plumbing equipment

Properties
With excellence in mass-producing complex-shaped products, we have a lineup of over a hundred different product categories, covering a wide range of needs.





Key products
- Agricultural Films for greenhouses

Properties
We have a forming technique specially for bag-shaped films. With the first technology in the industry to form five-layer film with five materials we contribute to the crop farming environment with multifunctional greenhouse film.

Other forming technologies we have include vacuum molding, rotational molding, blow molding, spiral-winding molding, composite-extrusion molding (for steel pipe and iron wire coating), and solid-extrusion molding. Our extensive technological portfolio enables us to cover a broad array of needs.

Quality

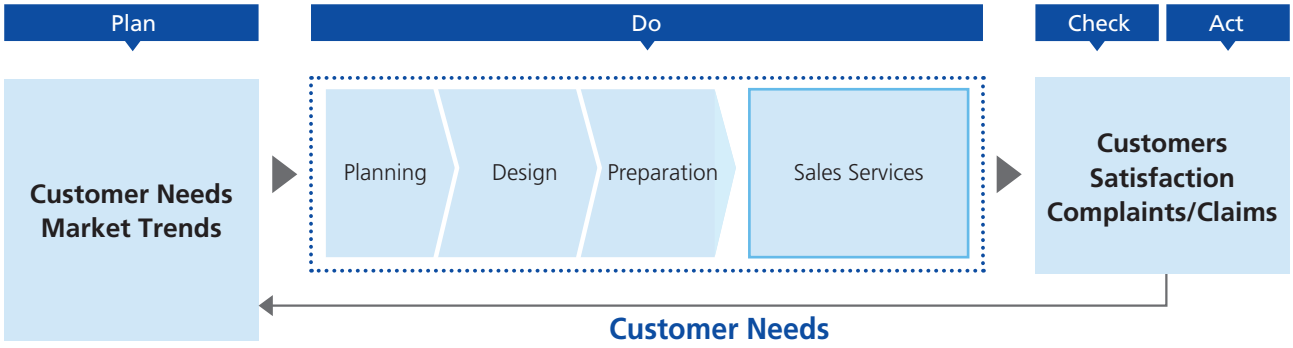
Quality Assurance Initiatives

The C.I. TAKIRON Group promotes quality assurance activities to fulfill the needs of customers and ensure quality in order to provide the quality able to satisfy our customers under the motto to be the best of the best. The C.I. TAKIRON Group has defined its Basic Quality Policy as: We build and strengthen trustful relationships with our customers and improve customer satisfaction in all our business activities, which serves as the core of our Quality Management System (QMS).

As for specific quality assurance activities, we facilitate contact points as a means of communication with our customers such as a contact form on our homepage and a toll-free telephone number to our customer service center in order to improve customer satisfaction by responding to customer inquiries and requests.

In addition, each production site operates a Quality Management System (QMS) which complies with the ISO 9001 standard as the core framework of our quality assurance activities (see the diagram below). Customer requests relating to products serve to clarify product and service needs, which we then reflect in at every stage of product planning, design and mass production. We have also established a system to provide new and improved products while closely examining such items as safety, quality, cost, and environmental impact. In order to respond to changes in the external environment and realize a sustainable society, we conduct SDG contribution evaluations and environmental conservation evaluations at the product design stage. We are particularly focused on strengthening our perspective on helping solve social issues.

Framework of the Quality Management System

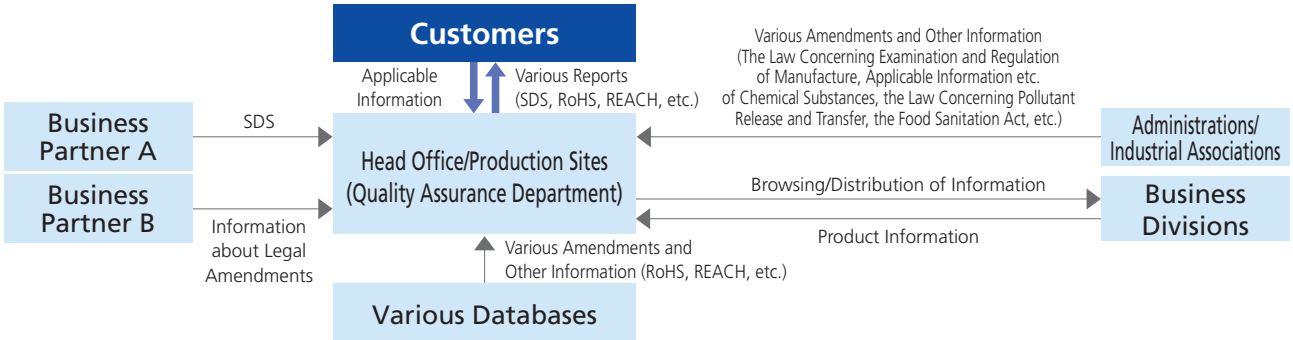


Handling Chemical Substances Contained in Products

We have not registered with the EU REACH Chemical Compliance Services because more than half of the products at C.I. TAKIRON are molded products. Given our position in the middle of the supply chain, however, we will remain constantly aware of how we are handling substances of very high concern (SVHC), which are added from time to time, and we will communicate this information to our customers and respond appropriately.

We will respond appropriately to the recent strengthening of chemical substance regulations worldwide based on our response flow and provide information to our customers.

Handling Framework for Substances Contained in Products



Human Resource Strategies

Our Management Commitment on Enriching Lives commits us to fostering an organizational culture and workplace environment in which every employee feels valued, continually training our workforce, accommodating diversity, and attracting top talent, so that we can become an organization of continuous creative evolution, as envisaged in the C.I. TAKIRON 2030 Vision.

Messages from the Chief Operating Officer

Toward personnel management that aligns individual growth with corporate success

Noboru Fukushima Director, Managing Executive Officer, Chief Operating Officer of the Corporate Administration Division, CIO



Since fiscal 2019, under Management Commitment on Enriching Lives, we have been working to build systems and raise awareness for our initiatives: Support for Diverse Work Styles, Support for Purposeful Work, and Support for Better Health. In response to the advances in uses of information technology and new ways of working that have taken root amid the COVID-19 pandemic, we are working to improve the work environment with an emphasis on increasing productivity. Our 2023 Vision requires a swift and effective talent strategy that will enable us to achieve our next medium-term management goals without fail. Specifically, we are in process of shifting to a promotion/reward system based on performance, drawing up a staff allocation plan aligned with corporate-level strategy, reformation of the personnel system to attract, retain, and nurture the talent who will drive our growth in the future, and establishing a more systematic and strategic approach to talent development.

No less important is the need to inculcate a culture of accountability, in which employees take ownership of their work and experience high levels of motivation and engagement. One of material issues involves cultivating a corporate culture that supports value creation, meaning that we must create a corporate culture that supports and empowers diverse human resources. To that end, we will focus on raising employee engagement and ensuring that employees' individual growth contributes to business growth.

In short, we aim to manage our human capital in a way that links employee growth with long-term, sustainable growth in our organization's value.

Human resource strategies that support sustainable business growth



Group Corporate Philosophy

Mission
Creating a people- and earth-friendly future

Aspired Corporate Culture
Pride in our accumulated value and the courage to transform

C.I. TAKIRON 2030 Vision

To become a corporate group that delivers peace of mind and comfort to the future of our planet through creative evolution.

Ideal Human Resources

Communicate, Commit, Be Proactive.

Take Initiative and Drive Forward

Communicate
Human resources capable of actively communicating with everyone inside and outside the company and conveying their thoughts

Commit
Human resources who think for themselves, act for themselves, and fulfill their responsibilities

Be Proactive
Human resources who can anticipate situations and actively realize new business and innovations

Our Ideal Human Resources concept strongly calls for awareness as expressed by "Communicate," "Commit," and "Be Proactive."
We are developing human resources who are responsible for their work, who can complete the work without discarding it, and who can increase their own value of existence by completing their work.

Management Commitment on Enriching Lives

充実人生
経営宣言

Our company provides a quality workplace where employees can work easily in accordance with the Management Commitment on Enriching Lives, and employees contribute to the lasting growth of the company through realization of the Ideal Human Resources concept.



Key programs related to the Management Commitment on Enriching Lives

To support employee wellbeing, we offer, and encourage the use of, the key programs. We also foster a positive corporate culture. In fiscal 2020, we established the Management Commitment on Enriching Lives Promotion Committee with the Chief Operating Officer of the Corporate Administration Div. as the chair. The committee is held three times a year. The committee consists of representatives from various business departments and production sites. In fiscal 2022, to add diverse values to the committee activities, a female employee was appointed to attend the committee as an observer, whose active participation helps vitalize the committee. The observer system drops the gender restriction from fiscal 2023.

Support for Diverse Work Styles

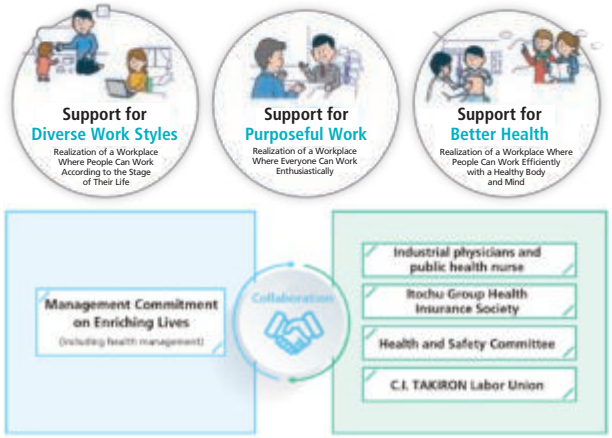
C.I. TAKIRON adopts systems such as an hourly leave system and a telework system with the goal of realizing a workplace where each can employee can select a working style according to their stage of life. Since April 2023, we overhauled our telework system, expanded during the pandemic years to protect employees from the risk of infection, to our new labor management rules with the aim of increasing productivity.

Supporting employees' career growth

C.I. TAKIRON implemented career consulting and job rotation programs as a framework to support the purposeful work of its employees. Career counseling provides career development support through counseling with supervisors. Employees create an action plan and confirm a growth process after sharing their ideal future and their thoughts about their career with their supervisor and colleagues based on a career vision sheet drafted by the employee themselves. The job rotation program is a program in which employees move to a different department five years after joining the company with the hope of aiding in their development by providing a wide range of experience. These frameworks support the expectations from the company and the passion that employees have about a career as a means to help facilitate a better professional life and purposeful work.

Consultation programs for goal management and career advice (each once a year)

(1) Feedback interview for achievement-based assessment of the prior-year
(2) Interviews for current fiscal year goal-setting
(3) Mid-term review interview for current fiscal year goals
(4) Skill assessment interview
(5) Career consulting



Improving employee engagement

We have set two KPIs for measuring the extent to which our Management Commitment on Enriching Lives has gained traction: employee work engagement score and employee loyalty score. We use an annual employee survey to track employees' passion for their job and their motivation to contribute toward the organization's success. The survey results are analyzed using HR technology to identify issues. We swiftly act to resolve management issues and organizational issues.

Recognition as Excellent Corporation for Health Management

In fiscal 2023, we were certified, for the fourth consecutive year, as Excellent Corporation for Health Management (in the enterprise section). To maintain this designation, we'll go even further to implement the Management Commitment on Enriching Lives.

2023 健康経営優良法人 Health and productivity

- Telework implementation rate*: FY2021 43.0% ▶ FY2022 **45.6%**
- Rate of paid leave taken by employees: FY2021 89.4% ▶ FY2022 **90.5%**
- Rate of smoking employees: FY2021 27.1% ▶ FY2022 **26.8%**
- Specific health guidance implementation rate: FY2021 60.2% ▶ FY2022 **66.0%**

* Calculated by dividing "total days at home" with "total days of office attendance" among those eligible for telework.

Human resource development

C.I. TAKIRON has established an education system, and provides a broad range of opportunities to foster the development of the employees who help enhance the value of the company and to help the employees to grow on their own initiative. Our training programs include rank-specific trainings to equip employees with the required skills, education programs to foster global human resources (language proficiency training for selected employees), an e-learning for self-development, and incentive programs to gain qualifications.

Ideal Human Resources

Education System

Group education (including courses at external venues)	Rank-specific training Elective education	Equips employees with the skills required for a particular hierarchical layer	Executive officers	• Management support programs
			Managers	• Multifaceted views • Department manager training (Management Candidate Development Program)
			Senior level employees	• Newly hired senior level employee training • Labor management training
			Middle level employees	• Training to strengthen problem-solving skills • Training in finance and accounting • New employee-mentor training
			Junior level employees	• Third-year training (at MORIUMIUS)
			New employees	• Follow-up training for new employees • New employee training
	Course at external venues	Specialized skills education (cross-industrial exchange)		
Global human resource development program	Study abroad Language training	Employee trainings for those who can take on international assignments or secondment		• Study abroad • Language courses in Japan • TOEIC score improvement training (e-learning) * Mandarin-language course in fiscal 2023 in addition to English.
Self-development	e-learning	Support for acquisition of skills required for work		• MBA curriculum (including M&A, business strategy, finance, leadership) • Business skills (including communication, management, coaching) • Basic skills for digital transformation
	Incentive programs to acquire qualifications	Support for acquisition of qualifications required for work		

Education Plan (Human Resource Development Plan)

Building a globally human resource

To help our employees equip themselves with skills to excel on the world stage, we subsidize fees for the Test of English for International Communication (TOIEC) institutional program to encourage employees to take the exams, and provide e-learning courses for English-language proficiency. Additionally, we offer elective courses for language learning within Japan, which consists primarily of one-on-one online sessions. We also offer foreign language study abroad programs and practical training programs at overseas group companies.

Grooming future leaders

We offer an externally run program for leadership candidates. The program is for selected chief operating officers, who lead efforts to foster an organizational culture for continuous creative evolution. Attendees participate in inter-company competitive events (cross-industrial exchange) to gain experience in leadership skills needed for business leaders, particularly using strategic thinking to communicate a corporate vision and then lead the organization in implementing the vision.

Message from the General Manager of the Human Resources and General Affairs Department

Nurturing and empowering the next generation of leaders

Tatsuya Uchida General Manager of the Human Resources & General Affairs Dept.



The external business environment is highly volatile, and the outlook is unclear. Against this backdrop, we have embarked on a strategy for acquiring and nurturing the talent who will drive our future growth and implement our business strategies.

