

Shinkong Synthetic Fibers Corporation

Procedures for Endorsements and Guarantees

Approved by the Shareholders' Meeting in 2019

Article 1 (Purpose)

All external endorsements and guarantees of the Company shall be handled in accordance with these Procedures. Matters not provided herein shall be governed by applicable laws and regulations.

Article 2 (Scope of Application)

Endorsements and guarantees referred to in these Procedures include:

1. Financing endorsements and guarantees, including:

- (1) Discounting of commercial papers.
- (2) Endorsements or guarantees provided for the purpose of financing another company.
- (3) Issuance of negotiable instruments to non-financial institutions as collateral for the Company's own financing.

2. Customs duty endorsements and guarantees.

3. Other endorsements and guarantees not falling under the preceding categories.

Where the Company provides movable or immovable property as collateral for another company's borrowing by creating a pledge or mortgage, such acts shall also be handled in accordance with these Procedures.

Article 3 (Counterparties)

The Company may provide endorsements and guarantees to:

1. Companies having business transactions with the Company.
2. Companies in which the Company directly or indirectly holds more than 50% of the voting rights.

Where the Company directly or indirectly holds 90% or more of the voting rights, endorsements and guarantees may be provided provided that the amount does not exceed 10% of the Company's net worth, except for wholly-owned subsidiaries.

Joint guarantees among co-constructors for contracted projects, guarantees provided by all investors in proportion to shareholdings, or performance guarantees required under consumer protection laws are not subject to the above restrictions.

Article 4 (Limits)

The aggregate amount of endorsements and guarantees shall not exceed 50% of the Company's net worth. The limit for a single entity shall not exceed 20% of net worth, or 30% for overseas subsidiaries.

Article 5 (Approval Authority)

Endorsements and guarantees shall be approved by the Board of Directors. The Board may authorize the Chairman to approve endorsements within 30% of net worth, subject to subsequent ratification.

Article 6 (Operating Procedures)

Applications shall be reviewed for necessity, credit risk, impact on operations, and collateral adequacy. Records shall be maintained by the Finance Department.

Article 7 (Seal Custody)

The Company seal used for endorsements shall be kept by a designated custodian approved by the Board.

Article 8 (Internal Audit)

Internal auditors shall audit endorsement and guarantee operations at least quarterly and report material violations to the Audit Committee.

Article 9 (Disclosure)

Monthly balances shall be reported to the Market Observation Post System. Material thresholds shall be disclosed within two days of occurrence.

Article 10 (Control over Subsidiaries)

Subsidiaries shall establish their own procedures and report endorsements monthly to the Company.

Article 11 (Penalties)

Violations shall be handled in accordance with personnel regulations.

Article 12 (Implementation and Amendment)

These Procedures shall be implemented upon approval by the Audit Committee, the Board of Directors, and the Shareholders' Meeting. Amendments shall follow the same procedure.