TEIJIN

Human Chemistry, Human Solutions

2018 INTEGRATED REPORT

Fiscal 2017
(Year ended March 31, 2018)






FUTURE NAVIGATION

ALWAYS EVOLVING






TEIJIN

TEIJIN LIMITED

https://www.teijin.com

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Responsible Care®

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The Keystones of the Teijin Group

Ceaseless Evolution and Ambition

Endeavoring to Provide New Solutions That Contribute to Enhancing the Quality of Life for All

The Teijin Group upholds its brand statement “Human Chemistry, Human Solutions” as its promise to society and its customers. Guided by this statement, we are globally expanding our businesses in materials, healthcare, and IT, as well as in their respective overlapping domains. In line with our corporate philosophy, we continue striving to enhance the quality of life of people everywhere.

We will continue to focus on technological innovation and to create and deliver unique solutions, i.e., value, in response to various global issues and needs. In doing so, the Teijin Group aims to be “an enterprise that is essential to tomorrow’s society,” and also to be a prominent, globally admired corporate group.

Teijin Group Corporate Philosophy

Enhancing the Quality of Life

The Teijin Group’s purpose is to enhance the quality of life through a deep insight into human nature and needs, together with the application of our creative abilities

In Harmony with Society

Empowering Our People

Brand Statement

Human Chemistry, Human Solutions

Our promise is to continue endeavoring to improve the quality of life by pursuing the potential of chemistry for contributing to people and the global environment, and by providing solutions that accelerate the evolution of society.

For People’s Life and Society

Teijin advances CSR activities that are strongly rooted in our corporate philosophy in order to realize better lives for people and a better society.

The basic goals of the Teijin Group’s Corporate Social Responsibility (CSR) are articulated by our corporate philosophy of “Enhancing the Quality of Life,” “In Harmony with Society,” and “Empowering Our People.”

To realize better lives for people and a better society, we have formulated the CSR Basic Policy and are advancing CSR activities that are strongly rooted in our corporate philosophy under the leadership of the Chief Social Responsibility Officer.

CSR Basic Policy (FY2017–FY2019)

1. **Basic Stance: Sustainable Development of Business and Society**
   Work positively and proactively on important issues related to corporate social responsibility such as the environment, society and governance (CSR materiality) with high sensitivity to aim for sustainable development of business and society as “an enterprise that is essential to tomorrow’s society.”
2. **Contribute to Society through Business**
   Proactively grasp those problems that society needs to solve related to the environment, safety/security/disaster mitigation and health, and provide sustainable solutions to such problems through business.
3. **Appropriately Respond to Various Risks**
   Manage various risks related to business activities appropriately such as corporate ethics and compliance, environmental impacts, quality assurance, occupational safety, etc., and demonstrate strong resilience even when risks actualize.
4. **Dialogue with Society to Improve Continuously**
   Maintain positive dialogue with society and continuously improve these recognitions and practices. At the same time, contribute to gaining and maintaining social recognition as a “CSR advanced enterprise” globally.

UN Global Compact

Since 2011 the Teijin Group has endorsed and been a member of the UN Global Compact, which sets voluntary principles concerning human rights, labor, the environment and anti-corruption, to promote and practically implement high-quality CSR management as a global company engaged in business.

WE SUPPORT

UN GLOBAL COMPACT

Editorial Policy

The Teijin Group Integrated Report 2018 was prepared as an integrated report to ensure that all stakeholders, including shareholders and investors, are able to obtain and understand the Teijin Group's financial information, such as business results and strategies, as well as non-financial information about the social and environmental aspects of the Group.

Reporting Period

Unless otherwise specified, this report covers the period from April 2017 to March 2018. However, some activities in or after April 2018 are also included.

Reporting Organizations

The report covers the entire Teijin Group (Teijin Limited and 59 domestic Group companies, and 104 overseas Group companies).

Guidelines Referred to Regarding Disclosing Non-Financial Information

Environmental Report Guidelines 2012 (Japan's Ministry of the Environment)
GRI Sustainability Reporting Standards

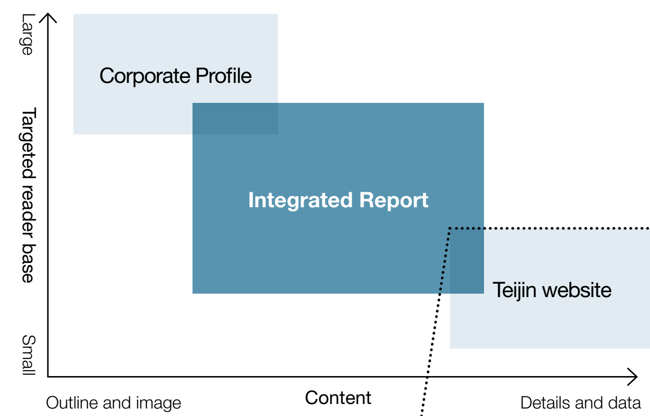
Referencing the "Guidance for Collaborative Value Creation"

This report references the "Guidance for Collaborative Value Creation" formulated by the Japanese Ministry of Economy, Trade, and Industry.

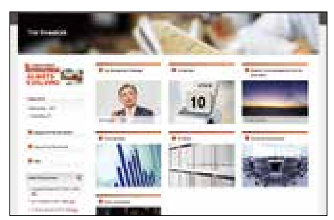
Environment Social Governance
Guidance for Collaborative Value Creation

Materiality and Comprehensiveness

The Teijin Group Integrated Report 2018 provides reporting on highly material issues for the Teijin Group and society as a whole. For more comprehensive and detailed information, please refer to Teijin's corporate website in conjunction with this report.



Financial Information



For Investors
https://www.teijin.com/ir/

Non-Financial Information

Corporate Social Responsibility (CSR)
https://www.teijin.com/csr/

External Evaluations

Status of inclusion in SRI indices (as of August 2018)

The Teijin Group was evaluated about its initiatives for ESG, and for its transparency as regards information disclosure. As a result, we continue to be included in the following leading socially responsible investment (SRI) indices.

FTSE Blossom Japan Index

MSCI Japan ESG Select Leaders Index

MSCI Japan Empowering Women Index (WIN)

Dow Jones Sustainability Indices

FTSE4Good Index Series

Ethibel Investment Register

FTSE Blossom Japan | MSCI 2018 Constituent MSCI Japan ESG Select Leaders Index | MSCI 2018 Constituent MSCI Japan Empowering Women Index (WIN) | MEMBER OF Dow Jones Sustainability Indices In Collaboration with RobecoSAM | FTSE4Good | ETHIBEL EXCELLENCE

Disclaimer Regarding Forward-Looking Statements

Any statements in this Integrated Report, other than those of historical fact, are forward-looking statements about the future performance of the Teijin Group, which are based on management's assumptions and beliefs in light of information currently available and involve risks and uncertainties. Actual results may differ materially from these forecasts.

Desired Communication Points in Each Chapter

CONTENTS

The keystones of the Teijin Group

TEIJIN TODAY

This section clearly presents our histories, business activities, global operating regions, and key financial and non-financial data, so that readers are able to quickly gain an understanding of the Teijin Group.

SECTION 1 OUR STORY

The Teijin Group's Value Creation Story

The CEO, CFO and other members of the management team present explanations of the Teijin Group's vision and strategy, and describe the strengths, opportunities and risks of the Teijin Group regarding value creation.

SECTION 2 ESG IN ACTION

Aiming for a Higher State of ESG

The Teijin Group introduces the CSR responsibilities that the Group considers important (CSR materiality) for the sustainable development of business and society, together with the associated initiatives and dialogues with external experts.

SECTION 3 BUSINESS REVIEW

Review of Operations and Growth Strategies

This section describes the market presence of each business underpinning the Teijin Group's core earnings, and their performances in fiscal 2017, along with presenting strategies for achieving further growth.

FACT DATA

To help you know more about the Teijin Group, we have summarized our financial information together with other management information.

A Century of Ceaseless Evolution and Ambition

The Teijin Group has a history of ceaseless evolution and ambition. We are here today because we have repeatedly embraced bold evolution and ambition since our founding, with an entrepreneurial spirit that seeks to reshape and amaze society. In essence, we have transformed our business portfolio in line with the times.

Era of Semi-Synthetic Fiber

Embracing the Challenge of Manufacturing Artificial Silk—Rayon

Transforming into a Synthetic Fiber Manufacturer

At the time of its founding, Teijin established Japan's first technology for manufacturing semi-synthetic rayon fibers and spearheaded the development phase of the rayon business as a leading company. Thereafter, Teijin proactively expanded its business, supported by the highly profitable polyester fiber *TETORON*. The Company successively established manufacturing sites in Japan and overseas and grew into a global synthetic fiber manufacturer.

- 1918 • Started Japan's first commercial production of rayon
- 1958 • Commenced the *TETORON* polyester fiber business
- 1960 • Commenced the *Panlite* polycarbonate resin business

Era of Diversification

Embracing the Challenge of New Businesses and Different Fields

Transforming into a Diversified Business

While continuing to drive growth with *TETORON* as its core product, Teijin expanded its business as a high-performance materials manufacturer by boldly embracing the challenge of developing and commercializing new businesses. Moreover, Teijin commenced the pharmaceutical and home healthcare business by making the most of its knowledge and experience in synthetic chemistry and polymer chemistry. The Company also moved into the IT field. In these ways, Teijin transformed itself into a diversified business spanning the materials, healthcare and IT fields.

- 1971 • Withdrew from the rayon business
  • Commenced the PET film business
  • Commenced the *Teijinconex* meta-aramid fiber business
- 1982 • Commenced Japan's first home oxygen therapy (HOT) business
- 1983 • Commenced the IT business
- 1987 • Commenced the *Technora* para-aramid fiber business
- 1999 • Commenced the *TENAX* carbon fibers business
- 2000 • Commenced the *Twaron* para-aramid fiber business

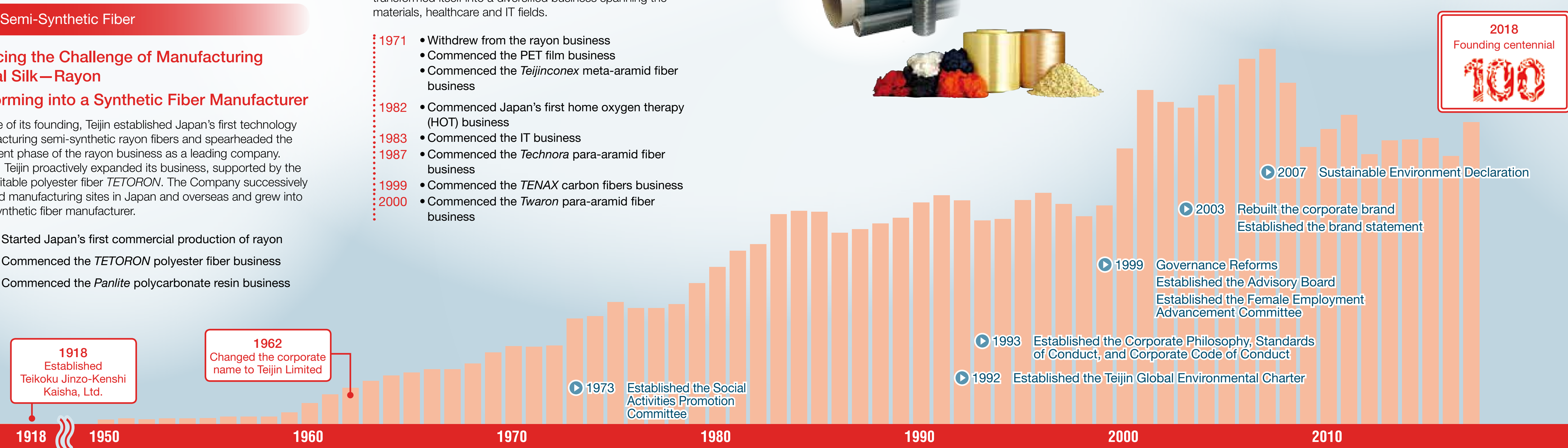
Creation of New Value

Embracing the Challenge of Governance Reforms

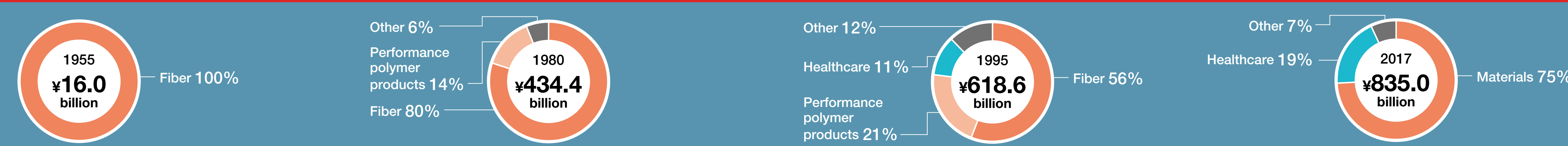
Transforming into a New Business Portfolio

Amid continuing business diversification and globalization, Teijin has been implementing management reforms in earnest since the 1990s. The Company has been working to proactively enhance the transparency and speed of management in conjunction with advancing management focused on its environmental and social responsibilities. Looking toward the next century, Teijin will create new value by taking full advantage of the strengths it has developed over the years as an enterprise spanning materials, healthcare and IT. In the process, Teijin will push ahead with further business portfolio transformation.

- 2011 • Established the world's first mass production technology for thermoplastic CFRP
- 2012 • Commercialized lithium-ion battery (LIB) separators
- 2017 • Acquired U.S.-based Continental Structural Plastics Holdings Corporation (CSP) and expanded the composites business



Portfolio transformation



Society

Postwar reconstruction→ Korean War-related demand and economic boom in textiles-related industries

End of Japan's high economic growth period

Advances in globalization

IT revolution

Aging society with fewer children

Rising medical costs

Paris climate agreement comes into force

The Teijin Group's Businesses

Materials

Material Business Group

We are expanding globally, with a focus on high-performance fibers, such as aramid fibers and carbon fibers, as well as polycarbonate resin and polyester film.