For talent acquisition, our main policy is to step in-bulk recruitment of fresh graduates. Graduate hires are assigned to cross-organizational projects. Our department then works in lockstep with the departments to which the hires are assigned in order to uncover hidden gems—the high-potential employees our organization requires. We want our junior level employees to excel and to be highly motivated, which is something we have struggled with under our past talent management system. Accordingly, we will waste no time in restructuring our human resource management and talent development and creating a new talent management system that will raise employee engagement.

Diversity & Inclusion

We believe that respect for diverse human resources regardless of physical or non-physical differences as well as understanding a wide range of values and viewpoints vitalizes the organization and helps employees grow. At first, we provide in-house training so that each employee can better understand the concepts of "diversity & inclusion," respect the various values and differences of each individual, and create a corporate culture in which all people can fully demonstrate their abilities.

Initiatives to Promote the Active Participation of Women

We have formulated an action plan and raise awareness both inside and outside of the company in accordance with The Act on Promotion of Women's Participation and Advancement in the Workplace while building a workplace where everyone can work enthusiastically regardless of their gender.

We also routinely educate employees in diversity and inclusion. In fiscal 2021 and 2022, we provided all employees with an e-learning course on the basics of diversity and inclusion. In July 2023, management staff attended a webinar about unconscious biases.

Action plan aligned with Japan's Act on the Promotion of Women's Active Engagement in Professional Life (April 2023 - March 2025)

(1) Females to account for 40% of career-track hires
- Set a quota so that women account for 40% of career-track hires in fiscal 2023 and fiscal 2024.

(2) Paid leave take-up rate at 80% or above
- Each department will set a plan for encouraging take-up of paid leave and track progress.

(3) Foster an organizational culture that supports job satisfaction among female employees
- Improve structures and programs for supporting careers of female employees.
- Take action to change employee attitudes.
- Build organizational infrastructure to support flexible work styles.



Roundtable Talk on Women's Participation and Advancement in the Workplace
P.44

Encouraging employees to take childcare leave

To encourage male employees, as well as females, to take childcare leave, we advised eligible employees, as well as their managers, individually about the childcare leave program. This action led to an increased number of childcare leaves. All of the men and women who had taken childcare leave returned to the company during fiscal 2022.

In recognition of this achievement, the Minister of Health, Labour and Welfare awarded our organization with Kurumin Certification in 2021, denoting that we strive for a high level of childcare support.

- New Female Graduate Employment Ratio
  FY2021 28.6% ▶ FY2022 63.6%
- Number of Mid-Career Hires
  FY2021 8 ▶ FY2022 18
- Employment Ratio of Disabled Persons
  FY2021 2.12% ▶ FY2022 2.20%
- Ratio of Employees Who Return to Work after Leave
  FY2021 80.9% ▶ FY2022 88.4%
- Level of Understanding Regarding D&I Identified through Surveys Conducted after Training
  FY2021 89.6% ▶ FY2022 93.5%
- Acquisition Ratio of Childcare Leave for Employees
  FY2021 100% ▶ FY2022 122.2%*
- Number of Employees Taking Childcare Leave
  FY2021 32 ▶ FY2022 27
- Number of Employees Returned to Work after Childcare Leave
  FY2021 100% ▶ FY2022 100%
- Rate of In-house D&I Course Participation
  FY2021 100% ▶ FY2022 100%

* Take-up rate in fiscal 2022 represents (b) the employees who took childcare leave during fiscal 2022 as a percentage of (a) the total number of employees who had a child during fiscal 2022 (b divided by a). The take-up rate can potentially exceed 100% because (b) includes employees who had a child before fiscal 2022 but did not take childcare leave during the year in question.

Attracting talent

With an eye on rapid technological advances in the business field and an increasingly uncertain and opaque business environment, we are strengthening recruitment of new graduates in order to nurture the next generation of human resources from a medium- to long-term perspective. As well as hiring fresh graduates, we are open to mid-career hires. We conduct internal interviews to ascertain the strategic needs of each department and then hire individuals with the experience and skills to hit the ground running, thereby improving our organizational agility to respond to changes in the external environment swiftly and flexibly. For both fresh graduates and mid-career hires, we monitor internal and external trends and update our hiring processes and criteria as necessary to ensure that our hiring practices align with our workforce plan and our concept of the ideal human resources.

We also encourage the use of reemployment programs so that senior personnel can work longer with their wealth of experience.

Improving the process for recruiting fresh graduates into career-track positions

We encourage university students to understand our organization's core strengths and develop an emotional connection with our businesses, so that they develop a strong desire to join our organization and, after joining, remain loyal. In our company briefing sessions and initial screenings (which involve group discussions), students interact with employees of different ages and occupations other than HU team members, giving the students a better idea of what it would be like to work for us. For the second round of screening, which consists of a personal interview, we now check the candidates' competencies. In this process, we focus on the candidates' behavioral characteristics. After unofficial employment offers, we follow up the candidate by inviting them to social gatherings and pre-employment training sessions. For the fiscal 2024 intake of fresh graduates, we have started course-specific hiring (clerical, engineering), meaning hiring with limited initial job roles. We have also upgraded internships for engineering students. These actions have increased the percentage of candidates who accept our job offers.

Workplace Health and Safety

Health and Safety Management System

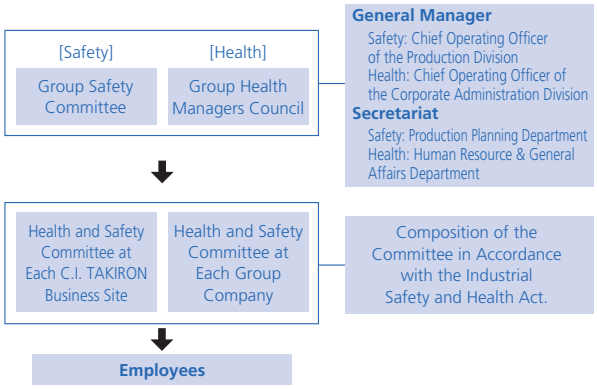
Based on the C.I. TAKIRON Group's stated health and safety policy of "Building a safe and comfortable workplace by penetrating employee safety awareness," each group companies developing and promoting health and safety activities to prevent occupational accidents and recurrences. We also mutually share and utilize information among our Group companies to build a system that promotes a higher level of health and safety as well as risk reduction.

Important Safety Measures

Important Measures
(1) Ensure awareness of and compliance with basic safety rules
(2) Foster safety awareness by reviewing rules that cannot be followed
(3) Practice measure to mitigate risks by thoroughly investigating accident factors
(4) Comply with relevant laws and regulations and fully respond to legal reforms

Provide education and practice basic safety activities
(5) Ensure candidates undergo secondary examinations necessary due to the results of physical examinations
(6) Ensure candidates undergo specific health guidance
(7) Ensure that no employees work prolonged hours due to overtime work

Framework of Health and Safety Activities for Group Companies



Safety Activities at Group Production Sites

C.I. TAKIRON Group conducts various activities at each production site with the health and safety committees at the core. In fiscal 2022, we continued working on the same priority actions we worked on in fiscal 2021: (1) in-depth investigation of the causes of occupational accidents and implementation of more effective countermeasures by the Safety Review Board, and (2) identification of the level of safety management through safety management level assessment.

(1) Safety Review Board

Established in fiscal 2021, the Safety Review Board reviews incidents that have occurred in plants. In these reviews, members of relevant plants participate. The board aims to bring in a third-party perspective to help identify in depth the causes of occurrences that otherwise may be difficult to notice and lack objective perspective at our won plants where occupational accidents occurred, and to take effective countermeasures. In addition, when we encounter cases that are applicable to other plants, we deliberate and share them cross-organizationally.

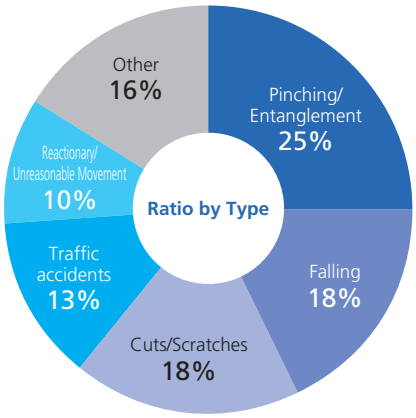
(2) Evaluated the level of safety management

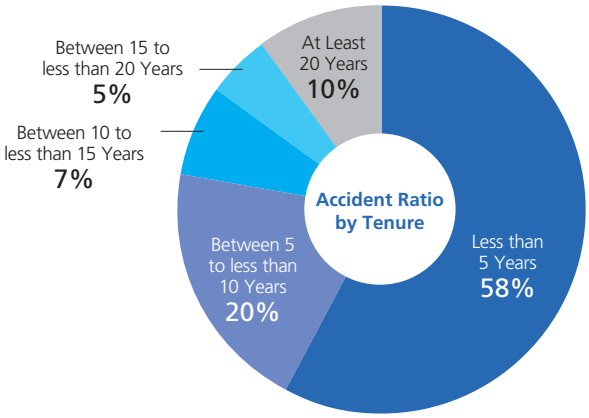
In fiscal 2022 too, we conducted safety level assessment at plants owned by our group companies. The objective of this assessment was to clarify each site's strong and weak points in safety management with a view to encouraging better safety awareness and more effective safety practices.

(3) Incident risk checks

In fiscal 2022, a third-party assessment was held at the C.I. TAKIRON plants for fire risk. Its purpose was to bring in an expert perspective from outside so that we could be alerted to, and then take action to control, fire risks that we may fail to have noticed otherwise. In fiscal 2023, we will roll out this assessment to plants owned by our group companies to further mitigate the fire risks.

FY 2022 Industrial Accidents (Including Injuries with No Leave of Absence for All Group Companies)





Supporting Women in a Way that Speaks to C.I. TAKIRON's Distinctive Values

In October 2022, the C.I. TAKIRON Group launched the Subcommittee for Empowering Women in the Workplace, as a subcommittee of the Management Commitment on Enriching Lives Promotion Committee. The subcommittee, chaired by the COO of the Corporate Administration Division, consists of two external officers, the COO of the Human Resources and General Affairs Department, and five core union members. It is designed to facilitate labor–management dialogue. Three officers leading this subcommittee discussed the outlook for empowering women at C.I. TAKIRON.



Noboru Fukushima
Director, Managing Executive Officer, Chief Operating Officer of the Corporate Administration Division, CIO, and Chair of the Subcommittee for Empowering Women in the Workplace

Yoshiko Kosaka
Independent Outside Director
Member of the Subcommittee for Empowering Women in the Workplace

Masako Osuna
Independent Outside Audit & Supervisory Board Member
Member of the Subcommittee for Empowering Women in the Workplace

Topic Background of the establishment of the subcommittee

Fukushima: Empowering women in the workplace was one of the topics we'd discussed at the Management Commitment on Enriching Lives Promotion Committee, along with other policies in the Management Commitment on Enriching Lives, such as promoting diverse workstyles, purposeful work, and employee wellbeing. However, we increasingly felt that empowering women was a whole separate topic that required time and attention in its own right. Our commitment to empowering women serves as a critical indicator of its commitment to promoting diversity and inclusion. We therefore decided to launch a subcommittee dedicated to discussing the topic in depth. We wanted the subcommittee's membership to reflect the opinions and interests of women and to offer expertise and leadership. That's why we asked you two, Ms. Kosaka and Ms. Osuna, to join the subcommittee.

Kosaka: Like many chemical manufacturers, C.I. TAKIRON has relatively few women in its workforce. I'd long felt that the company should hire more women and do more to empower women in the workplace, so I felt delighted when I was asked to join the subcommittee—finally, it seemed, the company was taking the matter seriously. The subcommittee's membership represents a diverse spectrum of ages and backgrounds. During meetings, we have meaningful discussions that consider women's perspectives. It's now widely held that diversity and empowering women in the workplace are essential for corporate development, but I've noticed a widening gulf between companies that are committing to these principles and those that are not. C.I. TAKIRON, for one, must fully recognize that empowering women in the workplace is a first step toward diversity and its promotion leads to enrichment of the lives of all employees. It must act to ensure that it doesn't lag behind in this task. Having said that, however, change won't happen overnight. Short-term fixes aren't enough. The company must set medi-

um-term goals and take sustained action.

Osuna: I felt similar to how you did, Ms. Kosaka, about the lack of female participation in this organization. At the meantime, in a time when people are saying that Japan must close its gender gap to boost economic growth, C.I. TAKIRON, by committing wholeheartedly to empowering women in the workplace, is catching up with a Japan-wide trend, and that in itself deserves praise. On this matter, in June 2023, a discussion session was held with female employees at Shiga Plant, and they said that they can now speak up with confidence, which helps them engage in work in a positive manner. Hearing this, I felt assured that the company is, slowly but surely, changing its culture.

If a company is a great place for women to work at, then it's also a great place for anyone to work at, regardless of gender, nationality, or age. In that respect, I think our discussion is making an impact on the main committee, Management Commitment on Enriching Lives Promotion Committee. In addition, by recognized as a women-friendly company, you can attract top female talent. This reputation will then grow, and you'll attract more and more female workforce with a passion for work. The effect will spread to men too, creating a positive atmosphere in general and results in a strong organization. If only for this benefit, you should commit to empowering women in the workplace.



C.I. TAKIRON should take bold action that speaks to its distinctive values.

Topic Empowering women and diversity in C.I. Takiron today

Fukushima: As a part of our main activities, the subcommittee holds a series of discussions with female employees about the issues we need to address. One of the themes that came up in these discussions was the need for psychological assurance. It is important that, with such a male-dominated workforce, the company must provide a workplace environment in which women can feel assured when doing their work and speaking up. One thing we must do first is to increase the overall number of women in the workplace. Another issue concern is the lack of female representation in the decision-making process at the Management Commitment on Enriching Lives Promotion Committee. While the core members of the Committee are all managers, women make up just 3% of management roles at the company. This imbalance may mean that, when communicating the committee's decisions to front line workplaces, women's perspectives and sensibilities tend to be less acknowledged. To increase female representation in management positions, we need to prepare a workplace environment in which women can continue working and pursuing their career. We also need to look into hiring women from outside.



Insights gained from the subcommittee will guide us in developing flexible and concrete measures.

Kosaka: I agree—increasing female representation in management is an urgent task. It is unlikely to make much progress in a year or two. But we should set medium-term targets and then develop and implement effective actions to achieve them.