Principal products

Aramid fibers

- Aramid fibers

Carbon fibers

- Carbon fibers

- Oxidized PAN Fiber

Resin and plastics processing

- Polycarbonate resin

- PEN resin
- PPS resin
- Flame retardants
- Polycarbonate film and sheet

Films

- Polyester film

- PEN film

Principal applications

- Para-aramid fibers
  Friction products, tire reinforcements, rubber reinforcements (hoses, belts), protective clothing, optical fiber reinforcements, civil engineering materials
- Meta-aramid fibers
  Firefighting uniforms, heat-resistant filters

- Carbon fibers
  Aircraft (structural and interior components), pressure vessels, sports and leisure equipment

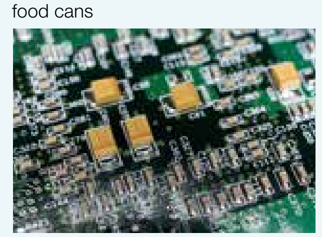
© AIRBUS

- Polycarbonate resin
  Electrical and electronics components, audiovisual (AV) and office automation (OA) equipment, personal computer casings, automotive components, smartphone camera lenses

OA equipment

- Polycarbonate film and sheet
  Organic electroluminescent display (OLED) anti-reflective film, automotive instrument panels

- Polyester film
  Release film for various processes, laminating film for beverage and food cans



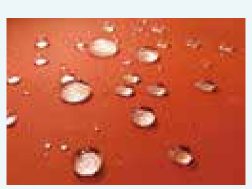
Electronic parts
(release films used in manufacturing processes)

Polyester Fibers & Trading and Retail Business Group

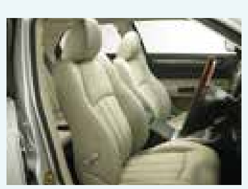
We provide a wide range of solutions that address market needs through a globally integrated R&D, manufacturing and sales configuration spanning raw materials to final products.

Principal products and services

- Sale and international trading of fiber materials, textiles and apparel, industrial textiles and materials, and films and plastics
- Polyester and recycled polyester fabrics and textiles



High-performance polyester materials



Car seat materials

Composites and others

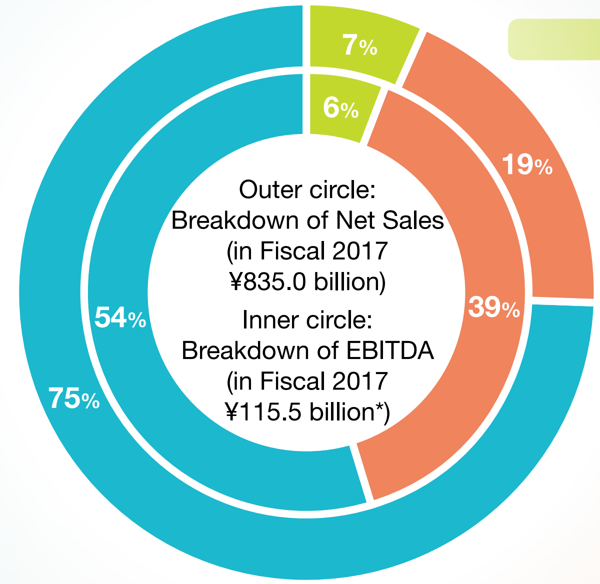
We are pushing ahead with nurturing and growing new businesses in the materials business fields.

Principal products and services

- Automotive composites
- LIB separator
- Plastic glazing

LIB separator *LIELSORT*

Automotive fender using the light weight composite material *TCA Ultra Lite*



Materials	Net sales ¥624.8 billion	EBITDA ¥65.0 billion
Healthcare	Net sales ¥155.4 billion	EBITDA ¥47.2 billion
Others	Net sales ¥54.8 billion	EBITDA ¥7.8 billion

* Includes elimination and/or corporate of –¥4.5 billion

Others

IT Business Group

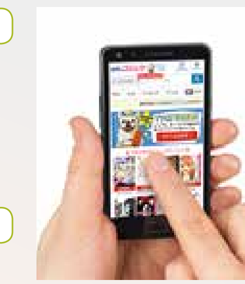
We provide various IT services, along with internet services such as e-comics services.

Business Solutions

- IT services for healthcare field
- *GRANDIT*, a fully web-based enterprise resource planning software package
- IT services for enterprises

Digital Entertainment

- e-comics distribution services
- e-commerce services



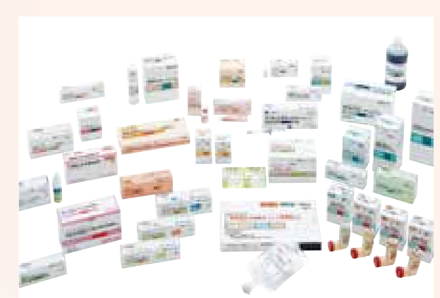
Healthcare

Healthcare Business Group

We provide unique medical solutions by developing our strengths from the characteristics of both the pharmaceuticals and home healthcare fields.

Pharmaceuticals

- Bone and joint disease: treatment for osteoporosis, etc.
- Respiratory disease: expectorant and treatment for bronchial asthma, etc.
- Cardiovascular and metabolic disease: treatments for hyperuricemia and gout, and hyperlipidemia, etc.
- Others: treatment for severe infectious diseases, laxatives, etc.



Home healthcare

- Respiratory disease: therapeutic oxygen concentrators, noninvasive positive pressure ventilator (NPPV) for sufferers of sleep apnea syndrome (SAS), continuous positive airway pressure (CPAP) ventilators for the treatment of SAS
- Bone and joint disease: Sonic Accelerated Fracture Healing System

We are pushing ahead with nurturing and growing new businesses in the healthcare fields.

New healthcare

- Orthopedic implantable devices
- Functional food ingredients
- New medical products
- Digital healthcare

Artificial joints

2breathe, a wearable sensor and smartphone application that aids sleep

Enhanced barley product *BARLEYmax*

The Teijin Group's Global Business Network

Group companies

163 companies

Overseas sales ratio

44.4%

(As of March 31, 2018)

The Teijin Group currently comprises a global network of 163 Group companies.
The overseas sales ratio has reached 44.4%.

Europe

Businesses

Materials	Aramid fibers/Carbon fibers

Teijin Aramid B.V.

Teijin Carbon Europe GmbH

Asia

Businesses

Materials	Resin and plastics processing/Films
Materials	Polyester fibers & trading and retail

Teijin Polycarbonate China Ltd.

Teijin Polyester (Thailand) Limited

Japan

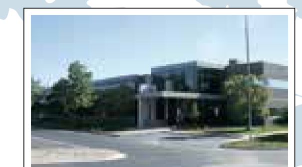
Businesses

Materials	Aramid fibers/Carbon fibers
Materials	Resin and plastics processing/Films
Materials	Polyester fibers & trading and retail
Healthcare	

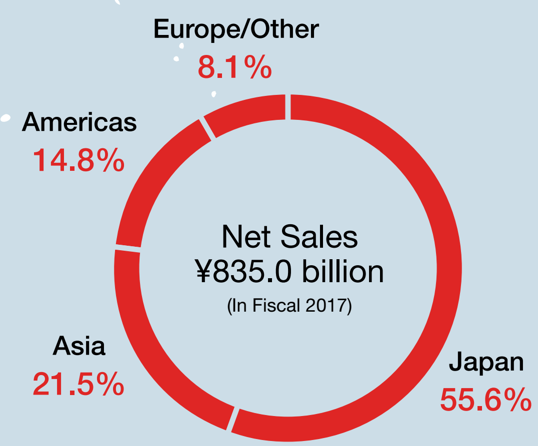
Americas

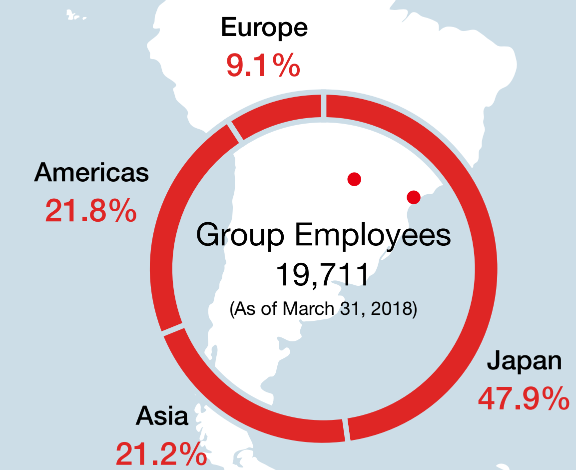
Businesses

Materials	Composites



Continental Structural Plastics Holdings Corporation

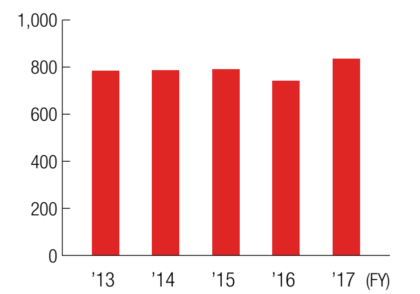




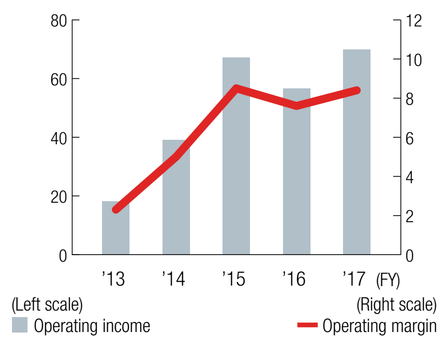
Financial and Non-Financial Information

Financial Information

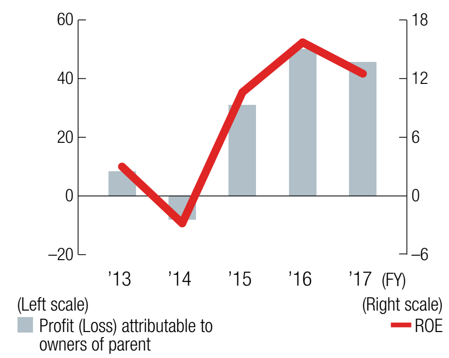
Net Sales (Billions of yen)



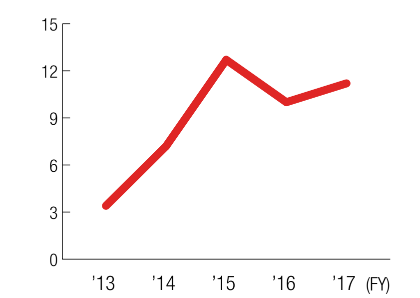
Operating Income (Billions of yen) Operating Margin (%)



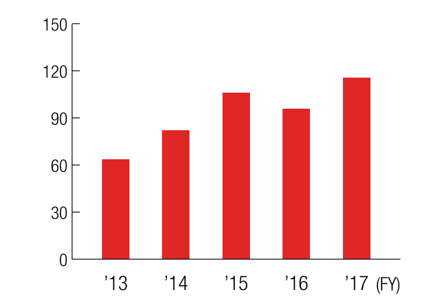
Profit (Loss) Attributable to Owners of Parent (Billions of yen) ROE*1 (%)



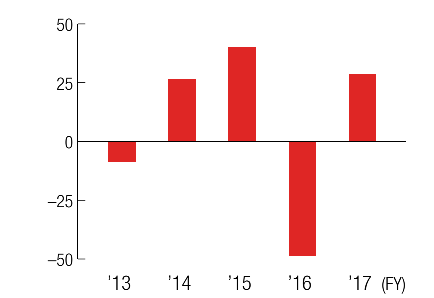
ROIC (based on operating income)*2 (%)



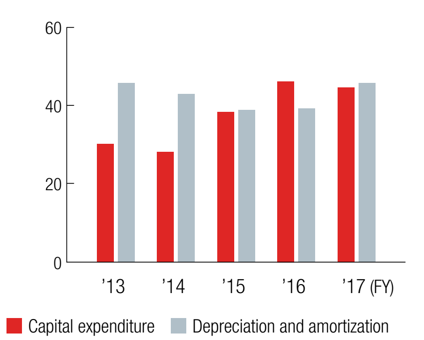
EBITDA*3 (Billions of yen)



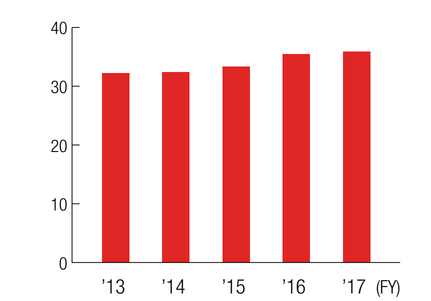
Free Cash Flow (Billions of yen)



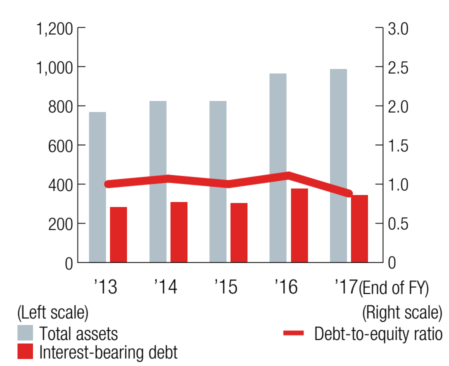
Capital Expenditure and Depreciation and Amortization (Billions of yen)



R&D Expenses (Billions of yen)



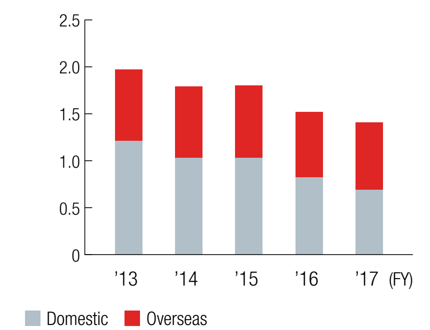
Total Assets and Interest-Bearing Debt (Billions of yen) Debt-to-Equity Ratio*4 (Times)



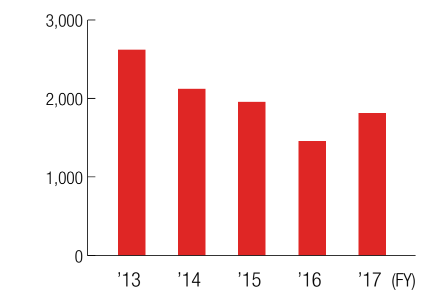
*1 Return on Equity (ROE) = Net income divided by average shareholders' equity;
Shareholders' equity = Total net assets at year-end less subscription rights to shares at year-end and non-controlling interests at year-end
*2 Return on Invested Capital (ROIC) based on operating income = Operating income divided by invested capital; Invested capital = Net assets plus interest-bearing debt minus cash and deposits
*3 Earnings Before Interest, Tax, Depreciation and Amortization (EBITDA) = Operating income plus depreciation and amortization
*4 Debt-to-equity ratio = Interest-bearing debt at year-end divided by shareholders' equity at year-end

Non-Financial Information

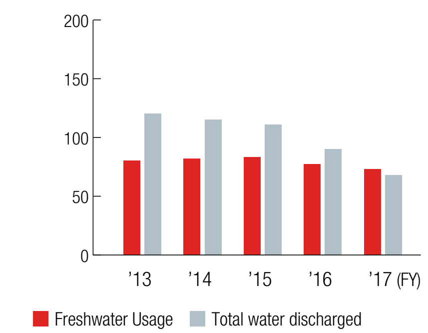
Greenhouse Gas Emissions from Manufacturing Operations*1 (Total) (Million tons-CO_2)



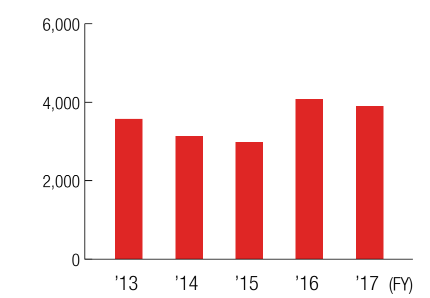
Chemical Substance Emissions*2 (Tons)



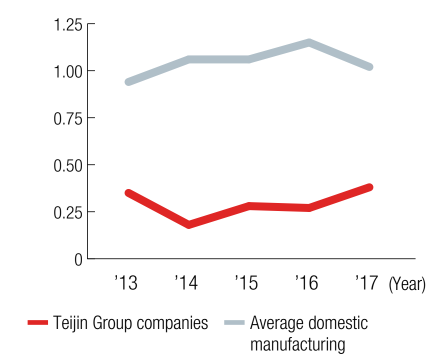
Freshwater Usage and Total Water Discharged*3 (Millions of tons)



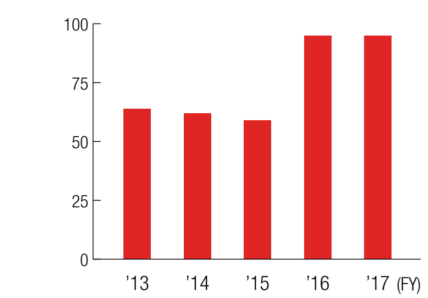
Waste with No Effective Use*4 (Tons)



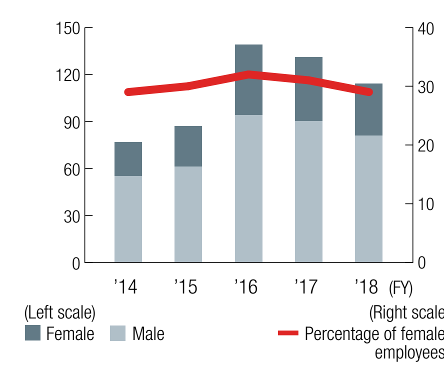
Lost Time Injury Frequency Rates*5



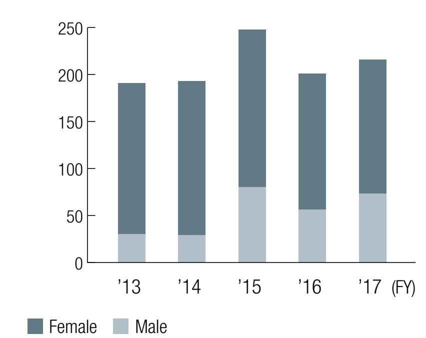
Usage of the Counseling and Reporting System (Number of cases)



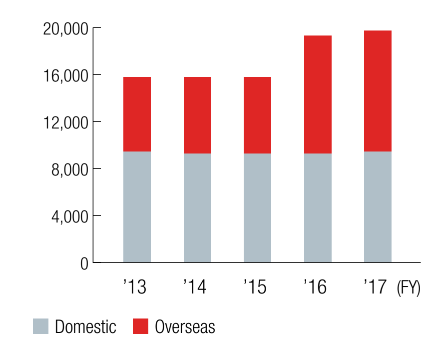
Number and Ratio of Newly Recruited Career-Oriented Female University Graduates*6 (People/%)



Number of Employees Taking Childcare Leave*6 (People)



Number of Employees (Total) (People)



*1 Includes CO_2, methane and nitrous oxide. For details about the method for calculating the amount of CO_2 emissions, please refer to page 47.
*2 Emissions of Class 1 chemical substances listed in the Chemical Substances Management Law and chemical substances designated by the Japan Chemical Industry Association. The figures shown are the total amount of chemical substance released into the atmosphere, water and soil, and forming landfill within business sites.
The Chemical Substances Management Law: Law Concerning Reporting, etc., of Releases to the Environment of Specific Chemical Substances and Promoting Improvements in Their Management.
*3 Freshwater usage includes industrial water, groundwater and tap water. Water discharged includes seawater used for cooling.
*4 Waste with no effective use refers to waste incinerated without heat recovery and waste for landfill.
*5 The lost time injury frequency rate is the number of lost time injuries per one million hours worked. (Figures are calculated based on calendar years.)
Source for average domestic manufacturing: Survey on Industrial Accidents, Japanese Ministry of Health, Labour and Welfare
*6 At the four core Group companies in Japan: Teijin Limited (including the former Toho Tenax Co., Ltd.), Teijin Pharma Limited, Teijin Frontier Co., Ltd., Infocom Corporation

TEIJIN TODAY

Fiscal 2017 Topics

Fiscal 2017 was a year in which Teijin worked to maintain and enhance profitability in existing businesses and to nurture and expand new businesses, with a focus on achieving business portfolio transformation based on the Medium-Term Management Plan.

In fiscal 2018, Teijin will continue to take concrete actions to drive future growth.

Fiscal 2017

1Q

April

Healthcare: Growth Strategy

Withdrew from the U.S. home healthcare business

May

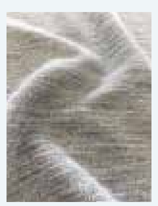
Healthcare: Growth Strategy

Teijin granted an exclusive license to Merck & Co., Inc. for an investigational antibody candidate targeting tau protein for a possible new treatment of Alzheimer's disease ▶ P.69

June

Materials: Growth Strategy

Developed the new sweat-suit fabric *DELTAPEAK*



Materials: Transformation Strategy

The world's first polycarbonate (PC)-resin pillar-less automotive front window selected for use in the Tommykaira ZZ, a sporty electric vehicle (EV)

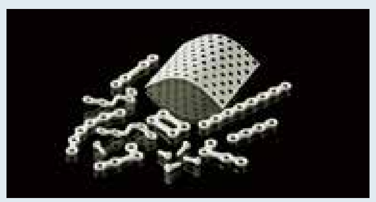
Tommykaira ZZ with polycarbonate-resin pillar-less front window

2Q

July

Healthcare: Transformation Strategy

Established Teijin Medical Technologies Co., Ltd.



Bone-bonding materials manufactured and distributed by Teijin Medical Technologies Co., Ltd.

CSR Management

The Government Pension Investment Fund has selected all the three indexes of FTSE and MSCI that are used for ESG investment

Healthcare: Growth Strategy

Entered into a co-development and license agreement for an allogeneic regenerative medical product using dental pulp stem cells (DPCs) ▶ P.69

August

Healthcare: Transformation Strategy

Developed first ready-made meal products using the headline-making enhanced barley product *BARLEYmax*

Launched sales of two types of rice balls and a salad product

Enhanced barley in rice ball with edamame and hijiki seaweed

3Q

October

Materials: Growth Strategy

Began increased production of the para-aramid fiber *Technora* ▶ P.69

Technora

Healthcare: Transformation Strategy

Acquired the spinal-related business of Century Medical, Inc.

Healthcare: Growth Strategy

Signed an exclusive license and co-development agreement for novel botulinum toxin in Japan ▶ P.69

Healthcare: Transformation Strategy

Signed agreement on exclusive sales rights to transcranial magnetic stimulation device in Japan

NeuroStar TMS Therapy for Depression

November

Materials: Transformation Strategy

Multi-material roof cover adopted for use in a fuel cell bus developed by Toyota Motor Corporation

Roof cover

Fuel cell bus developed by Toyota Motor Corporation

Materials: Growth Strategy

Decided to establish a new carbon-fiber production facility and operating company in the U.S. ▶ P.69

CSR Management

Revised the Teijin Group CSR procurement guidelines

4Q

February

Materials: Transformation Strategy

Decided to boost production of *MIRAIM* high-performance microporous membrane

Materials: Growth Strategy

Decided to establish a new resin compound plant and R&D facility in Thailand ▶ P.69

Resin compound plant and R&D facility

CSR Management

Selected for inclusion in the "White 500" program for promoting health and productivity management for the second straight year ▶ P.58

2018 健康経営優良法人 Health and productivity ホワイト500

March

CSR Management

Selected as a "Nadeshiko Brand" for being a company that encourages women's success in the workplace ▶ P.58

NADESHIKO BRAND 2018

Healthcare: Transformation Strategy

Acquired a medical device company to develop ventricular assist devices in Japan

MT-Mag: MedTec-Magnetically levitated centrifugal ventricular assist device

Fiscal 2018 Topics

Fiscal 2018 1Q

April

Healthcare: Transformation Strategy

Patch for cardiovascular repair co-developed by Teijin Limited received designation as one of the items covered under the "SAKIGAKE Designation System" of the Japanese Ministry of Health, Labour and Welfare

Healthcare: Transformation Strategy

Began providing the *Sleep Styles* sleep enhancement program aimed at supporting the health management initiatives of companies

May

CSR Management

Selected for inclusion in "Competitive IT Strategy Company 2018" ▶ P.58

2018 攻めのIT経営銘柄 Competitive IT Strategy Company

June

Teijin Centennial Project

Support for an expedition to reach the South Pole in a solar vehicle

Eco-friendly solar vehicle built using recycled materials

Healthcare: Growth Strategy

Began sales and rental of non-invasive transcutaneous blood gas analysis and monitoring instruments

Transcutaneous blood gas monitor TCM5

CEO Message

Toward the world we all desire.

FUTURE NAVIGATION

In 2018, the Teijin Group celebrated its founding centennial. Looking towards the next 100 years, the Teijin Group will provide solutions focused on quality of life (QOL) for future humanity, as an enterprise that puts people first in its thinking by exploring chemistry beyond materials and products.

We will also continue to create new value by making the most of the diversity of our workforce, with the aim to be a company that supports the society of the future.

Jun Suzuki, President and CEO

Jun Suzuki

Born in Tokyo in 1958. Joined Teijin Limited in 1983 and was engaged in pharmaceuticals development. Appointed Corporate Officer and Chief Marketing Officer in April 2012, after serving as President of Teijin Holdings Netherlands B.V. in 2011. Assumed the post of Executive Officer and General Manager, Advanced Fibers and Composites Business Group in April 2013 and Director, Executive Officer in June 2013. Appointed President and Chief Executive Officer (CEO) in April 2014.

Driving Transformation Strategies Forward by Continuously Transforming the Business Portfolio in Anticipation of Change

How We See the Business Environment

At present, the roles and responsibilities that companies are expected to fulfill are changing dramatically. We are also facing major environmental and social issues that must be addressed on a global scale, in addition to the challenges of an increasingly global economy. Therefore, companies are being judged not only on traditional metrics such as their growth prospects and sustainability, but also on whether their business activities reflect consideration for the environment and social issues such as poverty and equality, as well as whether they contribute to the sustainable development of society.

Meanwhile, rapid technological innovation in areas such as IoT and AI has been accelerating the evolution of next-generation businesses. These trends urgently require companies to transform their business models and management platforms.

In this environment, the Teijin Group has embraced the long-term vision for becoming a company that supports the society of the future. To realize this vision, we have identified environmental value; safety, security and disaster mitigation; and demographic changes and increased health consciousness as our three core priority fields. The Teijin Group will contribute to the solution of social issues by providing solutions in each of these core priority fields. Specifically, we will provide Environmental Value Solutions that help to enhance environmental performance through weight-reducing materials; Safety, Security and Disaster Mitigation Solutions that help to enhance safety related to disaster mitigation measures and the development of social infrastructure; and Demographic Change and Increased Health Consciousness Solutions that help people stay healthy and enhance their health amid an aging population with fewer children.

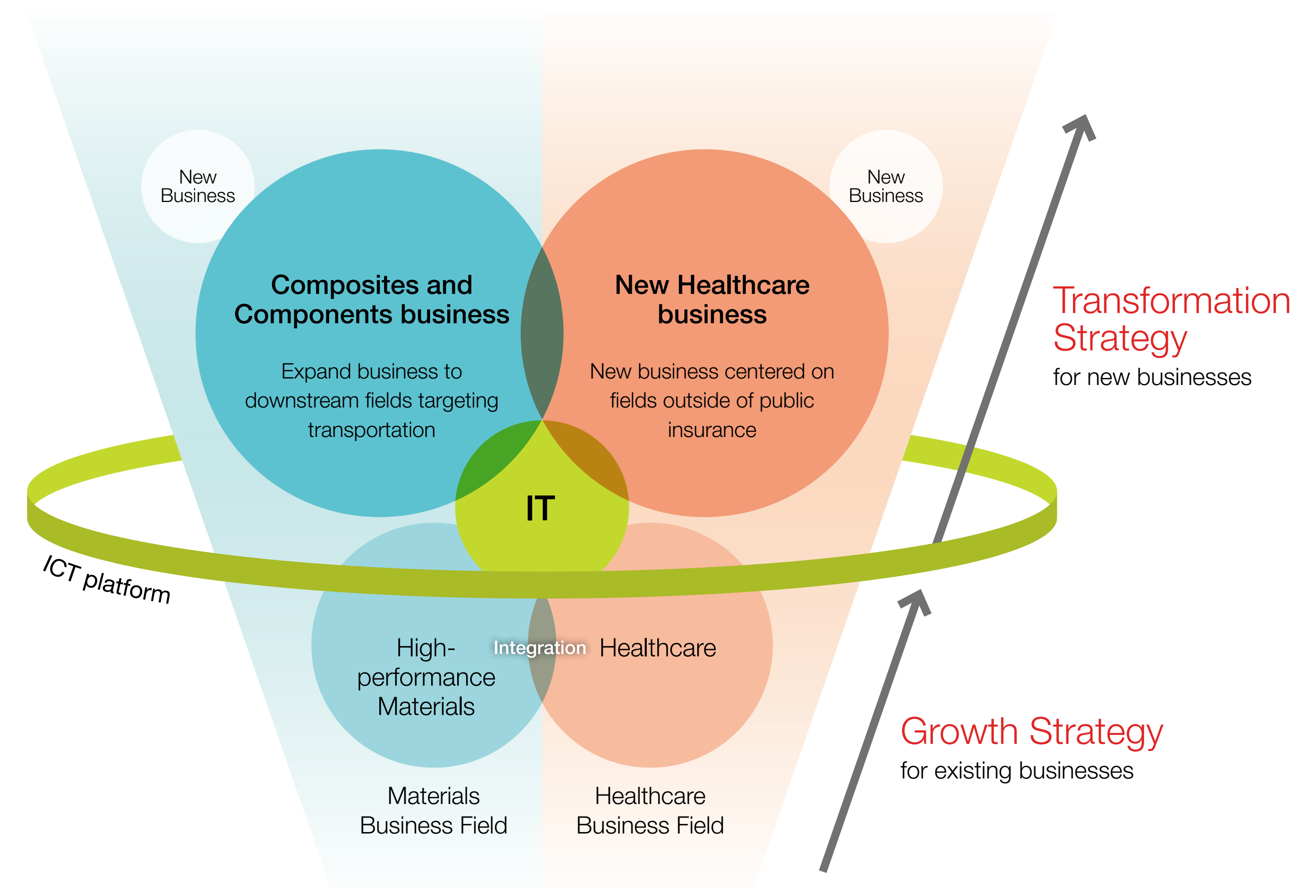
Drive Transformation Strategies Forward by Continuously Transforming the Business Portfolio

Should we see social issues as a complicating factor or a business opportunity? Should we chase after change, or capture business opportunities by anticipating future changes? For the Teijin Group, the answer is clear. We must see social issues as business opportunities and capture those opportunities by anticipating future changes. To this end, I believe that we must continuously transform our business portfolio. Doing so will put the Teijin Group on a sustainable growth track.