On the other hand, from the subcommittee discussions and interviews at production sites, I can tell that progress has been made in establishing the organizational support for empowering women in the workplace, and visible changes are occurring. The next step is to foster an organizational culture in which women feel confident in accessing the support programs when they need to, without worrying that they may be bothering others. By going forward in this discussion about empowering women, you can come up with policies that will enhance the well-being of all employees, men included.

Osuna: I think so too. The Management Commitment on Enriching Lives has been refined over the years: C.I. TAKIRON's former chairman, Yosuke Minamitani, originally came up with it; the current chairman, Kazuya Saito, improved on it; and this year, it was handed down to President Fukuda. President Fukuda, adopting a powerful leadership style, has signaled his desire for reform and has placed paramount importance on improving earning power. To improve earning power, I think it is important to provide an employee-friendly workplace as its foundation.

I've visited a number of production sites, and learned that work hours and work patterns are deal breakers for prospective employees. I realized how important it is to adopt smart factory principles to enable automation and labor saving. And by incorporating female perspectives into the workplace—a strong concern for health, safety, and the environment issues, for example—we'll ultimately increase competitiveness. Like you said earlier, Ms. Fukushima, managers need to think about how they communicate the initiatives and programs for empowering women to their team and how these initiatives and programs work in practice. We'll first need to confirm psychological assurance and then follow up employees when they use the programs to make sure the programs are working as they should.

Fukuda: Follow-up is vital, right. We're a very earnest organization; once we've created a system or program of some sort, we tend to put our heart and soul into it. Take, for example, childcare leave takeup rate among men. When you include carry-over from the previous year, the rate is 122%. The rate has topped 100% in three consecutive years. We'll be applying this earnest attitude in our efforts to empower women in the workplace. On the other hand, some employees might feel reluctant to take childcare leave but end up taking it anyway because they don't want to be the odd one out. Issues like this will need to be uncovered and discussed if the program in question is to operate more effectively.

Topic Fiscal 2022–2023 in review

Osuna: When I visited the plants in Hokkaido, Ibaraki, and Shiga, it made me appreciate anew how physical factory work is. I learned that women occupy many of the packing and clerical roles and that the number of young female R&D staff members is rising. I got the sense that the women, while facing their personal problems and challenges in their workplaces and in job roles, have a passion for advancing their careers. By channeling the women's passion and competence to their greatest effect, we can improve the company's competitiveness—that's surely an opportunity too good to miss. Even in a traditional male space like a factory, I think this is doable.

Kosaka: I had a discussion with female staff at Shiga Plant, and they all seemed to be happy and engaged in their job roles. People have a preconceived notion that that women would struggle in a male space like a factory, but that's another example of unconscious bias—something our subcommittee has discussed in the past. Such misplaced concerns may in fact lie at the very heart of the problem.

Ms. Osuna mentioned physical work is required at factories to some extent. However, with President Fukuda's commitment to the smart factory, we should see a decrease in barriers related to sex differences in physical strength, opening up more opportunities for women.

Fukushima: When we discussed examples of unconscious bias, I learned the phrase "old boy's network." The phrase is used to express concern that a closed-off network of men is making all the important business decisions. Indeed, it wasn't too long ago when they'd have cliques of men doing favors for each other in business—and I'm not just talking about our company. I'd always thought of this as a normal part of life and hardly questioned it. Now I realize that such networks can discourage women from pursuing careers. This is just one of the many insights I have gained at the subcommittee. I want to disseminate these insights right across the organization.



The program should deliver a compelling message externally, as well as internally.

Topic Looking to the future

Kosaka: Workplace diversity, including an empowering environment for women, is crucial in attracting young talent. So, the management should broadcast externally, as well as internally, how it is promoting diversity. The management should first check whether its diversity program is suited to the company's realities and whether it's practical, and then refine the program as necessary to tailor it to employees' practical needs. Having done this, we can then create a program that delivers a compelling message about n's values.

Osuna: Yes, the company should develop policies that speak to its distinctive values and identity. Take, for example, offering grandpa and grandma leave—leave that allows employees leave to look after their grandchildren. Such a measure makes a lot of sense. Grandpa leave would give male managers a taste of the hardships of childcare and may encourage them to change their approach. The first step toward greater diversity is to create an environment in which people can express their own opinions in the knowledge that we are all different. Just listen to what university students say nowadays. Amid the drastic changes in social norms, students are prepared to work hard for a company, but they also want to know when the company will give them something in return. You know, some will even tell the CEO point-blank that they'll give the company three years and see if it's worth it. Against this backdrop, companies will need a more flexible design if they are to develop the talent they need.

Fukushima: Our discussions in the subcommittee bring home the sheer magnitude of the changes in society, in the times, and in people. Ms. Kosaka brought up the need to tailor support to the individual's career plan. Would you mind elaborating on that?

Kosaka: I mean that empowering women in the workplace shouldn't be just about getting more women into management roles. Sure, it is important to support women who want to take on management roles and engage in strategic decision-making. But it is also important to support those who have a longer-term career plan; they may want to put their careers on hold to care for their children, and then resume their careers once the children have grown up. We should avoid one-size-fits-all policies that pigeonhole employees into categories like man, woman, parent, or caregiver. Instead, we need to figure out a more nuanced, individuated approach that will support any employee's growth and career over the medium and long term.

Osuna: As we've discussed several times at the subcommittee, the companies that do well are those that provide one-on-one consultations or similar opportunities for employees to discuss their life plan with their supervisor or manager. C.I. Takiron, likewise, should listen carefully to each employee's career plans and support the careers of individual employees in a way that aligns with their life stage.

Fukushima: It would be a mistake to think that we could just launch some initiatives and then consider the work done. We need to keep working at it, uncovering hidden problems, and making one change after another. This year, we launched a course on unconscious bias. We're also making arrangements to launch one-on-one meetings. I hope that you two will continue to share your insights with me. Instead of dreading change, we'll keep moving forward in implementing policies that fit with the times.

Initiatives toward Carbon Neutral Society

Environmental Management

The C.I. TAKIRON Group is working toward the goal of production activities and new product development that take into consideration their environmental impact in accordance with our Environmental Philosophy and Basic Environmental Policy. In fiscal 2022, after considering global trends in environmental sustainability, we announced a strategy for carbon neutrality and started disclosing information in line with the TCFD framework to clarify our commitment to our corporate mission.

In fiscal 2023, the committee structure is reviewed and establish a new structure to manage progress for environmental management at a division or plant level. This new arrangement will help us achieve our goals aligned with the carbon neutral agenda.

Environmental Philosophy

We will strive to manufacture products that take into consideration the people, earth, and future while always keeping the conservation of our planet in mind.

Basic Environmental Policy

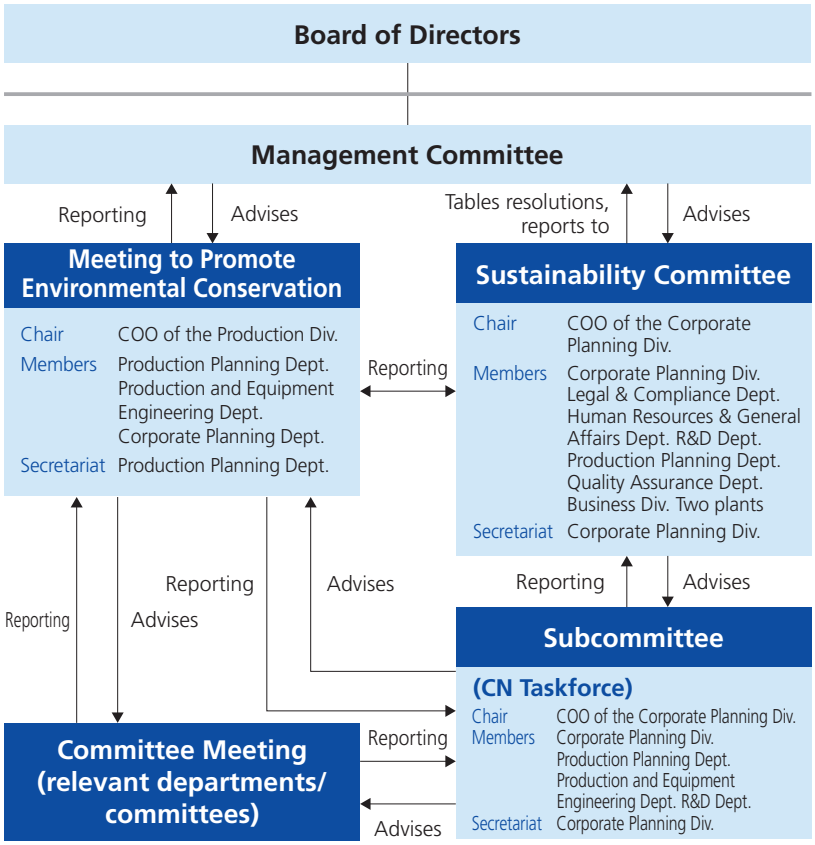
(1) Promote decarbonization and reduction of environmental impact in all of our corporate activities.
(2) Develop technologies and offer products in an environmentally-friendly manner.
(3) Engage in active communication with community.

Environmental strategies

(1) Strategy for Carbon Neutrality
(2) Medium-term Plan for Materiality

Legal & Regulatory Compliance

Organizational framework



Sustainability Committee
Responsible for the arrangement of environmental measures from a mid- to long-term perspective, and for monitoring of each committee.

Meeting to Promote Environmental Conservation
Committee members selected from divisions closely related to production activities report regularly on the status of environmental conservation activities and issues at each site, and manage progress.

Subcommittee (CN Taskforce)
The subcommittee takes charge of actions for reducing greenhouse gas emissions; it devises reduction measures, coordinates reduction action across group companies, identifies and devises measures to address issues related to such, monitors and regularly reports on progress made in implementing planned measures.

Meeting to Promote Environmental Conservation: General actions to protect the environment

- Devise basic environmental strategy
- Set and review environmental action plan
- Set and review environmental metrics and targets
- Set and review measures for protecting the environment
- Undertake actions related to the above actions
- Review CO_2 emissions
- Ensure regulatory compliance, gather external information, research trends among other companies, coordinate with other members of Itochu Corporation's corporate group

*Duplicated actions are omitted



Taskforce: Ensure accomplishment of goals in carbon neutrality strategy (for all three scopes)

- Reform carbon neutrality strategy (strategy for 2050 and 2030)
- Review and monitor progress made in CO_2 reduction measures
- Develop CO_2 reduction measures, coordinate reduction action across group companies

Duplicated action: Review CO_2 reduction measures

Strategy for Carbon Neutrality

The C.I. TAKIRON Group aims to achieve carbon neutrality (net-zero emissions) by fiscal 2050.

Shown below are our mid-term goals for reductions in greenhouse gas (GHG) emissions in fiscal 2030.

Scopes 1 and 2	Scopes 3
35% reduction (compared to fiscal 2018 level)	Reduction actions across corporate group

Initiatives to Reduce CO_2 Emissions

In order to demonstrate that the C.I. TAKIRON Group is a sustainable company with long-term greenhouse gas reduction targets consistent with the Paris Agreement, we have revised our target for CO_2 reduction upward from the previous target in line with the WB2°C* (30% reduction in Scope 1 and 2 in fiscal 2030 compared to fiscal 2018) to 35%.

* Well-below 2°C: Greenhouse gas reduction targets aimed at limiting global temperature increase to significantly less than 2°C above pre-industrial revolution levels.

Emissions Analysis

Greenhouse gas (CO_2) emissions in fiscal 2022 were 570,000 (t-CO_2). Of these, Scope 1 and 2 accounted for 71,000 (t-CO_2), or about 12% of the total, and Scope 3 accounted for 499,000 (t-CO_2), or about 88% of the total

Scope 1 and 2 CO_2 emissions

Unit: kt-CO_2

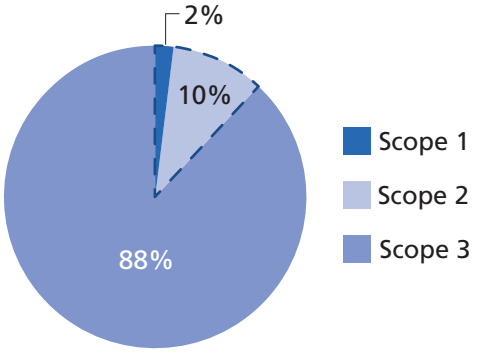
FY2018	FY2019	FY2020	FY2021	FY2022
109	89	93	81	71

Scope 3 CO_2 Emissions

Unit: kt-CO_2

FY2018	FY2019	FY2020	FY2021	FY2022
261	244	223	544*	499*

* In fiscal 2021, the scope of calculation was expanded to include the entire Group and all 15 categories of Scope 3 emissions.





Solar panels on the roof of Yasutomi Plant

Scope 1 and 2 CO_2 emission reduction measures

In an effort to reduce our emissions at Scopes 1 and 2, production sites of our consolidated subsidiaries have committed to energy-saving practices and, since fiscal 2021, to energy generation (using solar panels) and to using more renewable energy. Consequently, in fiscal 2022, emissions at these scopes were down 35% from the fiscal 2018 level.

We will keep exploring bold reduction measures while stepping up efforts to save energy in order to use energy as efficiently as possible.

Scope 3 Calculation and Emission Reduction Measures

For Scope 3, calculations were expanded in fiscal 2021 to cover the Group as a whole and all categories from 1 to 15. In fiscal 2022, emissions at this scope were down 45,000 (t-CO_2) compared to the fiscal 2022 level. Category 1 (purchased goods and services) and Category 12 (disposal of sold products) account for about 57% and 27% of Scope 3 emissions, respectively. We will continue to improve the accuracy of our calculations while prioritizing reductions in categories 1 and 12, and working to reduce Scope 3 emissions throughout the supply chain.