Looking back at Teijin's history, the past 100 years have been a journey of ceaseless evolution and transformation. Today, Teijin has built a unique business platform spanning the three different fields of Materials, Healthcare and IT. By combining or transforming these fields, we will ambitiously create new businesses. Notably, we are making intensive efforts to contribute to Environmental Value and Safety, Security and Disaster Mitigation, by expanding the composites business in the Materials Business Field. In the Healthcare Business Field, we are actively working to contribute to "Demographic Change and Increased Health Consciousness" in the New Healthcare Businesses, which covers long-term care insurance and non-insurance care services that extend beyond public insurance-based healthcare services. We refer to these initiatives as "transformation strategies" and are driving these strategies forward. Guided by our transformation strategies, we are targeting business opportunities with a focus on complex and combined products, and services.
To capture these opportunities, we will carefully examine not only the independent businesses of Materials and Healthcare, but also the overlapping points between both businesses and the points of crossover between market needs and our technological capabilities in IT and our ability to deliver solutions. The ability to achieve this integration is one of the Teijin Group's core strengths for the future. For example, in the Healthcare business Teijin conducts both pharmaceuticals and home healthcare businesses and has the ability to capture synergies between both businesses that include its Materials and IT capabilities. These are Teijin's core strengths in the Healthcare Business Field. Leveraging this combination of strengths, we aim to build a platform encompassing a full range of services from healthcare to nursing care and pre-symptomatic care. This platform will serve as infrastructure for community network-based healthcare, and we will develop new businesses on this platform. Doing so has been set as a medium- and long-term goal.

Meanwhile, in the Materials Business Field, we will provide solutions that customers truly need, even if it is necessary in some cases to combine Teijin's products with the materials of other companies, in addition to selling Teijin's proprietary materials such as fibers and resins. In addition, the acquisition of Continental Structural Plastics Holdings Corporation (CSP), North America's largest automotive composites manufacturer, in January 2017 has greatly strengthened the Teijin Group's ability to reduce the weight of automobiles. We transformed our business model from a materials supplier to a Tier 1 components manufacturer and then to a component supply partner with design abilities. As a result, we expect to bring about a materials revolution. Moreover, with the start of construction on a new carbon fiber production facility in North America, we will expand the Environmental Value Solutions business by helping to reduce the weight of automobiles and aircraft.

The main thrust of our transformation strategies is to establish Teijin's future core businesses. In doing so, it is important to clearly envision the Teijin Group ten years in the future and formulate a solid roadmap and strategy for realizing this vision, without being swayed by a short-term view of current conditions. Meanwhile, we will withdraw from businesses where we believe the business offers only marginal value to society today, even if the business has generated value in the past. We will strive to transform our business portfolio by redirecting the management resources freed up by the withdrawal from those businesses to new businesses. Although our new business ventures may not fully materialize until ten years from now, we must continuously implement business portfolio transformation in order to achieve growth in the future.



Steady Progress in the First Year of the Medium-Term Management Plan and Strengthening of Core Earnings Power

Progress on the Medium-Term Management Plan

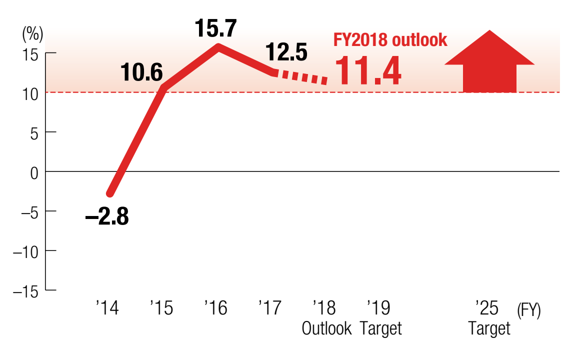
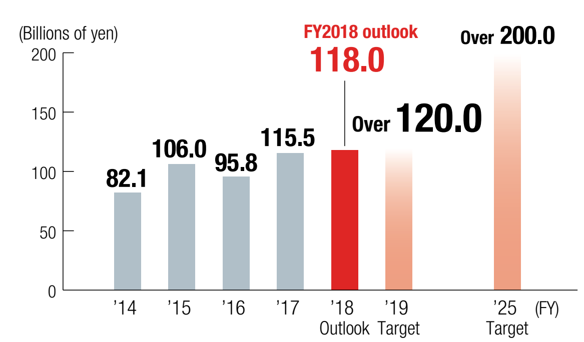
The Teijin Group is currently implementing the medium-term management plan for 2017–2019, "ALWAYS EVOLVING." The details of the plan are laid out in the table shown later on. The main drivers of the plan are growth strategies to strengthen core earnings power and transformation strategies to establish new core businesses. In addition, we will strengthen the management system platform underpinning those strategies, in order to make a unified Group-wide effort to realize our long-term vision.

Looking at our operating results in fiscal 2017, the plan's first year, ROE, a key performance indicator of the Company, was 12.5%, surpassing the target of 10% laid out in the medium-term management plan. EBITDA was ¥115.5 billion, marking a steady start toward our EBITDA target of over ¥120 billion for fiscal 2019.

Consolidated net sales totaled ¥835.0 billion, an increase of 12.6% year on year. Operating income rose 23.6% to ¥69.8 billion, due mainly to higher sales in each business, along with the impact of recording consideration for the licensing out of an investigational antibody candidate targeting a possible new treatment of Alzheimer's disease. In my view, both of these results were attributable to the steady execution of the plan. Profit attributable to owners of parent declined 9.1% to ¥45.6 billion, due partly to one-time factors such as a decrease in tax expense in fiscal 2016.

Looking at our consolidated full-term operating results forecasts for fiscal 2018, ROE, one of our key performance indicators, is projected at 11.4%, remaining above the 10% target laid out in the medium-term management plan. With EBITDA forecast at ¥118.0 billion in fiscal 2018, we are on track to achieving our EBITDA target of ¥120.0 billion or more in fiscal 2019 and our target of exceeding ¥200.0 billion in fiscal 2025. In fiscal 2018, we are forecasting consolidated net sales of ¥880.0 billion, up 5.4% year on year, operating income of ¥70.0 billion, up 0.3%, and profit attributable to owners of parent of ¥47.0 billion, up 3.2%.

* Operating results forecasts are as of May 9, 2018.

	ROE*1	EBITDA*2
Medium-Term Target	10% +	Over ¥120 billion in FY2019 Over ¥200 billion in FY2025
Trend		

*1 ROE = Profit (loss) attributable to owners of parent / Shareholders' equity

*2 EBITDA = Operating income + Depreciation and amortization

Long-Term Vision

To be a Company that Supports the Society of the Future "QOL Innovator"

Our Vision

- An enterprise that helps to solve social issues
- An enterprise that achieves continuous transformation by anticipating changes in the external environment
- An enterprise that continues to create new value at all times

— ALWAYS EVOLVING — Medium-Term Management Plan for 2017–2019

■ Growth Strategies

Strengthen core earnings power by accelerating growth in existing businesses

■ Transformation Strategy

Establish new core businesses and transform business models

Materials

Expand to close-to-customer businesses

Healthcare

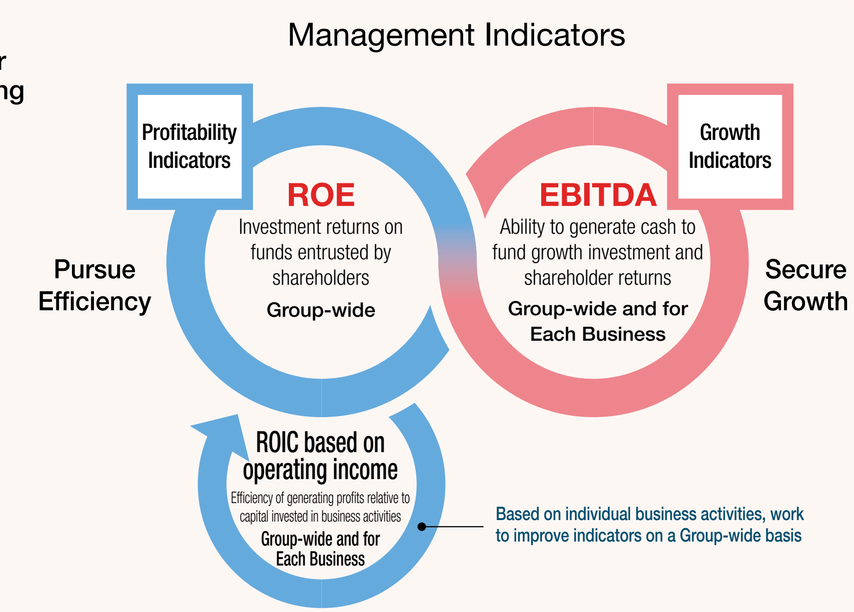
Diversify product and service lineups and establish cutting-edge business platforms

■ Strengthen the Management System Platform

Strengthen an effective system underpinning growth and transformation strategies

- Strengthen the Organizational Structure
- Cost Restructuring Initiatives
- Smart Project Promotion
- Diversity Promotion

Management Indicators



Management Targets (Through FY2019)

	FY2019 Target	FY2016	FY2017	FY2018 Outlook
ROE	10%+	15.7%	12.5%	11.4%
ROIC (based on operating income)	8%+	10.0%	11.2%	10.3%
EBITDA	Over ¥120.0 billion	¥95.8 billion	¥115.5 billion	¥118.0 billion

Strengthening Diversity and Human Resources Development Further Enhance Environmental, Social and Governance (ESG) Measures

Diversity and Human Resources Development

I believe that diverse human resources and their effective use will be the driving forces for realizing our long-term vision. In order to build a prosperous future, it will be crucial to have human resources who are able to share different views from a variety of perspectives. It will be vital to strengthen human resources and make effective use of diverse personnel. In other words, diversity will be essential. Under the medium-term management plan, diversity, including women's advancement, has been defined as a transformation theme. Accordingly, we will step up this transformation even more than before. Today, non-Japanese employees account for more than half of the Teijin Group's workforce. To ensure sustainable growth into the future, it will be important to ensure diversity in terms of workstyles. In order for each employee to accomplish what they want to achieve, I believe that employees with various backgrounds in a variety of life stages will have different ambitions. Even so, ideally the organization as a whole should have goals that are aligned in the same direction. Moreover, we must ask ourselves what we must do in order to stay one step ahead of society and continue to achieve ceaseless evolution. To do so, we must constantly embrace new challenges. Therein lies the essence of our "ALWAYS EVOLVING" message.

We are also focused on training programs to develop future leaders. In the management training program, trainees are selected from the entire Group, including overseas, and training activities include examining the creation of new businesses, services and other subjects.

Environmental, Social and Governance (ESG) Measures

As we aim to sustainably increase corporate value into the future, I believe that it will be crucial to address various requirements from environmental, social and governance perspectives. Considering the Sustainable Development Goals (SDGs) of the United Nations, the Paris Agreement within the United Nations Framework Convention on Climate Change and other international priorities, the Teijin Group has identified its material CSR themes (materiality), and has articulated the nature of the Company and how it will advance its business activities. On this basis, Teijin is advancing various initiatives in society. In addition to diversity, which I discussed earlier, Teijin has identified reduction of environmental impacts and corporate governance as core priority fields in the medium-term management plan. In this manner, we are further strengthening the management platform. As a chemicals enterprise, we have long set targets for the reduction of the environmental impacts. We will step up our efforts to reduce greenhouse gas emissions based on the Paris Agreement, and to practice sustainable water use and management, which is included in the SDGs.

Strengthening corporate governance is also essential to sound and sustainable growth. Based on this awareness, we have worked to put in place a governance framework to ensure higher transparency and faster decision-making. Going forward, we will redouble our efforts to fulfill our accountability to shareholders and investors and gain their understanding through dialogue, thereby paving the way for future growth and development.

The Teijin Group Will Continuously Embrace New Challenges toward Its Next Centennial as an Enterprise that Puts People First in Its Thinking on Chemistry

Ceaseless evolution and ambition have been inherited in our genes from our predecessors. Looking toward the next 100 years, we have unveiled "Toward the world we all desire: FUTURE NAVIGATION" as our new corporate message and will continue to embrace challenges as an enterprise that puts people first in its thinking on chemistry.

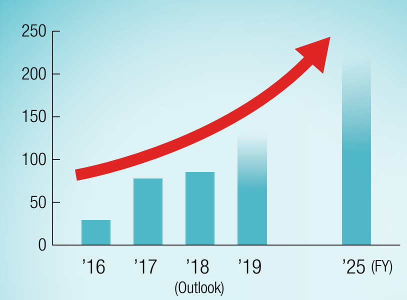
We look forward to our stakeholders' ongoing support and understanding, and we hope that you will share in our excitement for the Teijin Group's next 100 years in business.

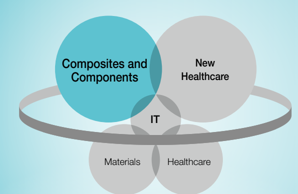
Progress on the Transformation Strategies

Transformation Strategies

New Materials (Composites, Others) Business

Net Sales (Billions of yen)





■ Fiscal 2017 Results

In Composites, we recorded firm sales of mass-produced automotive components led by U.S.-based Continental Structural Plastics Holdings Corporation (CSP) for pickup trucks and SUVs that performed well in North America, and for large trucks, for which the market showed signs of recovery. CSP was acquired in January 2017 and consolidated in the fourth quarter of fiscal 2016.

Medium- and Long-Term Strategies

Deliver new value to our customers by transforming our business model through the integration of various high-performance materials and development of composites from those materials

▶ Composites

The Teijin Group has taken the opportunity of having acquired the U.S.-based CSP in January 2017 to expand its business domains by transforming itself from a single-type materials supplier into a "component supply partner" based on the use of multiple materials. Teijin will expand the composites and components business focused on automotive applications.

We expect to steadily expand business centered on automotive components, supported by favorable market conditions for SUVs and pickup trucks in North America. Sales are forecast to increase going forward, based on factors such as the adoption of our glass fiber reinforced plastic (GFRP) for use in the *Jeep*® model of FCA US LLC in 2018. Moreover, the carbon fiber reinforced thermoplastics (CFRTP) we had been jointly developing with General Motors has been adopted for use in General Motors pickup trucks. This marks the first time in the world that CFRTP has been adopted for use as a structural component of a mass-produced vehicle.

▶ Plastic Glazing

In an effort to reduce the weight of vehicles, Teijin has been developing plastic glazing (plastic windows) for use as train windows, automotive panoramic roofs, quarter windows, and related applications, leveraging polycarbonate resin's competitive advantages over glass, including 200 times greater resistance to impact and just half the weight. In June 2017, Teijin developed the world's first polycarbonate resin pillar-less automotive front window for use in the Tommykaira ZZ, a sporty electric vehicle (EV) produced by GLM Co., Ltd. This front window satisfies new Japanese automotive safety standards that went into effect in July 2017. It will help to reduce vehicle weight and enhance the driving performance of automobiles, as well as improve safety by providing unobstructed sight lines in the front and diagonal directions.

▶ Separators

In addition to increasing sales for smartphone and tablet applications, Teijin will work to expand sales of separators for use in automobiles and large energy storage systems. Demand is expanding for *LIELSORT*, a lithium-ion battery (LIB) separator developed by Teijin using proprietary polymer and coating technologies. Accordingly, Teijin has built a third production line at its production subsidiary in South Korea.

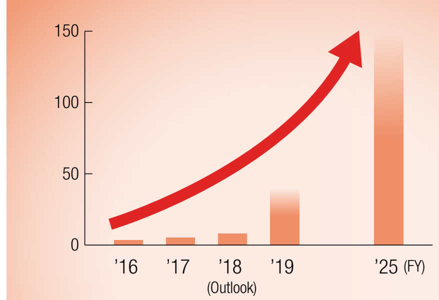
▶ Membranes

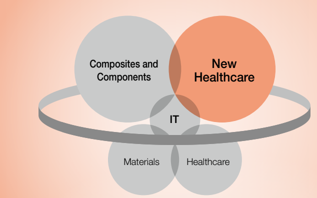
We have initiated business development initiatives for high-performance microporous membranes, based on our molding technologies and related expertise developed over the years. Beginning with semiconductor applications, we aim to deploy them in a broad range of applications, from energy applications to medical devices. In order to address growing global demand for semiconductors, we have decided to expand mass production facilities at the Matsuyama Factory, with operations expected to begin in early 2019.

Transformation Strategies

New Healthcare Business

Net Sales (Billions of yen)





■ Fiscal 2017 Results

In the field of implantable medical products, we are conducting an artificial joints business. In fiscal 2017, we augmented this field with bone-bonding materials and the orthopedic business, principally spine fixation devices and spine cages.

Medium- and Long-Term Strategies

Provide new comprehensive healthcare services based on our business platform in pharmaceuticals and home healthcare

▶ Orthopedic Implantable Devices

We have entered the bone-bonding materials and orthopedic business, principally spine fixation devices and spine cages, with the aim of expanding the implantable medical products business. In July 2017, we established Teijin Medical Technologies Co., Ltd. in order to expand sales of high-quality bioresorbable bone-bonding material. Additionally, in January 2018, Teijin Nakashima Medical Co., Ltd. acquired the orthopedic business, principally spine fixation devices and spine cages, of Century Medical, Inc., a company engaged in spinal implants. This acquisition was part of efforts to expand product sales and develop new products.

▶ Functional Food Ingredients

In the field of functional food ingredients, particularly the enhanced barley product *BARLEYmax*, we are expanding partnerships with major food manufacturers and encouraging greater adoption of this product. Eyeing the growth potential of the super foods market, we are also exploring new super grains to follow in the footsteps of *BARLEYmax*.

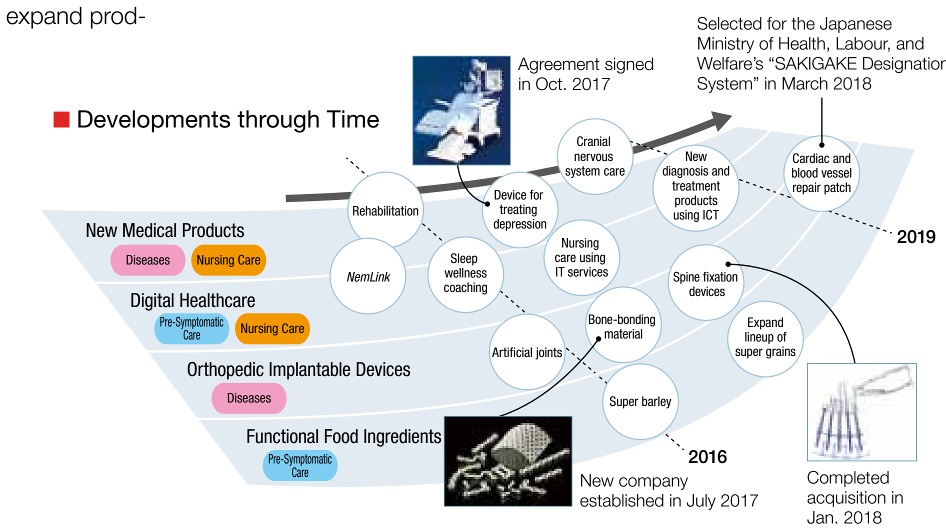
▶ New Medical Products

In October 2017, we acquired the exclusive sales rights in Japan to NeuroStar Transcranial Magnetic Stimulation (TMS), a device for the treatment of depression, from the medical device maker Neuronetics, Inc. in the U.S. We aim to commence sales of NeuroStar TMS to medical institutions during fiscal 2018.

▶ Digital Healthcare

To support the health and productivity initiatives of companies, we have begun providing the *Sleep Styles* sleep enhancement program designed to improve sleep mainly through the use of wearable devices and sleep-related Web apps.

■ Developments through Time



Teijin's Strengths

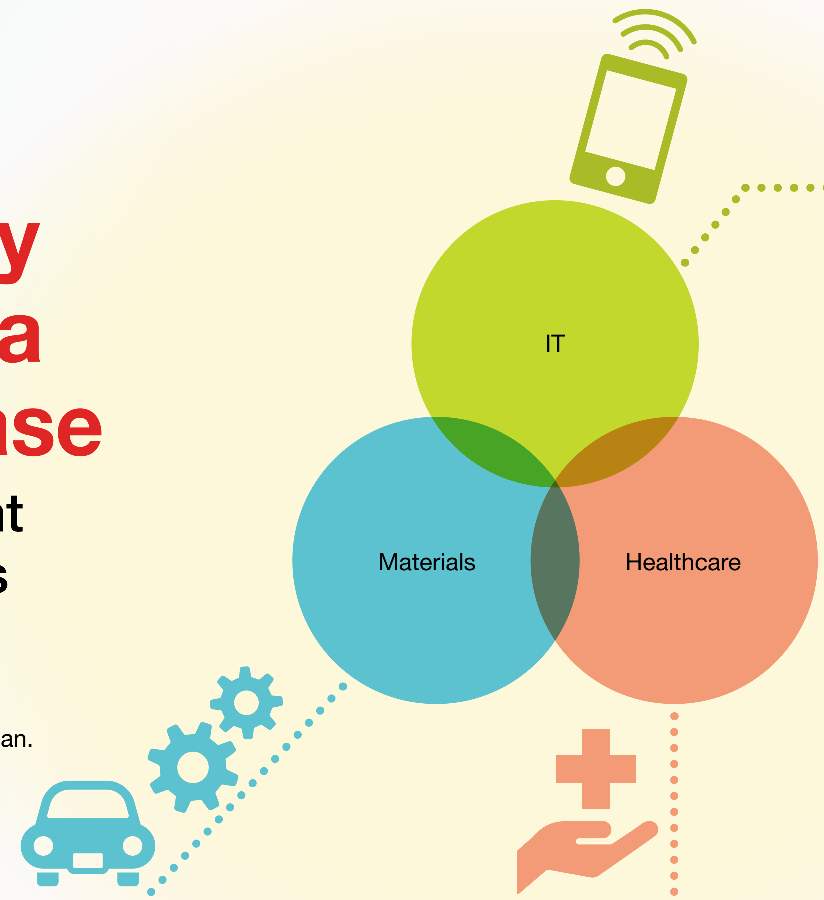
We will leverage the strengths we have cultivated over our 100-year history of evolution and ambition to create new value for the next 100 years.

Teijin's Strengths 1

A unique entity supported by a technology base

spanning three different core business domains

Throughout our growth journey, we have built strengths in materials, healthcare, and IT, and used them to drive innovation through cutting-edge R&D and the introduction of new business models to Japan.



Materials

- Basic technologies for creating new materials and new products

  Number of patents and utility models held: Approx. 2,400 (in Japan)

- Insight and networks related to the automobile market
- Composite technologies that create new value by combining our diverse materials

Healthcare

- Pharmaceuticals, home healthcare, and new healthcare development technologies

  Number of patents and utility models held: Approx. 350 (in Japan)

- Evidence acquisition expertise
- A structure capable of undertaking R&D for new in-house drug development while promoting the two businesses of pharmaceuticals and home healthcare

IT

- IT development technology and expertise straddling both B2B and B2C fields
- Development of information platforms for each segment and support for improving productivity

Teijin's Strengths 2

Human resources to carry on our DNA

of evolution and ambition

We will pass on the venture spirit that has been in the Teijin Group since its foundation, a global mindset cultivated through expansion into countries around the world, and our ambitious DNA that enables ceaseless evolution of our business.

Number of employees
19,711

Teijin's Strengths 3

A groundbreaking governance system

Since the late 1990s, we have promoted groundbreaking management reforms including the establishment of the Advisory Board, appointment of independent outside directors, and separation of responsibility for front-line management and monitoring/supervising.

Nine directors including four outside directors

Value Creation Model

In line with our long-term vision of becoming a company that supports the society of the future, which is the basic goal underlying the Teijin Group's value creation activities, we leverage and integrate the strengths of our three businesses of materials, healthcare, and IT, and we continue to create value that meets the varied issues and needs of the world through the fusion of our various businesses.

Corporate Philosophy

In Harmony with Society | Enhancing the Quality of Life | Empowering Our People

Environment
Reduction of environmental impacts
Conservation of biodiversity

Society
Diversity
Product liability/Quality assurance
CSR procurement

Governance
Corporate governance
Corporate ethics and compliance

CSR activities rooted in our corporate philosophy

Teijin's Strengths

- A unique entity supported by a technology base spanning three different core business domains
- Human resources to carry on our DNA of evolution and ambition
- A groundbreaking governance system

Strengthen the human resources base
Marketing education
Technology lore

Strengthen the technology base
Innovation projects
Open innovation
ICT

Strengthen corporate governance

Enhance strengths

Ceaseless Evolution and Ambition
"ALWAYS EVOLVING"

Value Creation

Composites and Components
New Healthcare
IT
ICT platform
Integration
Materials
Healthcare

Transformation strategies
for the creation of new businesses

Growth strategies
for existing businesses

Anticipate changes in customers' needs and society

Long-term Vision
To be a Company that Supports the Society of the Future

Value Provided

Help to solve social issues concerning the global natural environment
P. 30 Environmental value solutions

Healthy and positive lives of all people
P. 31 Demographic change and increased health consciousness solutions

Protect human lives and daily life from a variety of risks
P. 32 Safety, security and disaster mitigation solutions

Sustainable Society

The Teijin Group's Recognition of Opportunities and Risks

Recognition of Opportunities for Growth and Development

The Teijin Group recognizes the following social issues in identifying priority fields.

Social Issues	
	● Growing severity of environmental problems and stricter environmental regulations ● Heightened interest in safety, security and disaster mitigation awareness ● Onset of demographic change ● Disparity in economic growth on a global level ● Respect for the human rights of workers ● Calls for better corporate governance

We will seize the above social issues as business opportunities, investigating and implementing solutions to achieve realization of our Long-Term Vision.
More specifically, we will pursue contributions to society and sustainable growth by translating social issues into opportunities in the business segments, as well as having social issues lead to initiatives to strengthen our management base.

Social Issues	Operating Segments
	Materials
● Growing severity of environmental problems and stricter environmental regulations	● Contribute by supplying weight-reducing materials that help to enhance the environmental performance of transportation (SDGs 7, 12, 13)
● Heightened interest in safety, security and disaster mitigation awareness	● Help to enhance safety with respect to disaster-readiness measures and social infrastructure development (SDGs 11, 13)
	Healthcare
● Onset of demographic change	● Support health maintenance and enhancement in response to the progression of demographic change and the increase in lifestyle diseases (SDG 3)
	Strengthen the Management Base
● Disparity in economic growth on a global level ● Respect for the human rights of workers	● Promote the success of a wide range of human resources, regardless of gender, nationality or age (SDGs 5, 8, 10)
● Calls for better corporate governance	● Ensure the effectiveness of management systems Dialogue and collaboration with stakeholders (SDG 16)

Recognition of Risks to Growth and Development

The Teijin Group recognizes the existence of external risks caused by changes in society and markets, as well as internal risks which manifest from within the Group.

Risks in Each Business Field

	External	Internal
Materials	● Market conditions (exchange rate/crude oil) ● Natural disasters ● Intensified competition ● Legislative changes in countries ● Geographical risks	● Product quality issues ● R&D target delays ● Information leaks
Healthcare	● Price drops due to drug price revisions ● Natural disasters	● Product quality issues ● R&D target delays ● Discovery of adverse side effects ● Information leaks

Risk Management

The Teijin Group recognizes that risk management (and compliance) is the cornerstone for supporting internal controls.

The Teijin Group has established the Total Risk Management (TRM) Committee, as a preventive measure to handle any uncertainties that we may face. The TRM Committee categorizes the risks into management strategy or business operating risks.

Basic Principles for TRM

1. The Company is obligated to continue business activities that satisfy stakeholders, starting with increasing the value of shares. The Company must respond to any risks (uncertainties) that threaten fulfillment of that obligation. Teijin Limited will work to comprehensively and efficiently grasp, evaluate, and manage risk exposure for the entire Group, and conduct an organizational and structural approach for the purpose of utilizing it in Group management.
2. The Board of Directors at Teijin Limited conducts risk management for the entire Teijin Group, and places the basis for its decision-making in line with assessments for "business operation risks," such as adverse events that may have a negative impact on a company, and "management strategy risks," such as for management strategies and plan formulation, strategic actions, decisions for individual investment projects, etc.
3. Teijin Limited requests Group companies and their managers to have adequate understanding of the TRM principles and respond to any risks that threaten corporate activities.