Unit: Thousand t-CO_2

Category	FY2019	FY2020	FY2021	FY2022
1 Purchased Goods and Services	177.0	178.0	318.7	283.9
2 Capital Goods	24.0	8.0	14.7	14.6
3 Fuel and Energy Activities Excluded from Scope 1 and 2	13.0	13.0	17.2	14.5
4 Upstream Transportation and Distribution	25.0	22.0	38.5	35.9
5 Waste Generated from Business	1.0	2.0	2.0	1.8
6 Business Travel	3.0	1.0	3.0	3.7
7 Employee Commuting	0.4	0.4	1.0	1.0
8 Upstream Leased Assets	Outside Scope	Outside Scope	Outside Scope	Outside Scope
9 Downstream Transportation and Distribution	(Not Calculated)	(Not Calculated)	4.0	3.7
10 Processing of Sold Products	(Not Calculated)	(Not Calculated)	Outside Scope	Outside Scope
11 Use of Sold Products	(Not Calculated)	(Not Calculated)	8.0	7.8
12 Disposal of Sold Products	(Not Calculated)	(Not Calculated)	137.7	132.4
13 Downstream Leased Assets	(Not Calculated)	(Not Calculated)	Outside Scope	Outside Scope
14 Franchises	(Not Calculated)	(Not Calculated)	Outside Scope	Outside Scope
15 Investments	(Not Calculated)	(Not Calculated)	Outside Scope	Outside Scope

Actions for the TCFD Framework in Our Climate-related Disclosures

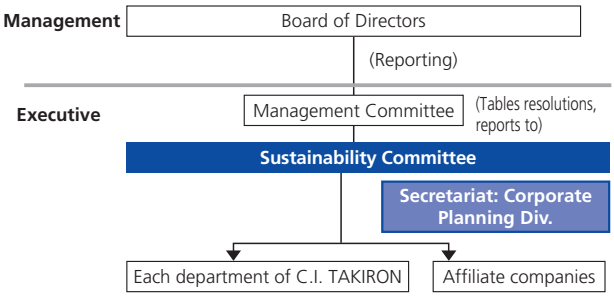
In May 2021, we endorsed the Task Force on Climate-related Financial Disclosures (TCFD). Viewing events related to the climate change issue as a management risk, we will identify new business opportunities and enhance corporate value, while actively promoting reduction of greenhouse gas emissions and development and provision of environmentally friendly products.

Governance

As part of our governance structure, we have established Sustainability Committee to ensure overall control from a higher and long-term perspective. The structure and roles are as follows:

- Structure: Sustainability Committee, chaired by the COO of the of the Corporate Planning Division, consists of members delegated from relevant business divisions. The committee meets four times a year.
- Roles: The committee facilitates short-, medium-, and long-term actions to address the identified risks and opportunities by evaluating climate-related risks and opportunities pertaining to a given business, setting and tracking goals, devising measures related to disclosures and business planning.

Board oversight is provided by the following procedure: Sustainability Committee reviews important climate-related matters and then reports its findings to the Board of Directors via a proposal raised at the Management Committee.



Strategies

We identified certain transition risks and physical risks that have a high potential impact in the short, medium, and long terms, and then run scenario analysis as follows:

- We identified risks and opportunities associated with a 1.5°C and 4°C increase in temperature with time horizons of 2030 and 2050, then complete the study of impact factors, impact elements, and business impact assessments to finalize the results.
- From among the risks we had identified, we extracted those with a high business impact and subjected them to analysis to identify relevant parameters and formulas for financial impact assessments.
- We quantified the data as much as possible, starting with the risks for which we had identified a formula.
- We defined our TCFD goal images.

In the future, we will continue to expand the number of categories subject to scenario analysis and conduct more sophisticated and accurate scenario analyses in order to enhance our information disclosure initiatives. We will also apply the clarified risks and opportunities to the environmental strategies of each business, incorporate them into environmental targets and action plans. Alongside this, we will establish a system for monitoring progress and delivering feedback, and continue to strive to mitigate risks and capitalize potential opportunities.



Risk management

We visualize risks that we have identified as severe risks to business in our corporate group and manage them systematically on a yearly basis. We also have a risk management system for avoiding or mitigating risk of loss. In the event that such risks materialize, we consider and implement measures to minimize their impact.

Climate change issues are also managed within the risk management system, and specific measures to address risks and opportunities identified in scenario analyses are studied and advanced.

- Learn more about our risk management system, how it works, and what processes it involves at the following webpage:

https://www.takiron-ci.co.jp/sustainability/governance/riskmanagement.html

Metrics and targets

Our carbon neutrality strategy for fiscal 2022, set out in our Environmental Vision, includes a goal of net-zero greenhouse gas emissions by 2050.

In addition, we have set 2030 as a milestone, the halfway point to 2050, and will take measures to address climate-related risks and opportunities while targeting a 35% reduction in Scope 1 and 2 compared to FY 2018.

Scenario analysis

With 2030 and 2050 as the target years, the C.I. TAKIRON Group conducted a scenario analysis based on the TCFD recommendations. We have now finished assessing the qualitative business impacts of each of identified risks and opportunities in the +1.5°C and +4°C scenario perspectives.

From among the risks we identified, we extracted those with a high business impact and subjected them to analysis to identify relevant parameters and formulas for financial impact assessments. We will continue conducting precise scenario analyses and making our disclosures as comprehensive and clear as possible.

Anticipated Risk Items			Natural disasters	Anticipated Business Impact			Actions to address climate-related opportunities
Broad Category	Intermediate	Detail		Risks	Time frame	Evaluation	
Transition Risks	Policy and legal	GHG emissions prices (e.g., carbon pricing, introduction of carbon tax)	Costs	・Increased costs due to the introduction of a carbon tax ・Increased costs due to purchase of emission credits	Medium term	Major	Contribution to CO_2 reduction and carbon neutrality: Purchase less petroleum-derived virgin materials and switch to alternative resins such as bioresins and recycled resins
	Technology	Development of energy conservation and renewable energy	Costs	・Increased energy costs ・Increased costs due to investment in power generation facilities	Medium term	Major	・Commit to energy saving and roll out energy generation to reduce electricity consumption ・Promote recycling
	Market	Changes in customer need	Net sales Costs	・Decrease in demand due to delay in low-carbon transition	Medium term	Major	・Achieve targets for reducing CO_2 emissions at Scopes 1 and 2 ・Supply the demand for environment-friendly products made from low-carbon materials
		Changes in water and raw materials procurement volumes	Net sales Costs	・Cost increase due to transition to low-carbon raw materials ・Risk of product type consolidation due to restrictions on procurement - of fossil-derived raw materials ・Decrease in demand due to sales price pass-through	Medium term	Major	・Work with suppliers to ensure supply continuity of resins
Physical Risks	Acute Risks	Change in precipitation patterns	Net sales Costs	・Damage and suspension of operations due to disaster ・Supply chain fragmentation ・Decrease in demand due to suspension of shipping operations	Medium term	Major	・Enhance business continuity planning (enhance business continuity plan or strategy) ・Diversify inventory across multiple warehouse locations

Material Flow and Total Emissions Management

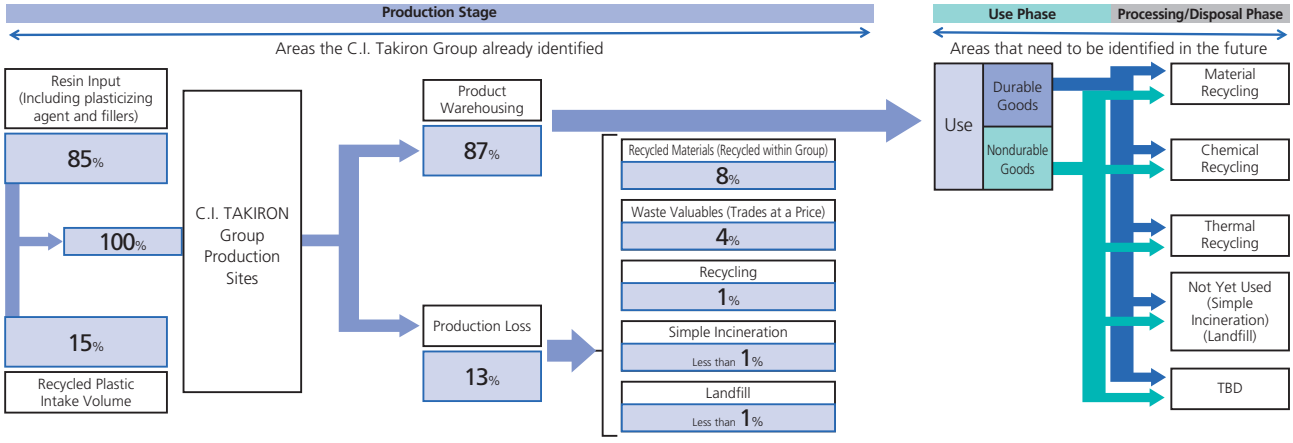
(1) Reduce Generation of Plastic Industrial Waste

To reduce industrial plastic waste, production sites in our corporate group are improving productivity and separating out waste.

Thanks to these efforts, our group used a higher rate of recycled materials in fiscal 2022 than it did in fiscal 2021. We will continue to reduce, reuse, and recycle.

(2) Development of Environment-friendly Products

The environmental impact assessment checklist for the design review system used in internal product development was revised to link it to the environmental considerations in the government's Guideline for design of Plastic-containing Products and the SDGs. We will continue our efforts to develop products and systems from a 3R + Renewable perspective.



Respect for Human Rights

Human Rights Policy

C.I. TAKIRON Group Human Rights Policy is based on international standards on human rights, including the UN Guiding Principles on Business and Human Rights. The policy guides our efforts to ensure respect for human rights in all our business activities.

● C.I. TAKIRON Group Human Rights Policy
https://www.takiron-ci.co.jp/news/2023/post_327.html

Organizational infrastructure

At the C.I. TAKIRON Group, the Human Rights Secretariat and relevant departments coordinate with each other to combat potential threats to human rights, including harassment. We also work with Purchasing Dept. and business departments to address human rights issues in our supply chain.

Organizational infrastructure for human rights



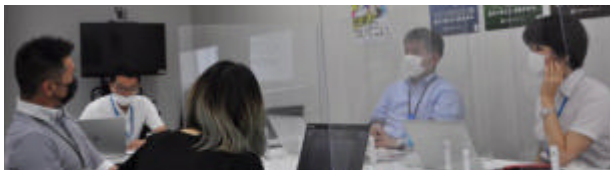
Raising Awareness of Human Rights Among Employees

Ongoing trainings

Subject: New managers, mid-career hires, and fresh graduate hires

Human rights workshop

Date: August 1, 2022.



SDGs Challenge 2030: Webinar series on business and human rights

Date: March 1 - 14, 2023.

SDGs マイチャレンジ 2030

Relief

The C.I. TAKIRON Group strives never to engage in or abet human rights abuses. In case we receive complaint matters related to human right risks or human rights, the representatives in charge respond in a timely manner through our internal hotline or a public contact point.

CSR Procurement

Material Procurement Policy

Our mission is to find harmony with the environment and provide people friendly products to society in all of our activities founded in plastic materials and material processing technologies. We seek for material procurement partners who understand our Material Procurement Policy and can persevere in both business and product development with us in our procurement (raw plastic materials, secondary and metal materials, as well as processed goods).

To build a sustainable supply chain, we have established a CSR procurement policy, and we engage with suppliers to monitor their ESG performance and helping them make improvements as necessary. C.I. TAKIRON and domestic Group companies have explained our CSR Procurement Policy and CSR Procurement Policy Guidelines to, and gained consent regarding such from, suppliers whose transaction amounts exceeds a certain level (they share 90% of all of our suppliers). In fiscal 2022, we explained the policy and guidelines to, and gained consent from, overseas group companies. We will step up engagement with our suppliers.

See page 32 (Mid-Term Plan for Materiality) for more information.

C.I. TAKIRON Group CSR Procurement Policy (April 1, 2021)

1. Respect human rights and the labor environment.
2. Always consider health and safety.
3. Maintain or enhance environmental action
4. Ensure and improve product safety and quality.
5. Maintain and strengthen information security.
6. Practice fair trade and adhere to business ethics.
7. Dialogue with local communities and participate in social contribution activities.

Social Contribution Activities

Coexisting with Communities in Areas Around Business and Production Sites

As a plastics producer, we are duty-bound to contribute to SDG 12, Responsible Consumption and Production. One of our materiality issues is to address the marine plastics problem. To address the issue, we have launched Waterside Clean Aid, a program in which employees of our business and production sites volunteer, along with their family members, to clean up coastal areas, rivers, and lakes.

In fiscal 2022, a total of 233 community-engagement activities were undertaken, exceeding the total in fiscal 2021. This increase reflects the fact that the pandemic impact had lessened in fiscal 2022.

These activities included cleanups (including those organized as part of Waterside Clean Aid), donations to local communities, participation in local events, voluntary welfare services, contribution to neighborhood school events, and activities related to blood donations, first aid, and fire and rescue services.

For our fifth materiality issue, Handle Marine Plastic Pollution, the KPIs include number of Waterside Clean Aid activities and number of participants. In fiscal 2022, we recorded 157 activities, exceeding the target of 30. For participants, we recorded a total of 2,074, far exceeding the target of 1,000. This activity enhances, in addition to (1) coping with the problem of marine plastic waste and contribution to the resolution of social issues, (2) our engagement in 3R + Renewable initiatives by widening our awareness about the environmental pollution caused by plastic products, as well as (3) focuses on improvement in communication within the Group. For fiscal 2023, we raised the target of total participants to 1,200. We will continue the program activities, aiming at improving employees' awareness.



Official logo flag of Waterside Clean Aid


Arakawa Clean Aid (Tokyo Head Office)


Miyakojima Clean Aid (Osaka Head Office)


Cleanup along coast of Hiratsuka (Hiratsuka Plant)

Promoting Recycling of PET bottles

Companies often brag about their schemes for recycling plastic (polyethylene terephthalate or PET) bottles, but little is known about what the caps can be recycled into. Dailite Co., Ltd., one of our group companies, participates in a university–industry undertaking, Mottainai Upcycle Project (MUP), led by Asahi Group Japan, Ltd. and Asahi You Us Ltd. In this project, Dailite uses its expertise in rotational molding to grind used caps and upcycle them into chairs. The project spearheads awareness about cap recycling by showcasing a technique for upcycling plastic caps.





A MUP booth showcasing a stool manufactured with recycled plastic bottle caps.

Promotion and Development of Sports

C.I. TAKIRON concluded an official Japan swimming team sponsorship agreement with the Japan Swimming Federation (JASF) in fiscal 2015 as a way to cheer on the Japan swimming team (TOBIUO Japan). Group company Takiron Matex Co., Ltd., a non-slip flooring material provider for poolside safety, promotes swimming by sponsoring swimming tournaments held by the Japan Swimming Federation and acting as an official sponsor of the Japan Swimming Federation for Persons with an Intellectual Disability.