Feature: 1

OUR STORY

Teijin's Solutions in Anticipation of the Next 100 Years

Products and services that offer value to help solve social issues concerning the global environment

Environmental Value Solutions

Faced with increasingly serious environmental issues, tighter regulations, and heightened needs for materials offering enhanced environmental performance, the Teijin Group is working to reduce CO_2 emissions and enhance fuel economy. To do so, the Teijin Group is harnessing technologies for reducing weight and increasing efficiency that it has developed over the years. By doing so, the Teijin Group aims to make a contribution to a 'low-carbon society,' a contribution to a 'recycling-based society,' and a contribution to a 'society to preserve the global environment.'



Carbon fiber reinforced plastic (CFRP) reduces the weight of automobiles and aircraft


Satchels and automotive interior materials using recycled polyester fibers

Contribution to a 'low-carbon society'

- Achieve energy efficiency through high-performance materials technologies that help to reduce weight and increase efficiency
- Contribute to the wider use and development of renewable and clean energy by supplying highly efficiency components

Contribution to a 'recycling-based society'

- Contribute to a 'recycling-based society' through recycling technologies and business models
- Contribute to resource conservation through the supply of materials technologies and increasing the longevity of products

Contribution to a 'society to preserve the global environment'

- Help to realize a clean, safe and sustainable society by utilizing clean technologies


LIELSORT, an insulating separator for lithium-ion batteries used in smartphones

Release films that contribute to resource conservation in manufacturing processes at factories

Automotive components using aramid fiber, serving as an alternative material to asbestos

Products and services that support the healthy and happy lives of all people in every age group

Demographic Change and Increased Health Consciousness Solutions

Japan's population has been aging rapidly with fewer children, and there has been an increase in the incidence of lifestyle diseases. These and other factors have only increased people's awareness of the importance of staying healthy and preventing diseases.

Through its home healthcare network platform and IT-driven solutions unique to the Teijin Group, the Company will make a contribution to "building a happy aged society," a contribution to "new-born/infant care," and a contribution to a "healthy life."

VitalLink, a patient information sharing system that supports community healthcare

Home healthcare devices that enable therapy at home

Patch for cardiovascular repair (currently under development)

Contribution to "building a happy aged society"

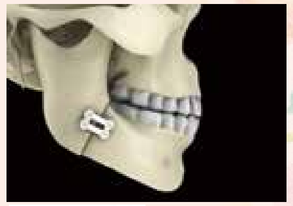
- Contribute to an aged society mainly through comprehensive community healthcare, home healthcare, and nursing care support

Contribution to "newborn/ infant care"

- Supply products and services to protect and nurture newborn babies and infants

Contribution to a "healthy life"

- Contribute to "a healthy life" by providing support for recovery from illness and injury, and maintenance and promotion of good health
- Provide support to people with illnesses or disabilities or those in need of care to ensure that they can lead a healthy and happy life despite their conditions




Support healthy lives through artificial joints and bone-bonding materials

Pharmaceuticals

2breathe, a wearable sensor and app that aids comfortable sleep

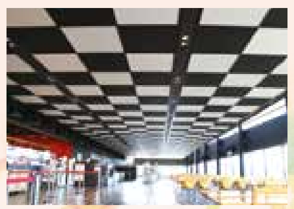
BARLEYmax, an enhanced barley product to improve the enteric environment

Products and services that protect human life and people's lifestyles from various natural disasters, accidents, crime and conflicts

Safety, Security and Disaster Mitigation Solutions

Following a string of natural disasters, initiatives to ensure safety, security and disaster mitigation have been attracting more and more public interest.

Teijin is actively engaged in solutions that balance both safety and performance, including high-performance materials. We aim to make a contribution to "urban disaster prevention/mitigation," a contribution to "reducing fires and fatality/casualty accidents," and a contribution to "preventing and reducing crime, terror attacks, and conflicts."



The ultra-lightweight ceiling material *Kal-ten* helps to mitigate hazards during earthquakes

Highly heat-resistant aramid fiber is used on the front lines of firefighting

Advanced fiber reinforced wood (AFRW) helps to increase the longevity of structures

Contribution to "urban disaster prevention/ mitigation"

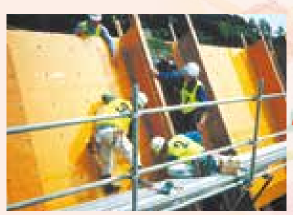
- Contribute to sustainable cities and homes utilizing light-weight, high-strength materials resilient to disasters
- Contribute to disaster mitigation through the supply of products and services that support evacuations during disasters

Contribution to "reducing fires and fatality/ casualty accidents"

- Supply products and services to prevent fire, combustion, and fire spread, utilizing flame-resistant materials
- Supply products and services to protect human lives from traffic accidents, fire and hazardous jobs

Contribution to "preventing and reducing crime, terror attacks and conflicts"

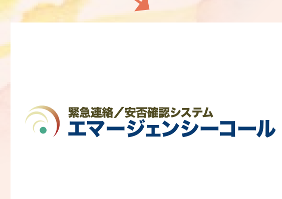
- Supply crime prevention products that utilize protective materials and surveillance products and monitoring services



High-strength aramid fiber serves as a reinforcement material at public works sites

The emergency blanket *Motanka* that does double duty as a stretcher helps to reduce the time required to conduct rescues

Protecting human life with bullet-resistant vests made of aramid fiber



Supporting safety confirmation activities during disasters through emergency call systems

A Case Study in Value Creation

An Innovative Ceiling Material Inspired by an Earthquake Recovery Project

Good Design Award

Ultra-lightweight ceiling material *Kal-ten*

What is *Kal-ten*?

Kal-ten is an ultra-lightweight ceiling material made of *V-Lap*, Teijin's non-woven polyester fabric with vertically oriented fibers. This thin, lightweight ceiling material is able to minimize any damage that might be caused if parts of the ceiling were to fall to the floor. In addition, *Kal-ten* has outstanding sound absorbency and heat insulation properties and complies with rules for non-flammable materials prescribed by the Building Standards Act.

◎Compared with conventional ceiling materials

Weight 1/10

Thickness 1/2

Needs of customers and society

- Mitigate damage during major earthquakes
- The need for safety measures for ceilings

×

Teijin's Strengths

- Technologies developed in the fibers field
- Ability to propose solutions

Inspired by an Earthquake Recovery Project to Develop a New Ceiling Material

Hideo Matsumoto, Nobuko Inaba

Kal-ten Group
Fiber Materials Dept. 1
Teijin Frontier Co., Ltd.

In the past, suspended ceilings had often fallen to the floor during major earthquakes. This has sparked renewed public awareness of the dangers posed by the collapse of ceilings, and there was a need for stronger safety measures for ceilings, including through amendments to the Building Standards Act. Previously, Teijin had used *V-Lap*, a non-woven polyester fabric with outstanding sound absorbency and heat insulation properties, as wall materials for temporary housing built following the Great East Japan Earthquake. This experience inspired Teijin to begin developing a ceiling material based on *V-Lap* that would be light and difficult to crack. *V-Lap* was modified and enhanced using Teijin's existing fiber technologies. As a result, we successfully developed a ceiling material that simultaneously realizes the desired lightweight, nonflammable, and surface rigidity properties.

At the time, Teijin had very few direct business dealings with the construction industry and we initially had to search in the dark for ways to develop the market. However, we gradually broke through this impasse by building and proposing total system solutions including installation methods. The *Kal-ten* TA Installation Method, an ultra-lightweight ceiling system that integrates *Kal-ten* with an aluminum framework, obtained general recognition as Japan's first lightweight ceiling structure to achieve compliance with regulatory requirements. Teijin earned a positive response from customers for its commitment to quality encompassing the pursuit of safety, and for providing total solutions spanning materials to installation methods. Teijin's ultra-lightweight ceiling system is now being successively adopted for use at large-scale shopping facilities, airports and other locations.

Another attractive quality of *Kal-ten* is its wide variation of design options, offering expansive interior design possibilities.
Fuji Speedway Restaurant "Orizuru" (Sunto District, Shizuoka Prefecture)

Toward Further Growth

We will solve issues faced by the construction industry by offering comprehensive solutions spanning materials development to design proposals.

Kal-ten received the Good Design Award in 2017, in recognition of the safety afforded by this lightweight ceiling material should it fall during an earthquake, as well as its heat insulation and sound absorbency properties, high-quality texture and thoughtful design features reflecting factors ranging from settings of use to installation methods. Going forward, we will increase the competitiveness of *Kal-ten* by further refining installation methods, as we strive to realize an innovative ceiling material that turns conventional thinking in the construction industry on its head.

CFO Message

We will implement financial strategies that support management with an emphasis on investment efficiency and earnings power, in order to sustainably increase corporate value.

Kazuhiro Yamamoto
Chief Financial Officer,
Executive Vice President, Representative Director of the Board

Enhancing Investment Efficiency and Earnings Power

The Teijin Group aims to increase its corporate value by pushing ahead with business portfolio transformation. In the process, we seek to capture new business opportunities in anticipation of changes in the future, with an eye on realizing our long-term vision to be a company that supports the society of the future.

Through dramatic restructuring initiatives undertaken over the past few years, we have established an earnings base capable of generating solid profits in our existing businesses. Therefore, we will actively invest in new businesses to drive business portfolio transformation. Rather than merely pursuing scale, we will seek to increase our earnings power while maintaining a certain level of efficiency. To do so, we are currently executing a medium-term management plan that puts emphasis on both investment efficiency and earnings power. As our most important indicators, we have set ROE as an indicator of investment efficiency and EBITDA as an indicator of earnings power.

Moreover, to ensure that we achieve our ROE target on a Group-wide basis, we have decided to utilize ROIC based on operating income as an indicator of the efficiency of generating profits relative to invested resources in each business. We will instill a strong awareness of capital efficiency and efficiency relative to invested resources. At the same time, we will perform factor analysis of our ROIC based on operating income in order to translate this indicator into KPIs for the front lines of each business site. Doing so will enable us to make use of our ROIC indicator in activities such as investment decisions, inventory management, productivity enhancements, and cost reductions.

Looking at the performance targets of the medium-term management plan, we are targeting EBITDA of over ¥120 billion in fiscal 2019 and over ¥200 billion in fiscal 2025, while maintaining an ROE of 10% or more. Guided by these targets, we will work to establish new core businesses and transform our business portfolio.

Investment in Growth and Transformation Strategies and Fund Procurement

Under the current medium-term management plan, we are pushing ahead with our growth and transformation strategies. Our growth strategy seeks to strengthen our core earnings power by accelerating growth in existing businesses, while our transformation strategy seeks to establish new core businesses. In order to execute these strategies, the Teijin Group plans to invest resources of around ¥300 billion, combining capital expenditure and the M&A budget, over the three-year period covered by the plan.

In addition, we will work to strengthen the management system platform in order to put in place an execution system underpinning growth and transformation strategies. On the financial front, we will work to reduce costs by ¥20 billion over three years primarily by fully realizing the benefits of restructuring initiatives, strengthening product cost competitiveness, reorganizing the Head Office, and enhancing productivity through operating process innovation using Robotic Process Automation (RPA).

Turning to fund procurement, we aim to steadily secure the funds needed to carry out the Teijin Group's business operations. To this end, we will finance our operations by utilizing internal funds, borrowing from financial institutions, and issuing corporate bonds, among other means. We will make optimal financing decisions by closely monitoring indicators of financial soundness such as the equity ratio and the debt-to-equity ratio, as well as ROE. Additionally, we will take steps to flexibly execute the strategic investments laid out in the medium-term management plan.

	Capital expenditure	R&D expenses	Dividend payout ratio
Medium-term Target	CAPEX + M&A budget ¥300 billion (FY2017–2019 total) Allocate **50%+** of capital expenditure to growth and transformation strategies	Around 5% of net sales Development budget for transformation strategy: **secure approx. 30%**	30% of net income
FY2018 Plan	Capital expenditure: ¥75 billion (2017–2018 cumulative total: About ¥120 billion)	Research and development expenses: ¥37 billion About 4% of net sales	Dividend per share of ¥70

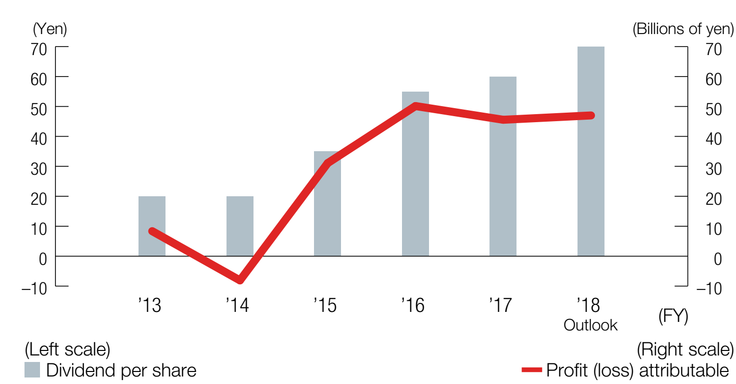
Policy on Shareholder Returns

Looking at our basic policy on shareholder returns, our basic policy for profit sharing is to ensure dividends are in line with consolidated operating results, targeting a consolidated dividend payout ratio of 30% for the medium term. Moreover, we will determine dividends by giving consideration to the need to ensure financial soundness, to our ability to maintain stable dividend payments over the medium to long term, and to securing sufficient internal reserves to fund strategic investments aimed at ensuring future transformation and growth.

Our year-end dividend for fiscal 2017 was declared at ¥30 per share, bringing dividends for the full term, including the interim dividend, to ¥60 per share. Taking into account our consolidated operating results forecast for fiscal 2018, we currently expect to declare an interim dividend of ¥30 per share and a year-end dividend of ¥40 per share for fiscal 2018, comprising an ordinary dividend of ¥30 per share and the commemorative dividend of ¥10 per share, for full-term dividends of ¥70 per share for fiscal 2018.

Going forward, considering the opportunities and risks presented by the external environment, we will continue to both invest in our growth and transformation strategies, and enhance shareholder returns. Concurrently, we will execute flexible capital policies that address the shifting business environment, with the aim of sustainably increasing corporate value.

■ Initiatives for Shareholder Returns



	Profit attributable to owners of parent	Dividend per share
FY2016	¥50.1 billion	¥55
FY2017	¥45.6 billion	¥60
FY2018 (Outlook)	¥47.0 billion	¥70

Global Strategy and Information Strategy

Global Strategy: Regional Strategies Based on the Characteristics of Each Business

To date, Teijin has been working tirelessly to advance the globalization of its operations. In fiscal 2017, overseas sales represented just over 40% of net sales. Following the acquisition of CSP in the U.S., the ratio of overseas sales has increased even further.