Messages from Governance Committee Members

Toward stronger corporate governance and ensured effective

The Governance Committee, dominated by outside directors, is in charge of enhancing governance to enrich the corporate value of the C.I. TAKIRON Group while ensuring transparency and health in management, through discussions and advice to the Board of Directors on important matters concerning governance. As we did last year, four outside officers from the Governance Committee attended a roundtable to exchange their views about the current state of corporate governance in the company and their outlook on corporate governance, including what the mid- and long-term strategy for ideal corporate governance.

Members of the Governance Committee
(as of June 2023, the time of the roundtable discussion)

Committee Chairperson	Independent Outside Director	Kenichi Hatano
Members	Director President	Yuji Fukuda
	Independent Outside Director	Yoshiko Kosaka
	Independent Outside Director	Takeshi Kaide
	Independent Outside Audit & Supervisory Board Member	Takashi Araki

* Takeshi Kaide assumed the position of chair in July 2023.

Key agenda items in fiscal 2022–2023

- State of the company's compliance with Japan's Corporate Governance Code
- Key transactions or actions that potentially pose a conflict of interest with the controlling shareholder and minority shareholders
- Basic approach to corporate governance
- Evaluation of board effectiveness (evaluation process, results)

Q1 What do you think about the committee's activities during fiscal 2022, and what should the committee be focusing on in the future?

Hatano: The Governance Committee convened nine times. During the meetings we discussed topics, focusing on the need to form a general mindset for building stronger governance and the need for a deeper strategic discussion about governance with a medium- and long-term perspectives. On the first topic, forming a general mindset for building stronger governance, we discussed the kind of governance system that would best support the organization's value creation. We also discussed the gap between the system and what happens in practice and considered strategies for closing this gap, including the possibility of changing the company's governance model. During this discussion, the second topic, the need for a deeper strategic discussion about governance, came up. We agreed that improvements to the way the Board of Directors operates would help in addressing the lack of discussion on medium- and long-term strategic planning and ESG themes. As a result, members started devoting time to discussing the current situation in and the problems each business faces, and strategies with medium- and long-term perspectives. A discussion on a structure for portfolio management also got started. All in all, I would say that the committee was run strategically, and the discussions and activities were to a high standard.

Kosaka: Yes, I agree with the chair Hatano. The committee had robust discussions throughout the year. What particularly impressed me was the scrutiny of transactions with the parent company. We vetted each transaction for conflict-of-interest issues. Monetary amount associated with these transactions were by no means large, but members scrutinized them from multiple angles, drawing on their professional expertise and backgrounds. Ultimately, the committee decided to change the review criteria designed by this committee the previous fiscal year. Such scrutiny brought home to me just how valuable and effective this committee is.

For the optimal governance system that the chair Hatano mentioned, we delved into matters like how to ensure transparency and impartiality, with input and insights from external experts. On the basis that the current governance model is that of a company with an audit and supervisory board, we discussed how





Takeshi Kaide
Independent Outside Director

Kenichi Hatano
Independent Outside Director

Yoshiko Kosaka
Independent Outside Director

Takashi Araki
Independent Outside Audit & Supervisory Board Member

the Board of Directors chooses its agenda items and how to ensure that members have time for discussing medium- and long-term strategic matters and ESG. It was great that we all saw eye to eye on these issues.

Kaide: Fiscal 2022 was my first year. I examined the company's current situation and issues with a pair of fresh eyes and expressed my opinions and thoughts. One of the issues I expressed my opinion on was the separation of supervision from execution. Having observed the trend toward monitoring boards, which monitor the company from a higher perspective, I felt concerned by the company's lack of progress in separating execution from monitoring. In my view, the board should spend a little less time on business execution and enhance its monitoring function, so that members can focus more on strategic matters such as changing the portfolio with medium- and long-term perspectives. With this in mind, I measured the time the board spent on discussing each agenda item. I then presented my findings and suggested a new approach to agenda-setting and better time allocation.

Consequently, in fiscal 2023, the company changed its approach to setting the agenda for meetings of the Management Committee and Board of Directors. I expect the board members can share issues, enabling the board to improve and increasingly gain the functionality expected to the board.

Hatano: The more experienced, the easier one may fail to capture clear insight. I think having fresh eyes is really important. What do you think, Mr. Araki?

Araki: Like Mr. Kosaka, I was particularly impressed with the rigorous scrutiny of potential conflicts of interest. Given that markets often take a dim view of listed subsidiaries, our committee has an important role to play in helping this listed subsidiary play to its strengths and in allaying the concerns of investors. In this sense, it was great to see this committee vet each transaction for conflict of interest issues.

I'd also like to mention that the dramatic changes in the external business environment prompted board members to ask hard questions: What is stopping the organization from being more resilient? Can we really continue with our existing governance structure? Members started delving into the topics like reforming the business portfolio over the long term and creating new businesses. This, too, impressed me greatly.

Q2 What topics do you think the committee should be focusing on in fiscal 2023?

Kosaka: I think that more must be done to provide deeper strategic discussion with medium- and long-term perspectives. This is in my mind since the last year. When we consider the frequency of the company's board meetings and the time spent in each meeting, it's hard to argue that the board lacks time for scrutiny. The first step, then, is to improve the way the board is run, specifically, how the agenda is set and how time is allocated.

Araki: I agree. When it comes to vetting business transactions, it's a good idea to use ROIC as a yardstick, as we started doing last year. This can help in enhancing the quality of longer-term strategic discussions and in changing the vetting method.



One problem the company faces is that its share price is lower than it should be. Price-to-book ratio was down to 0.5 at one point. The shareholders and investors are pressing the company to improve its valuation on the market. We, too, need to engage squarely in this issue. To that end, I would like the committee in this fiscal year to focus on specific measures related to portfolio measurement and share its findings with the management.

Hatano: While performance is one factor of the low stock price, I hear feedback that the company appears to have no plan for its next stage of growth or no overall sense of direction. The company is experiencing rapid change in the business environment today. I think arrangements must be made so that the company can deliver a clear, compelling message to stakeholders about its future growth process and how it will engage in socio-environmental issues while achieving sustainable corporate development and higher corporate value.

The company has so much potential. If it can just surmount this hurdle, things will be very different. To achieve this, the company needs to reshape its business portfolio into one that fits with the new environment and era, and then proceed toward the next stage of growth.

Kosaka: I agree with you on the need to present a growth narrative to the outside. But the same can be said for the company's efforts in plastic-related environmental issues and recycling, topics that often come up at shareholders' meetings. The company engages with these matters seriously, but it could do more to broadcast its efforts.

Araki: It is indeed necessary for the company to invest in new businesses and technologies in order to achieve steady growth in, as Ms. Kosaka mentioned, the worldwide backlash against plastics. Investing in new business sectors, including pursuing M&A opportunities, will always involve an element of risk. To avoid missing out on opportunities to expand into new frontiers, the company needs a surefooted approach in which it prepares a budget for spending on new technologies, for example, while controlling the risks. Finding the right balance between growth and risk—that should probably be a theme to discuss in the future.

Kaide: I agree with Mr. Araki. Bringing in new technology will take a while, but the company should start pressing ahead in the task. M&As offer quick results, but the risks are high. It's important to pick out the M&A leads with decent prospects and then vet them thoroughly.

Hatano: It is no easy matter to find an M&A deal that suits the company. While corporate culture outside Japan tends to be unsentimental about M&As, certain arrangement and concerns should be given to the employees in the acquired company.

Kaide: Amid the sluggish domestic demand, companies that consider only the Japanese market tend to assume that the only way they can achieve growth is to produce new products or cultivate new markets.

But if they looked overseas, they would find that there is still so much untapped potential. This is especially true in overseas Asian markets; the company, with just its existing products, could gain an impressive competitive edge here.

Another thing that must be done—and this is something President Fukuda raised at the Management Committee—is to go further in analyzing fluctuations in performance. The Governance Committee should closely supervise the management to see how it is analyzing its past performance and incorporating the findings into its growth strategy.

Q3 The company is trying to manage talent in a way that contributes to sustainable business growth. What aspects of the company's talent management are you focused on?

Kaide: Talent management is something that chair Hatano has had particular interest. The committee is keeping a close watch over the management's talent development strategy and the progress of the strategy. In advising the management on this, I'll be checking whether management has looked beyond the next generation to envisage the subsequent generations. I'll also be emphasizing the need to train up the key people who will play an essential role in managing overseas sites—ensuring that they run smoothly and strengthening them as necessary.

Hatano: When all is said and done, a company is as good as its people. If a company's talent management strategy fails to empower employees, then the company has no prospect of growth. C.I. Takiron is actively trying to improve and transform by seconding more employees to overseas group companies and building up a team to drive its digital transformation. Empowering women in the workplace is part of this; men vastly outnumber women at the moment, but that's all the more reason to radically reform employee treatment and help female employees fulfill their potential.

Kosaka: On this matter let me say as a member of the committee for Promotion



of Women's Active Engagement in Professional Life. I am confident that that the company has made the workplace much more women-friendly by setting the Better Life Management Declaration and radically overhauling employee well-being programs. Provided that the company can now listen to employee feedback and take the radical steps that employees want, then its programs will be better understood in the company, and they will become entrenched. On the matter of providing a positive workplace environment, it's equally important to focus on the process that comes before talent development—talent acquisition. The company needs to communicate its values and identity to the individuals who will become new hires in the future. The committee should keep discussing and advising the management on an approach to that end.

Araki: I concur with you all on the matter of talent acquisition. I'd just add that, when it comes to talent management, the company has an ace up its sleeve: As a listed subsidiary, it can draw on a broad spectrum of interpersonal networks. For example, as we discussed earlier, regarding management techniques for prospective investments, the company can learn much about post-merger integration from Itochu Corporation, which has extensive experience in M&As.

Hatano: Nowadays, companies of all kinds grapple with the task of creating a talent management strategy that contributes to sustainable business growth. One of the key points, it seems, is to foster an organizational culture that is diverse and inclusive. Also important is nurturing a team with high digital literacy, making full use of employees' experience and skills, and helping employees rebuild their career when necessary—and that includes reskilling. The company has already put in place measures that take into account each employee's unique characteristics; it needs to go further in developing this nuanced, bespoke approach.

On the other hand, I feel concerned at the lack of improvement in employee engagement score and loyalty score, especially among front line employees. I've urged the management to improve communication with front line workplaces. At the same time, as a board member myself, I want C.I. Takiron to be a dream organization where employees feel motivated to excel.

Q4 What should the Governance Committee and the Board of Directors be focusing on in order to help the company achieve 2030 Vision?

Kosaka: In fiscal 2023, the Governance Committee is focusing on two topics. The first is ensuring that the right system of corporate governance gains traction. The second is something we could not get too far with in the previous year: transforming the business portfolio. The committee's roles will probably change, depending on how the discussions proceed in the next fiscal year. With its new executive officer system, the company will probably start acting more expeditiously. We'll be keeping watch on its actions and consider how we may have to change in response.

Araki: I increasingly feel that a long-term view is crucial for building up the organization's value. Casting my mind back to when I just left university, I recall that the Japanese approach to business management, deeply entrenched in Japan society at the time, had a long-term view to it. Yes, the situation was quite different then, but then, like now, there was a desire for sustainability. We need to get back, in a sense, to having a long-term view. I'll be raising this matter afresh with members of the Board of Directors and with the management. As a member of the Governance Committee, I want the management to take a long-term view and continue on our journey together.

Kaide: The demands placed on business leaders today are very heavy. Mr. Araki mentioned the Japanese approach to business management. The conditions back then made it easier to sustain growth over the long term. For a start, Japan had much stronger economic growth, and markets and investors were less rigorous than they are now in evaluating corporate performance. These factors meant that business leaders had more breathing space in making decisions. Nowadays, however, business leaders have to recover earnings, present a narrative of growth, and deliver the growth—all with markets scrutinizing their every move; that's a very hard mission.

That being the case, what approach to governance should the company take? You of course need defensive governance, an approach that emphasizes defending against risks. But what's needed



even more is offensive governance. C.I. TAKIRON has a host of amazing products, so offensive governance will prove effective in pushing executives to drive growth. When the company starts implementing its next mid-term plan in fiscal 2024, I really hope to see actions taken in building offensive governance.

Hatano: The company's efforts so far to strengthen corporate governance have helped ensure impartiality and transparency in business management, and the Board of Directors now functions effectively, with a high overall score for board effectiveness. The company should therefore continue with this same approach but tweak it as necessary to reflect the changes in the external environment.

Based on this, I think five major themes call attention: clearer separation between monitoring and execution, enhancing business portfolio management, rolling out group governance, and engaging in dialogues with investors. I particularly want serious actions on the last theme. By effectively communicating with shareholders and investors, the management will foster understanding of and confidence in the company. It will also gain insights and ideas that can guide efforts to create new businesses.

Strengthening governance will help the company grow and build its value over the medium and long term while also contributing to socioeconomic development. The management should continue treating this as a top strategic priority.