Global business expansion can take many different forms. For example, in the Materials Business, there are businesses that are at the stage of focusing on cutting-edge development with specific customers in developed countries, while in other businesses, we are promoting the development of a wide range of applications with a view to expanding globally. In the Healthcare Business, we must develop business based on an awareness of the healthcare systems in each country. Considering these business characteristics, **we will strengthen regional management structures straddling businesses in order to realize synergies as a group, and work to develop systems to efficiently manage overseas businesses and formulate regional strategies.**

Yoshihisa Sonobe
Chief Officer (Global Business Strategy), Executive Officer, Member of the Board

The Need for Globalization (High / Low)

Expand Globally	Closer to Customers
Materials Supply Businesses Cultivate demand globally, in tandem with conducting optimal production in terms of location and scale, on the basis of customers and regions that have highly commended the properties of our materials	**Composites Business (Auto & Aircraft)** Promote development and expand business globally by constantly anticipating needs, while closely approaching key customers in each region, centered on Europe and the Americas
	Advanced Aging Country — **Healthcare Business** Expand business in pharmaceuticals and home healthcare according to regional characteristics (pharmaceutical jurisprudence, medical fees, etc.)

The Importance of Addressing Individual Regions (Low / High)

Information Strategy: Taking Business Models to a Higher Level through Innovation in IT

Innovation in IT is now reshaping society at an exponential pace, with hardly a day passing without some news of advances in AI or IoT. Whether manufacturing materials or providing healthcare services, we cannot ignore this sweeping trend.

We see innovation in IT as a major business opportunity for creating new business and changing business styles. Accordingly, we will promote "smart projects" as Group-wide initiatives. Under the new medium-term management plan FY2017–2019, we will allocate resources of around ¥10 billion to smart projects, centered on information platform construction.

Current Initiatives

- Healthcare
  - Monitoring systems for home healthcare devices
  - Construct information platform (*VitalLink*)
- Materials
  - Utilize IoT technology to improve productivity
- IT
  - IoT activity trial, app development, AI research

Objectively capture and harness innovations in IT technology →

Medium-term Actions and Targets

- Deploy Healthcare Services
  - Deploy various services based on information platforms
- Convert to Smart Plants
  - Convert to automated processes
  - Visualize production processes and improve productivity
- Operating Process Innovation
  - Digitalization of business processes and databasing
  - Develop next-generation information infrastructure and tools
  - Use of robotic process automation (RPA)

Kazuhiro Yamamoto
Chief Information & Innovation Officer, Executive Vice President, Representative Director of the Board

ESG IN ACTION

Aiming for a Higher State of ESG

The Teijin Group introduces the CSR responsibilities that the Group considers important (CSR materiality) for the sustainable development of business and society, together with the associated initiatives and dialogues with external experts.

CSR Management

Message from the Chief Social Responsibility Officer

Leveraging our CSR perspective, we aim to be "a company that supports the society of the future."

What is CSR? We have clarified it as (1) having a keen understanding of society's needs and expectations, (2) objectively ascertaining our own capabilities and possibilities, (3) identifying opportunities and risks in light of both, and (4) taking on challenges, together with dealing with risks to realize sustainable business and social development. We are working to disseminate this awareness of CSR.

In our current medium-term management plan, which is in its second year of implementation, we draw upon this awareness of CSR and identify our core priority fields of the environment, society, and governance. While utilizing a CSR perspective, holding numerous dialogues with various stakeholders, and appropriately responding to diverse risks, we contribute to society through our business. By practicing CSR in this way, we will earn society's credence and approval. That, in turn, will bring pride to us and motivate us for further initiatives. We make this virtuous circle a reality while clarifying our contributions to the Sustainable Development Goals (SDGs), and aim to be "a company that supports the society of the future."

Chief Social Responsibility Officer **Nobuyuki Takakura**

Results of the Chief Social Responsibility Officer Review (Regarding Violation of Laws, Incidents and Accidents)

Every February, the Chief Social Responsibility Officer (CSRO) reviews the annual results for CSR activities of business groups and Group companies for the period of January 1 to December 31. The review focuses on achievements of activities related to areas such as compliance and risk management, as well as verifying whether there were any material legal violations, incidents, or accidents.

Among the matters reported to the CSRO in February 2018, there were no serious cases related to violations of laws and regulations, incidents, or accidents.

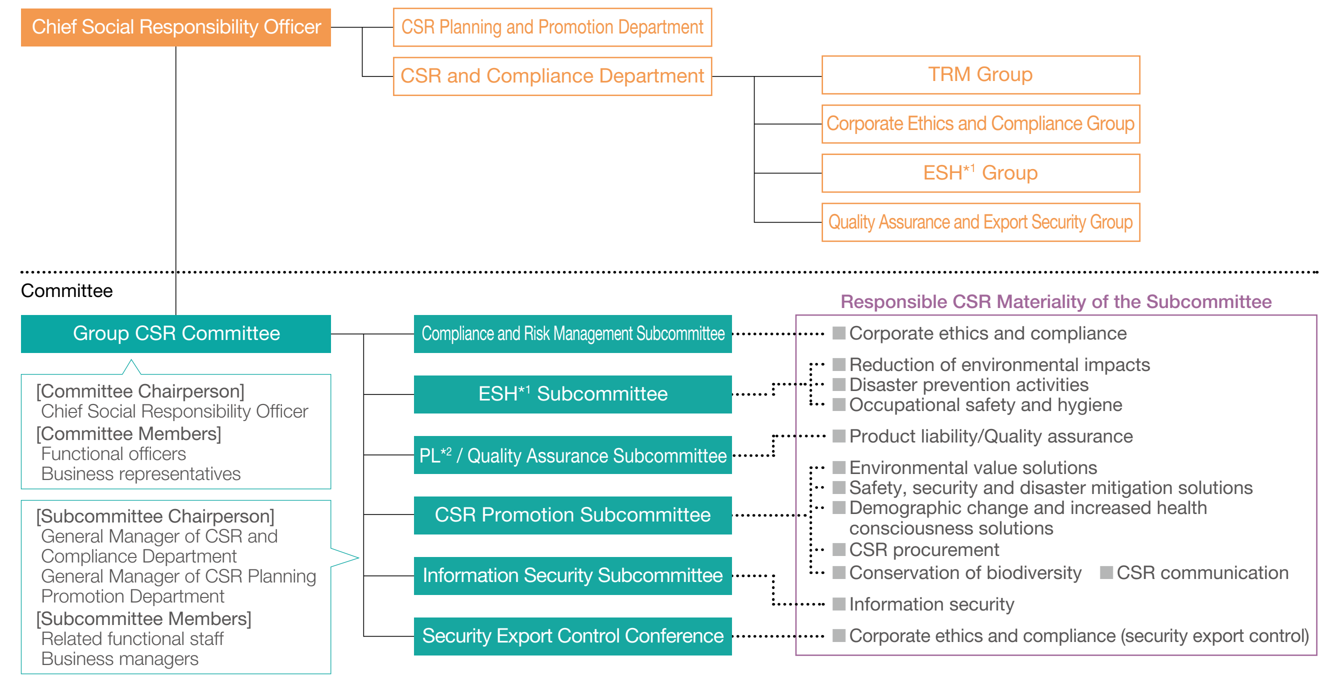
Development of a CSR Awareness Survey

We have been conducting a CSR awareness survey since fiscal 2016 for the purpose of grasping the actual situation of Teijin executives and employees' awareness related to CSR and to utilize the results in the consideration of measures and penetration activities in the future. This survey expands upon the existing corporate ethics awareness survey that was sent to a part of employees. The CSR awareness survey asks questions about items such as corporate philosophy and brand statements, awareness of corporate ethics, employee satisfaction, and diversity. The answers are scored and determined on five levels, evaluating the rate of penetration for CSR awareness.

In fiscal 2017, the survey was conducted for all employees at Group companies in Japan and resulted in 9,894 responses (response rate of 79.7%), with a 48.8% rate of penetration for CSR awareness. Going forward, we will develop this survey for a global scale while setting a CSR awareness penetration target of 60% in fiscal 2019 and promoting activities for disseminating the CSR basic policy, CSR materiality and so on.

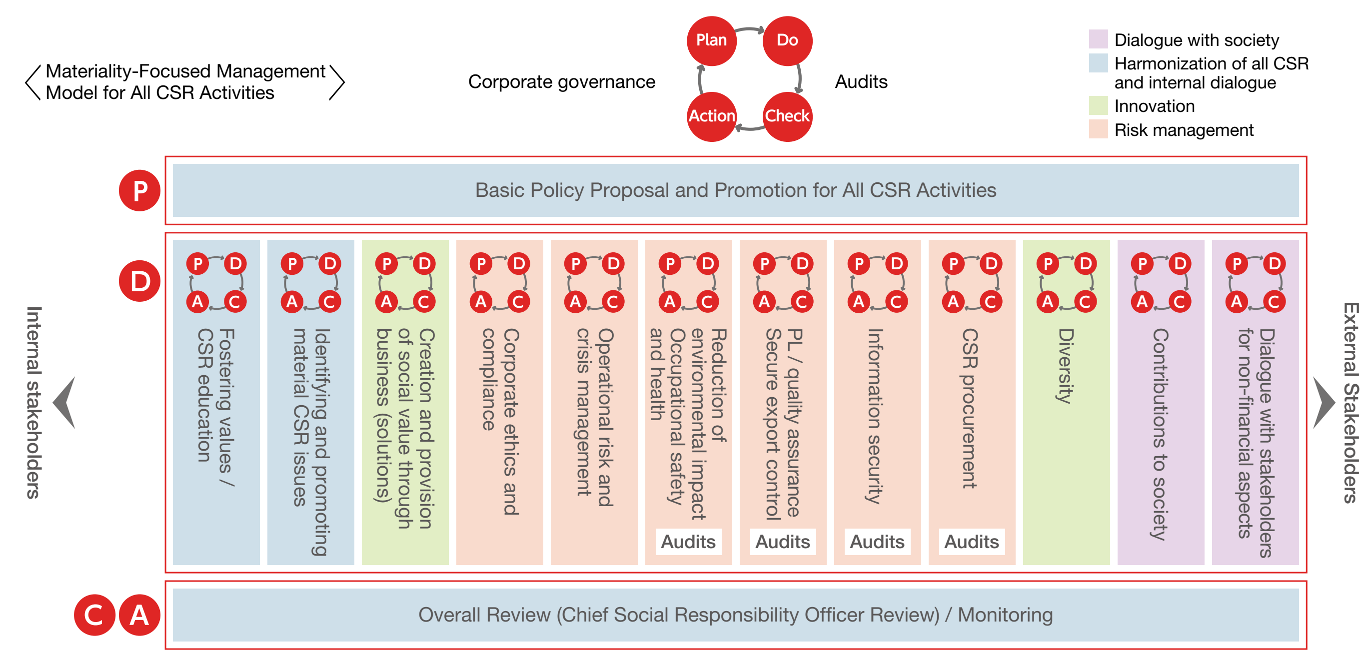
CSR Management Promotion Structure (As of April 1, 2018)

The Teijin Group considers CSR to be an important element of corporate management. To promote CSR as an integral part of management, we have designated a Chief Social Responsibility Officer to supervise CSR, and are promoting CSR activities under the officer's strong leadership.



*1 ESH: Environment, Safety and Health
*2 PL: Product Liability

- Corporate governance is advanced under the jurisdiction of the Board of Directors.
- Diversity is advanced by the Group Diversity Development Committee, which is under the Chief Human Resources Officer.



CSR Materiality

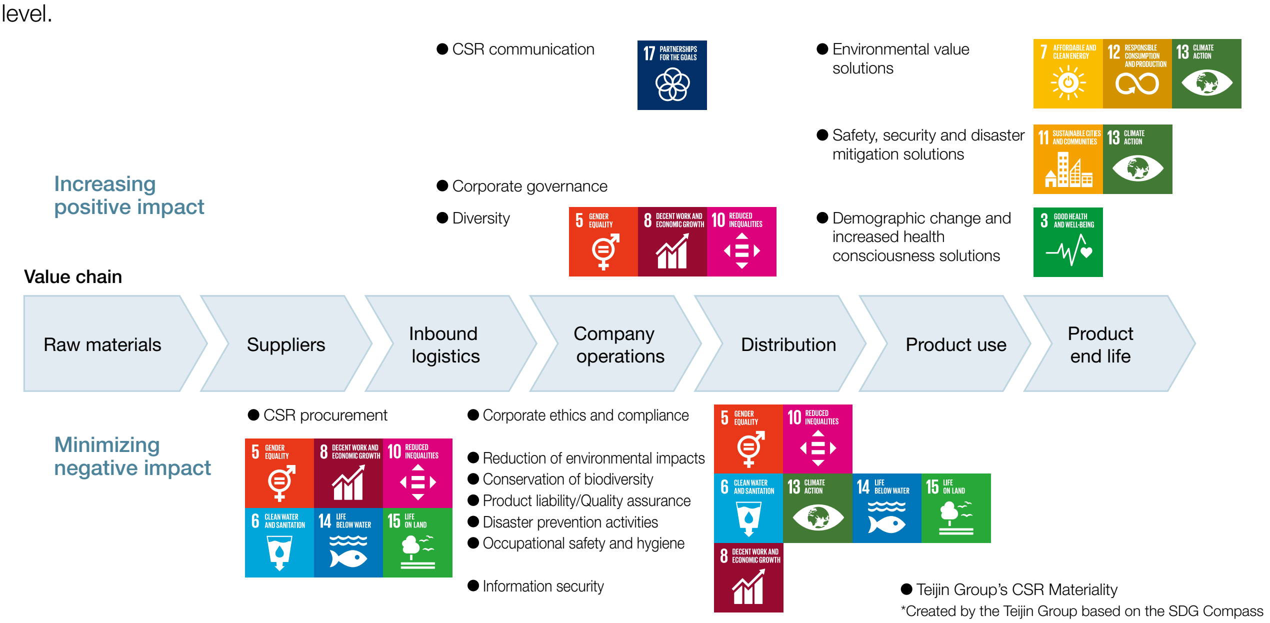
CSR Materiality of the Teijin Group

Aiming for the sustainable development of our business and society, the Teijin Group identified the following materiality for a variety of issues related to corporate social responsibilities. Through business activities that contribute to resolving social issues, we are advancing CSR management that is integrated with our business strategies.