Enhance Corporate Governance

Basic Philosophy

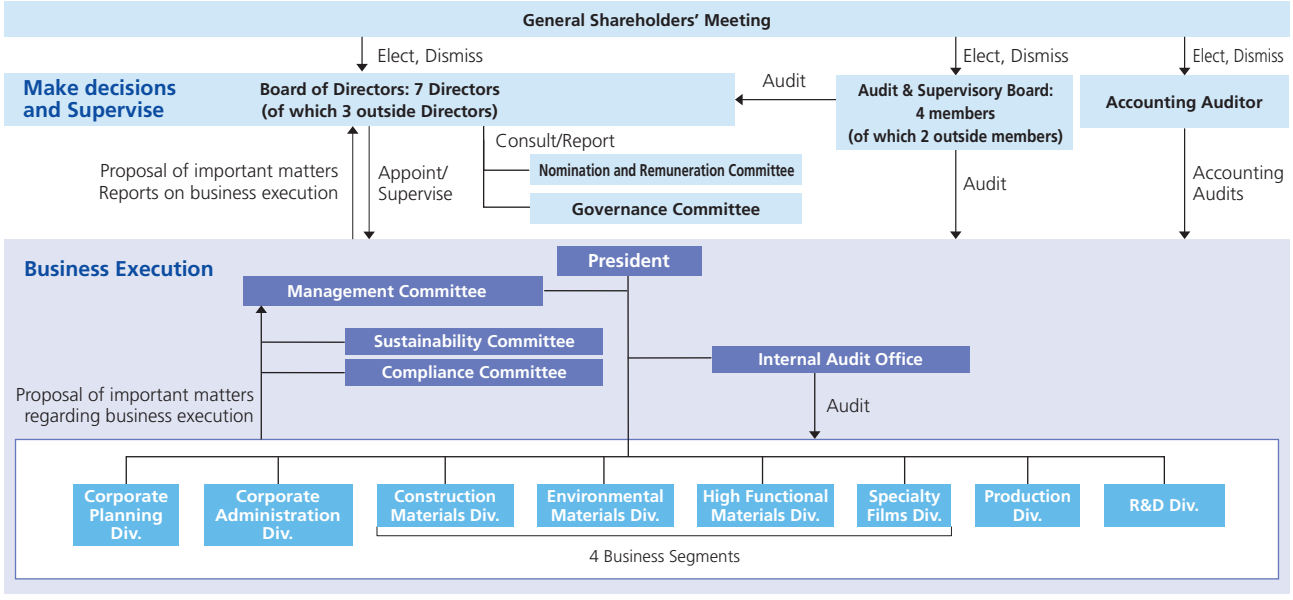
Under the corporation philosophy "<Mission> The corporate culture to which we aspire, Creating a people- and earth-friendly future, with Pride in our accumulated value and the courage to transform," The C.I. TAKIRON Group aim to achieve a sustainable society and enhance our corporate value over the medium and long term.

To that end, we place utmost importance on building a system of corporate governance that is robust, effective, and that can flexibly adapt to changes in the external environment. To earn trust and meet expectations from stakeholders, we continually strive to enhance our corporate governance system. Our efforts include improving transparency, enabling swifter decision-making, and strengthening oversight.

Basic Policy on Corporate Governance

1. We will strive to rapidly disseminate information to ensure the highest level of shareholder equality as well as build an environment to guarantee every shareholder has and can properly exercise their rights.
2. We will actively cooperate with all C.I. TAKIRON stakeholders in activities to achieve the targets laid out in the medium-term management plan from the stance of connecting success to the profit of every stakeholder.
3. We will disclose the information in accordance with statutory compliance as well as other information deemed necessary for stakeholders in a proper and timely manner through mediums that include the corporate website in order to engage in fair and highly transparent management.
4. We will dene the ideal direction for the C.I. TAKIRON Group internally and externally by setting the medium-term management plan as a core of management strategies of the entire Group to build a consensus toward accomplishing the corporate goals. In addition, C.I. TAKIRON has adopted an executive officer system to clearly separate auditing and business execution functions in governance while the Board of Directors conducts highly effective supervision of director and executive officer performance as well as business execution.
5. We will actively engage in a dialogue with shareholders to reflect their ideas and hopes in management. In addition, C.I. TAKIRON also actively addresses questions from shareholders and investors, such as establishing opportunities for a dialogue with shareholders and other investors, to bring understanding about its corporate management strategy and management plan.

Corporate governance framework



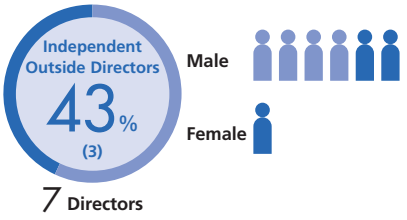
* Refer to our corporate governance report for more information. https://www.takiron-ci.co.jp/corporate/governance.php

Initiatives to Strengthen Corporate Governance

	FY2000 -	FY2015 -	FY2020 -
Organizational design	2000 ●Introduction of an executive officer system	2018 ●Establishment of the Nomination and Remuneration Committee	2021 ●Establishment of the Governance Committee
Director Audit & Supervisory Board Member	2000 ●Amendment to the number of directors in the Articles of Incorporation (no more than 20 to no more than 12) ●Changes in the number of Directors (From 17 to 9) 2011 ●Appointment of an independent outside director	2018 ●Increase in the number of independent outside directors (From 1 to 2)	2020 ●Increase in the number of independent outside directors (from 2 to 3, comprising more than 1/3) ●Increased the number of independent outside Audit & Supervisory Board Members (0 to 2) ●Diversification of the Board of Directors and Audit & Supervisory Board Members (Appointed one female director and one female Audit & Supervisory Board Member)
Effectiveness Evaluation		2017 ●Implementation of an effectiveness evaluation for the Board of Directors (conducted every year since implementation)	
Nomination and Remuneration		2018 ●Introduction of a Stock Remuneration System (Share Delivery Trust)	2020 ●Appointment of an Independent Outside Director to Chair the Nomination and Remuneration Committee 2021 ●Revision of Existing Stock Remuneration System (Share Delivery Trust) and Introduction of a Performance-Linked Stock Remuneration System ●Introduction of a Share-based Remuneration System with Restrictions on Transfer of Shares ●Disclosure of the Skills Matrix for Directors and Corporate Auditors
Other		2019 ●Strengthening Systems for Dialogue with Shareholders (Investors) (established a new department specializing in IR)	2021 ●Enhancement of Feedback to the Board of Directors on IR activities 2022 ●Changed basic approach to corporate governance

Composition of the Board of Directors and Audit & Supervisory Board

Board of Directors



Audit & Supervisory Board



Nomination and Remuneration Committee

C.I. TAKIRON set up the Nomination and Remuneration Committee as an advisory body to the Board of Directors with majority of the members made up of independent Outside Directors and chaired by an independent Outside Director, in order to heighten the independence, objectivity and transparency of the Board of Directors in the nomination of directors, Audit & Supervisory Board Members and executive officers as well as in the remuneration of directors and executive officers.

Results

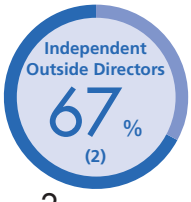
The committee met nine times in fiscal 2022 (April 1, 2022, to March 31, 2023). Every member attended all nine meetings.

Main Committee Agenda

1. Selection criteria for director, Audit & Supervisory Board Members, and executive officer candidates
2. Examination of independent election proposals for directors, Audit & Supervisory Board Members, and executive officers
3. Matters related to the appointment and dismissal of representative and executive directors
4. Remuneration policies for directors and executive officers
5. Examination of processes to determine remuneration for directors and executive officers

Composition of the Committee

Committee Chairperson	Independent Outside Director	Kenichi Hatano
Members	Director President	Yuji Fukuda
	Independent Outside Director	Yoshiko Kosaka



Governance Committee

We set up the Governance Committee made up of a majority of independent Outside Directors as members, including its chairperson, as an advisory body to the Board of Directors in order to enhance the level of our corporate governance.

Results

The committee met ten times in fiscal 2022 (April 1, 2022, to March 31, 2023). Every member attended all nine meetings.

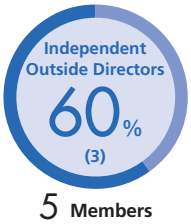
Main Committee Agenda

1. Important governance matters
2. Effectiveness Evaluation of the Board of Directors
3. Material transactions or actions that conflict with the interests of the controlling shareholder and minority shareholders*

* Deliberations only involve committee members with practical independence, including Outside Directors.

Composition of the Committee

Committee Chairperson	Independent Outside Director	Takeshi Kaide
Members	Director President	Yuji Fukuda
	Independent Outside Director	Kenichi Hatano
	Independent Outside Director	Yoshiko Kosaka
	Independent Outside Audit & Supervisory Board Member	Takashi Araki



Initiatives to Improve Effectiveness

Effectiveness Evaluation of the Board of Directors

C.I. TAKIRON analyzes and evaluates the effectiveness of the Board of Directors every year and strives to address challenges discovered as a result for the purpose of improving Board of Directors functions. The effectiveness evaluation conducted in fiscal 2022 is shown below.

Analysis/evaluation methods

Governance Committee discussion on the evaluation process → Conduct survey for self-assessment by directors and Audit & Supervisory Board Members. → Opinion exchange among directors and Audit & Supervisory Board Members → Governance Committee discussion on the evaluation process → Evaluation by the Board of Directors

Items Improved in FY2022

● **Enhancement of discussions from a medium- to long-term perspective**
We have started clarifying the key themes and tasks for building a system of business portfolio management. We have also enhanced the way the Board of Directors operates to provide more opportunity for board members to discuss mid-term and long-term strategies, as well as ESG themes.

● **Reorganization of basic mindsets to strengthen governance:**
The Governance Committee devised, and advised the board of Directors on, a basic approach to corporate governance.

● **Expansion of management support programs**
In preparation for the operation of the programs in fiscal 2023, we worked to enhance our system for relaying information to executive officers and provide more systematic and strategic content in the training program for executive officer candidates.

● **Strengthening measures on sustainability issues**
On April 1, 2022, we established the Sustainability Committee to spearhead sustainability management with big-picture thinking and a long-term perspective. The committee reported actions taken after each meeting to the Board of Directors.

● **Enhancement of dialogue with shareholders and investors**
To enhance the quality and quantity of dialogue with shareholders and investors, we continued holding briefing events and launched a webpage for individual investors.

FY2022 Effectiveness Evaluation and Future Initiatives

● **Evaluation results:**
C.I. TAKIRON received an overall positive evaluation for the board composition and for measures to invigorate deliberations by the Board of Directors, which was determined to be functioning appropriately and ensuring effectiveness.
We will promote initiatives to improve the three items below as priority issues in an effort to further enhance the effectiveness of the Board of Directors.

● **Priority issues:**
(1) Expansion of discussions from a medium- to long-term perspective; (2) rebuilding governance system and structures;
(3) improvement of management support programs and talent development programs

Policy for training corporate officers and executive officers

Directors and Audit & Supervisory Board members (including outside officers) **Executive Officer (Chief Operating Officers)**	● **Policy** We will keep providing knowledge and information necessary to execute the given roles and responsibilities—to make important executive decisions we well as to advise, audit, and supervise the management. ● **Key programs and objectives** • Provide seminars by external lecturers on how to stay abreast of the latest trends that have important strategic implications • Provide opportunities to attend external seminars and workshops for enhancing knowledge and skills pertaining to one's duties • Inform corporate and executive officers about general trends and strategic issues ● **Policies for outside corporate officers** • Briefing to improve the officers' awareness about the organization in general, including the organization's businesses, corporate philosophy, and business strategies • Event participation to improve the awareness about the organization's businesses, including visits to production sites and R&D sites (including those of group companies) and new products and technology release events • Briefing in advance about the agenda for an upcoming board meeting to enhance the quality of discussion in that meeting
Executive Officer (excluding Chief Operating Officers)	● **Policy** To groom future leaders, we will provide leadership talent with on-the-job training and other opportunities for gaining the business acumen required of executives and corporate officers. ● **Key programs and objectives** • Provide opportunities to attend external seminars and workshops for gaining the knowledge and skills that corporate officers of listed companies require • Provide seminars delivered by an external lecturer designed to improve attendees' awareness of certain topics and improve various literacy • Give timely updates about the organization's situation

Accomplishments in fiscal 2022

● **All corporate officers and executive officers**
• We hired an external instructor to deliver a workshop on sustainability management, digital transformation, and value creation.
• Officers attended announcement and review meetings for new products and technologies.

● **Outside directors and outside Audit & Supervisory Board members**
• We briefed the outside corporate officers about our businesses, corporate philosophy, and business strategies.
• The outside corporate officers attended announcement meetings for new products and technologies.
• The outside corporate officers were briefed in advance about the agenda for an upcoming board meeting.
• Information exchange among directors and executive officers.

* Refer to our corporate governance report for more information. https://www.takiron-ci.co.jp/corporate/governance.php

Executive Remuneration

The remuneration systems for directors and other officers (directors and executive officers excluding non-executive directors) consists of the basic polices below, acting as a guide to fulfill the duties required of C.I. TAKIRON in the management plans and policies.

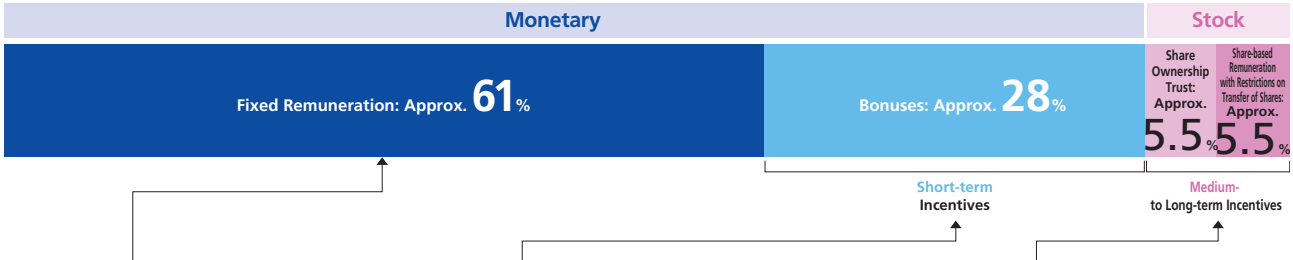
Basic Policy

1. We shall provide remuneration linked to mediumto long-term corporate value to realize sustainable growth.
2. We shall encourage all to independently and actively take on challenges without fearing failure.
3. We shall assess our competitors and set standards thought appropriate for C.I. TAKIRON in recruiting and retaining outstanding human resources.
4. We shall ensure objectivity and transparency through deliberations at Nomination and Remuneration Committee, which is made up of a majority and chaired by outside directors.

Framework of Executive Remuneration

Director and other executive remuneration consist of fixed compensation, performance-linked remuneration, and other short-term incentives (bonuses) as well as mediumto long-term incentives (stock remuneration) as non-monetary compensation. The estimated ratio of the various types of remuneration if all of the KPI are achieved is 61% for fixed compensation, 28% for short-term incentives (bonuses), and 11% for medium- to long-term incentives (stock remuneration). Not that profit-linked bonus is omitted here.

Remuneration Distribution Ratio



Fixed Remuneration

C.I. TAKIRON determines fixed remuneration as monthly compensation based on the role assigned according to the performance and skills of executive officers as well as an evaluation of the magnitude of contributions to management in that role.

Short-term Incentives (Bonuses)

This component has two sub-components: performance-linked bonuses and profit-linked bonuses.
Performance-linked bonuses are designed to raise awareness about improving business performance each fiscal year and to reflect the level of achievements related to annual consolidated operating profit and net income. C.I. TAKIRON also applies qualitative and quantitative evaluations of each executive officer in the calculation of bonuses to pay at a certain time each year.
A profit-linked bonus, paid at a certain time each year, reflects the amount of growth in a consolidated net income from the previous year's level. It also reflects the role/status of the recipient.

Mediumto Long-term Incentives (Stock Remuneration)

Mediumto long-term incentives consist of a stock ownership trust (performance-linked remuneration) and share-based remuneration with a restriction on the transfer of shares.
At a certain time each year, eligible executives are allocated a certain number of points determined by two factors: the extent to which the company achieved its target for consolidated operating income in the fiscal year in question, and the role/status of the executive. When an executive retires, the share-delivery trust will deliver to those executive shares (or cash of the same value) in an amount based on the total points the executive has.
At a certain time each year, eligible executives receive stock with restriction on transfer in an amount commensurate with their role/status. The restriction on transfer is lifted when the executive retires. The purpose of paying restricted stock is to enhance corporate value and share value with shareholders.

Calculation Formula for Performance-linked Compensation

Bonuses = (standard amount × performance achievement rate) + (standard amount × individual evaluation coefficient) + (year-on-year increase in profit × role/status coefficient)

Stock remuneration (Share Delivery Trust) = basic ownership points by position × percentage of annual target achieved

Protection of Minority Shareholders

In order to protect the rights of minority shareholders, we evaluate our business transactions with our parent, Itochu Corporation, to ensure that they are fair, appropriate, and justifiable. In this evaluation, we consider whether the transactions are really necessary and whether the terms of transactions differ markedly from arm's length transactions (transactions between two unrelated parties).

Purchase transactions for raw materials and other items are determined based on market prices.

In addition, we strictly manage all transactions in accordance with the various rules and regulations established in advance. In particular, for important transactions with the parent company, we confirm the appropriateness and reasonableness of such transactions after consulting and receiving a report from the Governance Committee. The Board of Directors believes that the appropriateness and rationality of the transactions are ensured and that the transactions are not detrimental to our interests.

The following is an excerpt from the Itochu Corporation' policy on the governance standards to be applied by its listed subsidiaries.

ITOCHU Corporation
Policy on the Governance of its Listed Subsidiaries, etc. (excerpt)

ITOCHU respects the autonomy of the listed subsidiary and prohibits any acts that contradict the principle of shareholder equality.

In particular, with the recognition that there is a potential conflict of interest between ITOCHU and the minority shareholders of the listed subsidiary and in order to secure the independent decision-making of the listed subsidiary, we request the listed subsidiary to set up the governance structure under which the independent outside directors of the listed subsidiary are well functioned.

Compliance & Risk Management

The C.I. TAKIRON Group is firmly maintaining and strengthening corporate compliance systems, and promoting the optimal operation of risk management systems to provide sound and highly transparent management.

Compliance

Basic Philosophy

C.I. TAKIRON Group is deeply aware of its corporate social responsibilities as a member of society to conduct corporate activities. Our Group complies thoroughly with the relevant laws and regulations as well as with the articles of incorporation for each company in addition to defining the C.I. TAKIRON Group Corporate Code of Conduct for the purpose of taking action deemed suitable by social ethics.

Also, the C.I. TAKIRON Group Compliance Program has been established for the purposes of improving and strengthening the compliance system for following the C.I. TAKIRON Group Corporate Code of Conduct. In fiscal 2023, we reformed the program.

While our basic philosophy remains the same, we changed our compliance structures to enable us to detect problems earlier and address them quickly and effectively.

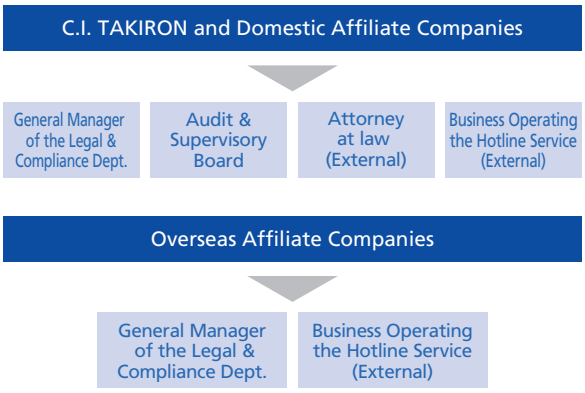
Basic Policy

1. Create a sound organizational culture and climate
2. Establish and maintain a proper system
3. Maintain a high level of awareness about compliance
4. Fair and impartial compliance

Compliance System



Internal Reporting System (Hotline)



Main Compliance Results in FY2022

Violations of laws and regulations in the socio-economic sector	None
Violations of environmental laws and regulations	None
Number of Internal Reports	85

Main Activity Results in FY2022

Preparation of systems and frameworks	Preparation of systems and frameworks by persons in charge of compliance after raising awareness about the Compliance Commitment in staff
	We reformed our compliance programs as part of an effort to change compliance structures, and informed all employees about the changes.
Education/ Enlightenment	For all officers and employees: Compliance Training (webinar or by viewing recorded materials)
	For managers and leaders: e-learning courses on preventing workplace harassment
	For all officers and employees: e-learning courses connected with the whistleblowing hotline guideline.
	For all officers and employees: Five announcements to inform everyone about compliance
	For all employees: Employee training.
Surveys	For all officers and employees: Survey about their compliance awareness.
	For officers in charge of compliance: A monitoring review survey

Risk Management

Risk Management System

We have put in place a risk management system and formulated Risk Management Regulations for the purpose of reducing and preventing losses as well as enhancing corporate value through the organizational management of risk throughout the Group.

The Corporate Planning Department acts as the risk management secretariat and operates the risk management process each fiscal year by placing a risk manager at C.I. TAKIRON as well as each affiliate company.

Risk Management Operations

C.I. TAKIRON has a system to address the intrinsic risks of the Group through ongoing reduction efforts in accordance with the risk management regulations. The Management Committee determines measures against risk through risk identification and evaluation results for the entire Group.

The risk management secretariat operates risk management

Person responsible for risk management	C.I. TAKIRON: General Manager of each division Affiliate Companies: President of each company
Departments supervising risk assessment	Each C.I. TAKIRON business planning & management dept., production planning dept., purchasing dept., finance & accounting dept., quality assurance dept., legal & compliance dept., intellectual property dept., IT & digital strategy dept., human resources & general affairs dept., and other departments designated by the risk management secretariat
Risk management secretariat	C.I. TAKIRON Corporate Planning Dept.
Departments handling the risk	Each department of C.I. TAKIRON designated by the risk management secretariat and affiliate companies

each fiscal year based on the selection and handling processes for critical risks defined as the following.

Selection and Handling Process of Critical Risks

Risk Management Process (Target: C.I. TAKIRON Group)

Identification and Evaluation of Risk | **Review**

Conduct Risk Surveys ⇒ Analyze/ Evaluate Risk ⇒ Identify Critical Risks ⇒ Determine Measures Against Risks ⇒ Gain Management Approval ⇒ Execute Measures Against Risks ⇒ Report to Management

(1) Surveys for risk managers (generally once every three years)
Assess the level of impact and likelihood based on a common list of risks created by the risk management secretariat according to the social landscape and risk examples.

(2) Analysis/evaluation
Collect and analyze survey results and other information about risk via the risk management secretariat and select critical risk candidates.

(3) Identification of critical risks
Identify critical risks (corporate risks or operational risks) at management workshops made up of C.I. TAKIRON executive officers.

(4) Formulation/approval of measures against risks
Departments supervising the handling of risks plan and propose measures against risks for the next fiscal year through discussions with the risk management secretariat, and then the risk management secretariat seeks approval from the C.I. TAKIRON Management Committee.

(5) Execution of measures against risks
Departments handling the risk handle risks based on the measures against risks. For corporate risks, departments supervising risk assessment monitor the progress of those measures against risks.

(6) Review of the results from measures against risks
The risk management secretariat reports to the C.I. TAKIRON Management Committee based on the results of the measures against risks for the current fiscal year.

FY2023 Selection of Critical Risk Management Items

Risk Management Items	Risk Category	Supervising Department	Risk Items	Assessment Department
Risk of declining profits	Corporate	Each business division	(1) Shrinking domestic market, lateness in expanding overseas (2) Lateness in developing new products (3) Lateness in adapting to customer needs	Corporate Planning Dept.
Quality assurance risks	Operational	Quality Assurance Dept. Each plant	(1) Inappropriate or false representations, misleading representation (2) Ineffective (or oversights in) quality testing	—
Risks in adapting to new system	Operational	IT & Digital Strategy Dept.	(1) IT strategy failure (2) Lateness in adapting to DX and operational technology (3) Delayed returns from DX investment effect	—
Human resource risks	Operational	Human Resources & General Affairs Dept.	Difficulty in attracting engineers	—
Distribution risks	Operational	IT & Digital Strategy Dept. (C.I. TAKIRON LOGISTICS)	The 2024 problem	—

Directors, Audit & Supervisory Board Members, and Executive Officers (as of June 28, 2023)

Director



Kazuya Saito
Director Chairman

1981 Joined ITOCHU Corporation
2019 Representative Director, President, and COO of C.I. TAKIRON
2023 Director, Chairman of C.I. TAKIRON (current position)



Yuji Fukuda
Representative Director President

1979 Joined ITOCHU Corporation
2022 Representative Director, Executive Vice President of C.I. TAKIRON
2023 Representative Director President of C.I. TAKIRON (current position)



Kenichi Hatano
Director Outside Independent

1966 Joined Sumitomo Chemical Industry Company Limited (current Sumitomo Chemical)
2018 Director of TAKIRON (current position)



Yoshiko Kosaka
Director Outside Independent

2003 Became registered attorney
2016 Joined Irokawa Law Office (currently Irokawa Legal Professional Corporation) (current position)
2020 Director of TAKIRON (current position)
2022 Kanemitsu Corporation's Audit & Supervisory Board member (current position)

Audit & Supervisory Board Member



Toshiro Okajima
Audit & Supervisory Board Member

1988 Joined TAKIRON
2020 Audit & Supervisory Board Member of C.I. TAKIRON (current position)



Masamichi Kanatomi
Audit & Supervisory Board Member

1990 Joined ITOCHU Corporation
2022 CFO of the Energy & Chemicals Company, ITOCHU Corporation (current position)
2022 Audit & Supervisory Board Member of C.I. TAKIRON (current position)

Skills Matrix for Directors and Audit & Supervisory Board Members

The following skills matrix represents the skills that our corporate officers (members of the Board of Directors and Audit and Supervisory Board) are required to have in order to help build our organization's value and achieve our long-term vision.

	Skills	Corporate Management	Environment/ Social	Finance/ Accounting	Human Resource Development	Legal/ Governance	Sales/ Marketing	Technology, Research & Development	Global
Director	Kazuya Saito	●	●			●	●		●
	Yuji Fukuda	●		●	●	●	●		●
	Toshio Tamaki	●	●				●		
	Noboru Fukushima	●		●	●	●			●
	Kenichi Hatano Outside Independent	●			●		●	●	
	Yoshiko Kosaka Outside Independent			●		●			
	Takeshi Kaide Outside Independent	●					●		●
Audit & Supervisory Board Member	Toshiro Okajima		●		●	●		●	
	Masamichi Kanatomi	●		●		●			●
	Masako Osuna Outside Independent	●	●		●		●		●
	Takashi Araki Outside Independent	●		●		●			

* Refer to our corporate governance report for more information. https://www.takiron-ci.co.jp/corporate/governance.php



Toshio Tamaki
Director Managing Executive Officer
COO of the Corporate Planning Div., CCO

1984 Joined TAKIRON
2023 Director Managing Executive Officer of C.I. TAKIRON (current position)



Noboru Fukushima
Director Managing Executive Officer
COO of the Corporate Administration Div., CIO

1987 Joined ITOCHU Corporation
2023 Director Managing Executive Officer of C.I. TAKIRON (current position)



Takeshi Kaide
Director Outside Independent

1979 Joined Mitsui Petrochemical Industries, Ltd. (current Mitsui Chemicals, Inc.)
2022 Director of C.I.TAKIRON (current position)



Masako Osuna
Audit & Supervisory Board Member
Outside Independent

1979 Joined JETRO (Japan External Trade Organization)
2017 Professor, Industry-University Collaboration, Kanazawa Institute of Technology (current position)
2019 Director of Hibiya Engineering, Ltd. (current position)
2020 Audit & Supervisory Board Member of C.I. TAKIRON (current position)
2022 Outside Director of EIZO Corporation [Audit & Supervisory Committee Member] (current position)



Takashi Araki
Audit & Supervisory Board Member
Outside Independent

1996 Joined Aoyama Audit Corporation (current PwC Aarata LLC)
1997 Registered as Certified Public Accountant
2013 Head of Takashi Araki Accounting Office (current position)
2014 Representative Director of Transaction Support Co., Ltd. (current position)
2015 Registered as licensed tax accountant
2015 Head of Takashi Araki Tax Accounting Office (current position)
2020 Audit & Supervisory Board Member of C.I. TAKIRON (current position)

	Nomination and Remuneration Committee	Governance Committee	FY2022 Board of Directors Meetings Attended	FY2022 Audit & Supervisory Board Meetings Attended
			17/17	–
	○	○	13/13	–
			–	–
			–	–
	◎ Committee Chairperson	○	17/17	–
	○	○	17/17	–
		◎ Committee Chairperson	13/13	–
			17/17	19/19
			17/17	19/19
			17/17	19/19
		○	17/17	19/19

Senior Managing Executive Officer

COO of the High Functional Materials Div.	Takahisa Miyake
COO of the Specialty Films Div.	Akihiro Ueda

Managing Executive Officer

COO of the R&D Div.	Hideharu Iwasaki
COO of the Production Div.	Hironori Kikuchi
COO of the Construction Materials Div.	Hiroji Kimura
COO of the Environmental Materials Div., Representative Director President of C.I. TAKIRONCIVIL Corporation	Kenji Matsui

Executive Officer

Deputy COO of the R&D Div.	Akihiko Shiraishi
General Manager of the Corporate Planning Dept.	Kazuhiro Kinpara
General Manager of the High Functional Materials Dept.	Tetsuya Tsukaguchi
General Manager of the IT & Digital Strategy Dept.	Yasunori Hayashida

Financial Data

Unit: Millions of Yen

Management Performance	FY2018	FY2019	FY2020	FY2021	FY2022
Net Sales	150,650	139,432	134,470	141,936	**145,725**
Operating Profit	9,080	7,372	8,511	8,651	**5,791**
Ordinary Profit	9,200	7,611	8,807	9,084	**5,923**
Profit Attributable to the Owners of Parent	6,391	13,091	5,332	6,660	**2,460**
Depreciation	4,533	4,682	5,378	5,244	**5,434**
Capital Investment	7,430	12,388	5,149	4,145	**5,070**
Research & Development Expenses	1,109	1,165	1,134	1,214	**1,355**

Financial Status					
Total Assets	138,251	144,956	142,743	147,061	**149,274**
Net Assets	74,310	82,840	87,367	92,055	**92,658**
Equity Capital	72,680	81,362	85,707	90,243	**91,186**
Interest-bearing Liabilities	4,911	5,085	4,438	3,914	**9,026***
Accumulated Surplus	26,571	36,738	38,757	43,175	**43,003**

* Lease liabilities and guaranteed deposits included.

Cash Flow					
Cash Flow from Business Activities	9,805	11,017	4,365	11,942	**5,729**
Cash Flow from Investment Activities	(9,620)	(5,922)	(2,191)	(7,516)	**(6,787)**
Cash Flow from Financial Activities	(9,160)	(3,115)	(4,292)	(3,166)	**(1,262)**
Free Cash Flow	184	5,095	2,174	4,425	**(1,057)**
Balance of Cash and Cash Equivalents (End of Term)	6,835	8,746	6,712	7,790	**5,603**

Stock Information					
Total Number of Issued Shares (Thousand Shares)	97,500	97,500	97,500	97,500	**97,553**
Dividends Per Share (Yen)	26	37	22	27	**15**
Payout Ratio (%)	39.6	27.5	40.2	39.5	**59.5**

Information about One Share of Company Stock					
Current Net Income Attributable to the Owners of Parent (Yen)	65.62	134.47	54.77	68.47	**25.30**
Net Assets (Yen)	746.42	835.82	880.28	928.28	**937.34**

Management Index					
ROA (%)	4.6	9.2	3.7	4.6	**1.7**
ROIC (%)	7.0	5.6	6.2	6.5	**4.2**
ROE (%)	8.8	17.0	6.4	7.6	**2.7**
Debt-to-Equity Ratio (D/E Ratio)	0.07	0.06	0.05	0.04	**0.10***
Operating Profit on Sales (%)	6.0	5.3	6.3	6.1	**4.0**
Capital-to-Asset Ratio (%)	52.6	56.1	60.0	61.4	**61.1**
Overseas Net Sales Ratio (%)	15.5	15.8	16.0	17.7	**17.7**

* In this calculation, we included lease liabilities and guaranteed deposits.

Non-financial Data

Environmental Index	FY2018	FY2019	FY2020	FY2021	FY2022
Energy Consumption Rate (GJ/Manufacturing Ton)	13.0	12.2	12.6	13.6	**13.1**
CO_2 emissions at scope 1 and 2 (kt-CO_2)	109	89	93	81	**71**
CO_2 emissions at scope 3 (kt-CO_2)	261	244	223	544*	**499***
Unit CO_2 emissions at scopes 1 and 2 (t-CO_2/manufacturing ton)	0.63	0.55	0.52	0.50	**0.48**
Total Waste Emissions (t)	13,083	13,210	12,627	12,654	**11,831**
Water consumption (km^3)	1,176	1,053	1,000	981	**953**
Wastewater (km^3)	1,004	809	801	796	**794**

* From fiscal 2021, the scope of calculation was expanded to include the entire Group and all 15 categories of Scope 3 emissions.

Social Indicators*					
Number of Employees (Consolidated) (Persons)	3,412	3,369	3,299	3,227	**3,172**
Number of Employees (non-consolidated) (Persons)	1,186	1,180	1,167	1,084	**1,095**
Male (Persons)	1,009	997	969	906	**903**
Female (Persons)	177	183	198	178	**192**
Number of women in career-track roles (number of women in management roles)	47 (1)	48 (2)	53 (4)	61 (5)	**71 (9)**
Percentage of management roles held by women (%)	0.4	0.9	1.8	2.4	**3.0**
Average years of service	18.3	18.4	18.0	19.4	**19.4**
Male (Years)	—	—	18.6	20.2	**20.3**
Female (Years)	—	—	14.9	15.0	**14.8**
Employment Ratio of Disabled Persons (%)	2.11	2.26	2.34	2.12	**2.20**
Rate of Paid Leave Taken by Employees (%)	62.4	91.2	88.2	89.4	**90.5**
Number of employees who started using childcare leave program in year under review	—	—	36	32	**27**
Male (Persons)	—	—	29	27	**23**
Female (Persons)	—	—	7	5	**4**
Percentage of employees on childcare leave who have returned to work	—	—	100	100	**100**
Turnover rate: Percentage of employees who voluntarily resigned	—	0.90	1.05	1.02	**1.18**
Turnover rate: Percentage of new hires in career-track roles who left within three years	—	0	0	7	**0**
Number of New Graduate Employment (Persons)	14	11	13	14	**11**
Male (Persons)	10	5	9	10	**4**
Number of New Graduate Employees (including those in clerical roles) who are women	4	6	4	4	**7**
Female Employment Ratio (%)	28.6	54.5	30.8	28.6	**63.6**
Labor Union Membership Rate (%)	68.7	69.7	66.7	71.1	**63.1**

* In the social indicators table, the top row shows the consolidated data. All other rows show non-consolidated data.

Governance Indicators		July 2018	July 2019	July 2020	July 2021	July 2022	July 2023
Number of directors	Total	8	9	8	6	7	**7**
	Number/Ratio of Outside Directors	2 / 25.0%	2 / 22.2%	3 / 37.5%	3 / 50.0%	3 / 42.9%	**3 / 42.9%**
	Ratio of directors (male/female)	8 / 0	9 / 0	7 / 1	5 / 1	6 / 1	**6 / 1**
Number of Audit & Supervisory Board members	Total	4	3	4	4	4	**4**
	Number/Ratio of Outside Audit & Supervisory Board Members	2 / 50.0%	2 / 66.7%	2 / 50.0%	2 / 50.0%	2 / 50.0%	**2 / 50.0%**
	Ratio of Audit & Supervisory Board Members (male/female)	4 / 0	3 / 0	3 / 1	3 / 1	3 / 1	**3 / 1**

Corporate Profile and Stock Information (As of March 31, 2023)

Corporate Profile

Trade Name	C.I. TAKIRON Corporation
Established	October 10, 1919
Incorporated	December 20, 1935
Tokyo Head Office	Shinagawa Intercity Building A, 2-15-1 Kōnan, Minato-ku, Tokyo, 108-6031
Osaka Head Office	3-1-3 Umeda, Kita-ku, Osaka 530-0001, Japan (North Gate Building)
Website	https://www.takiron-ci.co.jp
Capital	¥15,216 million (As of August 22, 2023)
Number of employees	3,172 (consolidated)

Main Affiliations (As of May 30, 2023)

Kansai Chemical Industry Association
Kansai Economic Federation
CLOMA
(Japan Clean Ocean Material Alliance)
Japan PVC Pipe and Fittings Association
JA Packaging & Horticulture Materials Association
Nippon Interior Association
Japan Vinyl Goods Manufacturer's Association
JAPAN PLASTIC SHEET ASSOCIATION
NOUGYOUYOUFILM RECYCLE ACCELERATION COUNCIL

Business Sites

Head Office

Tokyo Head Office	2-15-1 Konan Minato-ku, Tokyo
Osaka Head Office	3-1-3 Umeda, Kita-ku, Osaka

Branches/Sales Offices

Sapporo Sales Office
Tohoku Branch
Chubu Branch
Chugoku/Shikoku Branch
Kyushu Branch

Production Sites

Aboshi Plant
Ibogawa Plant
Yasutomi Plant
Tokyo Plant
Shiga Plant
Okayama Plant
Tochigi Plant
Hiratsuka Plant
Sano Plant

R&D Centers

R&D Center

Affiliate Companies

Construction Materials Business

SANWA SIGNWORKS CO., LTD.
MIYOSHI CORPORATION
C.I. TAKIRONPLUS CORPORATION
BONLEX EUROPE S.R.L [Italy]
TAKIRON MATEX CO., LTD.

Environmental Materials Business

HOKKAIDO SANPLUS CO., LTD.
C.I. TAKIRONAGRI CORPORATION
C.I. MATEX CORPORATION
DAILITE CO., LTD.
C.I. TAKIRONCIVIL CORPORATION

High Functional Materials Business

TAKIRON-ROWLAND LIMITED
TAKIRON POLYMER CO., LTD.
CIK NANOTEK CORPORATION
SHANGHAI CIK ELECTRONICS CO., LTD. (China)

Specialty Films Business

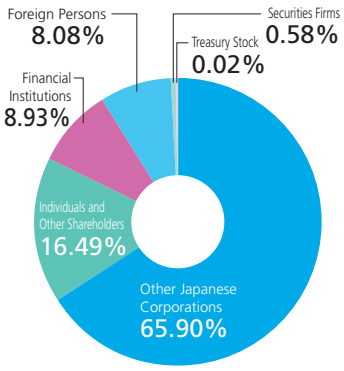
BONPACK CO., LTD.
BONSET AMERICA CORPORATION [United States]
BONSET LATIN AMERICA S.A. [Uruguay]
SHANGHAI SANPLUS PLASTIC CO., LTD. (China)

Other Affiliate Companies

TAKIRON TECH CO., LTD.
SHANGHAI C.I. KASEI TRADING COMPANY LTD. (China)
C.I. TAKIRON LOGISTICS CO., LTD.
DAIPLA WINTES CO., LTD.
MAVERIQ PARTNERS INC.

Stock Information

Securities Code	4215
Total Number of Issued Shares	97,597,530 (as of August 22, 2023)
Number of Shareholders	13718
Stock Listing	Tokyo Stock Exchange Prime Market
Share Unit	100
Administrator of Shareholder Registry	Sumitomo Mitsui Trust Bank, Limited
Accounting auditor	Deloitte Touche Tohmatsu LLC



Major Shareholders (Top 10)

Name of Shareholder	Ratio of Share Holding (%)
ITOCHU Corporation	55.51
The Master Trust Bank of Japan, Ltd. (trust fund)	5.98
Custody Bank of Japan, Ltd. (trust fund)	1.91
TAKIRON Employee Stock Ownership Association	1.38
KANEKA CORPORATION	1.35
Sekisui Jushi Corporation	1.09
DFA INTL SMALL CAP VALUE PORTFOLIO	1.01
Watanabe Pipe Co., Ltd.	0.90
RE FUND 107-CLIENT AC	0.66
JP MORGAN CHASE BANK 385781	0.46

Note: The ratio of shareholdings is calculated by excluding treasury stock.

IR Communication

We engage in IR activities in line with the C.I. TAKIRON Group Corporate Code of Conduct. By engaging in active dialogues with shareholders and other stakeholders, we aim to build their confidence in our organization so that our organization can earn a good valuation.

Promotion of constructive dialogue with shareholders and investors

We have put in place the policies below to establish systems and initiatives to encourage constructive communication with all shareholders, analysts and institutional investors.

(1) The COO of the Corporate Administration Division will oversee communications with shareholders and investors.
(2) Relevant internal departments will ensure active and close cooperation to share information with other relevant departments in order to support communication with shareholders and investors.
(3) C.I. TAKIRON will properly conduct investor briefings as well as surveys and other dialogues with shareholders.
(4) C.I. TAKIRON will regularly report feedback from all the shareholders earned through the initiatives in (3) at meetings of the Board of Directors meeting and Management Committee. Furthermore, the Board of Directors will review the voting results and reflect the feedback from shareholders in management.
(5) C.I. TAKIRON must never disclose material facts not yet officially disclosed in communications with shareholders and managers will thoroughly adhere to regulations on insider trading.

Dissemination of Information

The C.I. TAKIRON Group complies with the Financial Instruments and Exchange Act, timely corporate disclosure regulations of the Tokyo Stock Exchange as well as other laws and regulations to properly and fairly provide accurate corporate information to shareholders and other investors. C.I. TAKIRON discloses important information through the Electronic Disclosure for Investors' NETwork (EDINET) for the disclosure of securities reports and other financial materials in accordance with the Financial Instruments and Exchange Act provided by the Financial Service Agency as well as the Company Announcements Disclosure Service (TDnet) provided by the Tokyo Stock Exchange. We also publish information on the corporate website quickly after it is released.

Flow of Internal System for Timely Disclosure

C.I. TAKIRON and each Group company
Financial information, decisions and incidents

(Consideration of materialities and timely disclosure information)

Corporate Planning Div., Legal & Compliance Dept.,
Finance & Accounting Dept., Corporate Communication Dept.

Board of Directors and Management Committee

Timely disclosure

Frequency of Communication

General Shareholders' Meeting	https://www.takiron-ci.co.jp/ir/stock/meeting.html
Financial results briefings for institutional investors	https://www.takiron-ci.co.jp/ir/library/presentation.html
Financial results briefings for individual investors	https://www.takiron-ci.co.jp/ir/individual/
One-on-one meetings with analysts and institutional investors, response to media requests	https://www.takiron-ci.co.jp/ir/
Corporate website	https://www.takiron-ci.co.jp/
Integrated Report	https://www.takiron-ci.co.jp/ir/library/integrated/
Report to shareholders (Notice to Our Shareholders)	https://www.takiron-ci.co.jp/ir/library/stakeholder.html



General Shareholders' Meeting



Integrated Report



Notice to Our Shareholders

Messages from the Corporate Communication Dept.

Thank you for taking the time to read C.I. TAKIRON Group Integrated Report 2023. We hope that it has given you a better idea of, and greater confidence in, our process of transformation to achieve Vision 2030 and our efforts to build up the value of our organization. We will continue to engage in active dialogues with you and provide timely disclosures to conduct IR activities that leads to better corporate value.

C.I. TAKIRON Corporation

Tokyo Head Office
〒108-6031
Shinagawa Intercity Building A, 2-15-1 Kōnan, Minato-ku, Tokyo
Tel (03)6711-3700 (main switchboard number)