		Environment	Society	Governance
Core priority fields (medium-term management plan)	Capture business opportunities	● Environmental value solutions (➧P22, 30, 62)	● Safety, security and disaster mitigation solutions (➧P32, 62) ● Demographic change and increased health consciousness solutions (➧P23, 31, 65)	
	Strengthen the management base	● Reduction of environmental impacts (➧P46•47)	● Diversity (➧P48•49)	● Corporate governance (➧P50~)
Fields requiring continuing efforts	Enhance the management base	● Conservation of biodiversity	● Information security ● Product liability/Quality assurance ● Disaster prevention activities ● Occupational safety and hygiene ● CSR procurement	● Corporate ethics and compliance ● CSR communication

CSR Materiality and SDGs

As a member of global society, the Teijin Group is contributing to achievement of the Sustainable Development Goals (SDGs) adopted by the United Nations in 2015, which are the goals in 17 fields that all members of the United Nations will tackle by 2030. We refer to the social issues shown by the SDGs in identifying CSR Materiality (key issues), and are working to advance CSR on a global level.



● Teijin Group's CSR Materiality
*Created by the Teijin Group based on the SDG Compass

Process of Identifying CSR Materiality

The Teijin Group grasps and screens a wide range of CSR issues, analyzes those issues screened in terms of their degree of impact on stakeholders and importance to the Teijin Group, and selects material issues. The Chief Social Responsibility Officer then holds dialogues with external experts. For the final stage, the Group Management Committee identifies the CSR Materiality of the Teijin Group.

Review

STEP 1 Grasp and screen

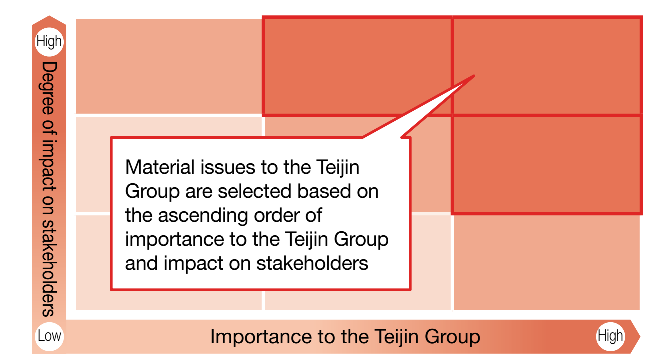
The Teijin Group has positioned as fundamental the issues that the Teijin Group is already working on, and also Creating Shared Value (CSV) issues that were identified as business opportunities in line with management strategies. These issues are then cross-checked against social issues indicated in relevant international documents such as the ISO 26000 guidance on social responsibility, Global Reporting Initiative (GRI) Guidelines, the United Nations (UN) Global Compact, the UN's SDGs, and the Paris Agreement on climate change, and evaluation items of major socially responsible investment (SRI) indices, to grasp and screen CSR issues.

STEP 2 Analyze materiality

The screened CSR issues are analyzed and mapped two-dimensionally, with importance of the CSR issues to the Teijin Group in ascending order along the horizontal axis, and impact on stakeholders in ascending order along the vertical axis.

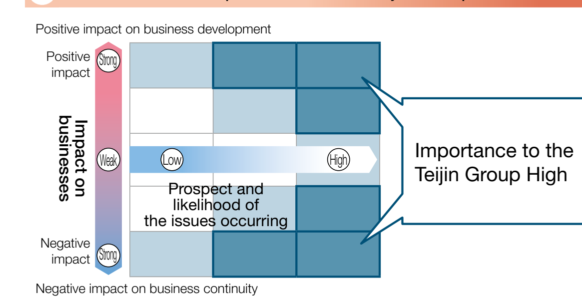
Method for determining impact on stakeholders (vertical axis)

Stakeholders are categorized into (1) shareholders and investors, (2) employees, (3) customers, (4) suppliers, and (5) local residents. The ascending order of degree of **impact on stakeholders** is determined by whether a CSR issue is of particular interest to each stakeholder category and then tallying the score.



Method for determining degree of importance to the Teijin Group (horizontal axis)

Importance to the Teijin Group is determined from both the degree of impact on business (taking into account both the positive and negative aspects), and also the prospect and likelihood of the issues occurring.



STEP 3 Select material CSR issues

From the issues analyzed at STEP 2, the issues that are in the part surrounded by a red line in the above diagram are selected as material issues.

STEP 4 Dialogues with external experts

We conduct dialogues with external experts about the Teijin Group's process of identifying CSR Materiality and the selected issues.

STEP 5 Identify CSR Materiality

The Group Management Committee deliberates, confirms, and identifies the Teijin Group's CSR Materiality.

Feature: 2 A Driving Force for Evolution and Ambition

Promotion of Diversity & Inclusion

The Teijin Group has positioned diversity as a priority field in its medium-term management strategy. So, what should we do to be an organization that can unleash the capabilities of diverse human resources to create innovation? We held dialogues with three invited external experts and got valuable suggestions from them on the matter.

Mr. Akie Iriyama
Associate Professor, Waseda Business School
PROFILE
Akie Iriyama graduated from Keio University with a bachelor's degree in economics and subsequently acquired his master's degree from Keio University's Graduate School of Economics. After engaging in research and consulting work at Mitsubishi Research Institute, Inc., he went on to earn a Ph.D. from the University of Pittsburgh's Joseph M. Katz Graduate School of Business in 2008. He then served as an assistant professor at the State University of New York's School of Management in Buffalo prior to undertaking his current post from 2013.

Ms. Etsuko Okajima
President & CEO, ProNova Inc.
PROFILE
After working at Mitsubishi Corporation and McKinsey & Company as well as earning an MBA from Harvard Business School, Etsuko Okajima participated in the establishment of GLOBIS Management Bank in 2002 to become its CEO in 2005. She then went on to establish ProNova Inc. in 2007, which offers corporate growth strategy consulting services. Ms. Okajima provides executive development services as the go-to for over 200 companies' leaders annually.

Ms. Yumiko Murakami
Head of OECD Tokyo Centre
PROFILE
After graduating from Sophia University's Faculty of Foreign Studies, Yumiko Murakami earned an MA from Stanford University and an MBA from Harvard University. She served as a managing director at Goldman Sachs and Credit Suisse prior to undertaking her current post in 2013. Ms. Murakami offers recommendations for making the most of the declining population including with regard to workstyle reform and work-life balance.

Diversity is a Means of Spurring Innovation at Companies

Iriyama

In promoting diversity, the most important thing is to ask yourself why you are doing it. Otherwise, the goal of diversity tends to become diversity itself. It is vital that diversity leads to a means of making the company better or, in other words, that it leads to innovation.

Teijin's medium-term management plan positions diversity as key in strengthening the management base. I think that is a good framework. However, there are also issues. This is a bit harsh, but prompting diversity with the "aim of global excellence" as put forth in the former medium-term management plan does not really hit close to home. That is not going to get the idea across on the front lines. Innovation emerges from diverse people and perspectives. That is why diversity is vital. Frontline employees need to be convinced of that. In other words, a message that does not "sit well" with people is not going to be conveyed. It is up to top management to have a clear vision that gets employees on board. The head of the company presents the overall direction and directors and management bring it to the worksites. I think that discussions about diversity are not enough, but organization-wide discussions are also needed.

I hear that Teijin's diversity arising from its complex business structure is making it hard to bring together employees with differing views from each business. I also hear that Teijin's advancement of M&As with overseas companies has made it difficult to generate synergies with domestic operations and establish good communication. Tips for addressing those issues can be drawn from a certain European company. It always sets out its direction for the century ahead and meticulously disseminates this as a vision throughout the entire group. For this as well, getting frontline employees on board is the key. When you think about what to focus on looking way down the road, there is business growth along with social issues beyond that. I think sharing such a vision throughout the organization and bringing together people with differing views can bring about innovation.

Diversity is About a Diversity of Minds, Not Attributes

Okajima

I specialize in succession planning, which entails offering support to companies with organizational development that spurs innovation. As part of that, I also provide support with diversity and inclusion. Teijin has achieved discontinuous growth during its 100-year history and has worked on diversity from early on. But frankly, it seems to me that the opportunities are nowhere near being fully exploited. Like Mr. Iriyama said, to what end is diversity and inclusion being pursued? Women are being treated as symbolic of diversity since they are in the spotlight now. However, women's advancement is just the first arrow—a recipe for minimal growth. Diversity is about a diversity of minds, not attributes.

One way to really leverage diversity is for management to mentor employees, selecting such personnel early on. When it is hard to say which of two candidates is better, choose the woman or non-Japanese for instance. What is important is

recognizing potential. Focusing on the productivity and innovation of selected individuals is key. For Teijin, I think choosing personnel from both the materials and healthcare sides of the business to establish a pipeline between the two will close the gap and make networking easier. I think it is important to accelerate work being done now by having employees cross those boundaries while they are young through personnel exchange with each business. Who is to handle this selection of personnel with purpose? Since criticism comes with the territory, I think the job clearly requires a skilled hand. Namely, management.

To further elaborate, the mindset that personnel transfers diminish employees' standing needs to be changed. Conversely, personnel transfers need to be positive. Unless that is assured, really good people are not going to be selected. This is the idea of open innovation. The venture companies that have introduced this succession plan are all growing, and more major companies are incorporating these venture companies' methods.

Creative Friction is What Sparks Innovation

Murakami

Listening to what Mr. Iriyama and Ms. Okajima have said so far brought to mind the term "creative friction." Teijin is taking various diversity and inclusion initiatives but there may not be enough friction. While everything is lined up, friction is lacking. Friction is the potential that arises when an array of diverse elements collide. Generating friction gives rise to creativity, which leads to innovation. No matter how much is accomplished with regard to work-life balance, those efforts will not establish an environment leading to innovation. M&As also cause friction, but it is not currently clear whether that is leading to creativity at Teijin. I think Teijin needs to skillfully create friction between materials and healthcare businesses, or between Head Offices and subsidiaries via M&A, and tie that to creativity.

Fundamental systems are needed to enable work-life balance and equal opportunity. Is the human resource system accessible, rather than being based on seniority?

When management approaches employees, is it done in an equitable manner irrespective of age? I think that lifting up younger people and seeing what this type of changing the balance does, brings forth creative friction. Fortunately, the outlook is bright for Teijin's businesses. There is major potential in growth fields. If something was needed, I would say it is more young people. With tons of opportunities to fuse business models and social infrastructure in the chemicals and digital domains, the time has come for Teijin to show its real strength, but the power of youth is what can bring about those chemical reactions. Of course, the overlapping category of women is needed too. Taking a wide approach to diversity and bringing both more women and more younger people into the mix leads to innovation. Shifting the axis of such traditional ways of thinking will bring about friction.

Mechanisms for Follow-Ups and Assessing the Number of Failures is Important

Okajima: Since equality for all is impossible, emphasizing justice rather than equity is what equal opportunity is about.

Murakami: That is a key point at Teijin. I also think it is good for Teijin to have such systems for selecting employees for advancement, including for special positions.

Okajima: Teijin needs lead engineers with special skills. Such individuals may not have management capabilities, but that is fine. It is good to have various options. It is important to instill a mindset of what each person is geared towards considering their life stage.

Iriyama: At a certain company, they are aggressively entrusting younger employees to manage subsidiaries as they

believe staff need to gain management experience to become executives. While it is not always smooth sailing, the company says that following up is vital when things do not work out. This is called "shame-based management," but the company says the experience is very helpful for the future. That is a stepping stone for the next endeavor.

Okajima: Incorporating the number of failures into KPIs—it is only from there that innovation will arise.

Iriyama: It would also be good to incorporate in the assessment system how many times an employee went up to bat, how many times they took on a challenge. Evaluations should count the number of failures as well.

Murakami: That requires supervisors that provide such opportunities, and so evaluation of such particular supervisors is also important. In addition, it is critical that supervisors are good judges of people and have the ability to determine whether a subordinate can handle the next task even if they have previously failed.

Okajima: Supervisors tend to regard people like themselves as being outstanding but they also need to choose people that are different from them. I want them to have the courage to select employees with interesting views and younger employees for opportunities.

(From the left in the front row) External experts: Mr. Akie Iriyama, Ms. Etsuko Okajima, Ms. Yumiko Murakami
(From the left in the back row) Teijin participants: Noriko Hidaka (Head of Diversity Promotion Office), Nobuyuki Takakura (Chief Social Responsibility Officer), Yasuhiro Hayakawa (Chief Human Resources Officer), Shuichi Osaki (General Manager of CSR Planning & Promotion Department)

Setting Out a Vision and Gaining Frontline Understanding Should Go Hand-in-Hand

Okajima: Systems that have long been upheld sometimes become obstacles for companies. A change of perspective is necessary. The fact is that diversity is uncomfortable.

Murakami: It is good if that causes conflict or, in other words, friction.

Iriyama: I agree. Conflict spurs innovation. But having robust diversity and inclusion mechanisms is important. Another key is having a vision. For example, it is vital that those on the losing side of an argument understand and accept the views of those on the winning side. Having a vision with which people are on board makes that possible. The vision needs to be shared throughout the organization. I think the vision reaches the front lines only when top management has owned it and really conveyed the message within the company.

Murakami: Getting the vision across to people on the front lines is not easy. The first step towards making that possible is coming up with a general trajectory and a support plan to convey the message from the top to middle management. The more history a company has, the more thorough that process must be. And, it is important for evaluations of management to take into account just how much diversity they have incorporated themselves.

Okajima: The vision and understanding on the front lines must go hand-in-hand. Until recently, not having a vision was alright for Japanese companies where lifetime employment was the mainstay. But from here on out, independent thinking is critical. That is why a vision is necessary. I feel it is difficult when mid-level management does not realize the benefits. The vision is not fully conveyed throughout the organization in the case that management does not own it. For that reason, verbalization is needed to convey the vision. Including the vision in the policy standards and putting it in words is very important. "Owning it" is the catchphrase. I think the bigger the company is, the more critical it is to arm mid-level management with a verbalized version of the vision. Put another way, having diversity and a vision entail "having diverse perspectives but shared values." I think that is crucial for companies moving forward.

Reflecting on the Dialogues

The Teijin Group has historically had a complex business structure and we have struggled with how to bring together personnel from various areas. As our business has become more global, we have been bringing more non-Japanese employees into the fold and making progress on diversity. However, the dialogues really drive home that to create innovation from now on, we need to develop ways of promoting talent from an array of routes irrespective of their business department, age, and so on. Personnel exchange through the free agent system* has actually worked out well at times with talented staff from other departments being selected to start up new business. Going forward, I want for us to endeavor to create numerous options along these lines.

* A system by which the employees themselves express their desire to develop abilities, gain experience or qualifications and such like by applying for a target business and are granted a transfer if selected.

Yasuhiro Hayakawa
Chief Human Resources Officer

ESG IN ACTION

Environment

Reduction of Environmental Impact

The Teijin Group places our highest priority on the environment, as described in our Corporate Philosophy, and we will proactively advance environmental management that is integrated into our business strategies.

Basic Stance

The Teijin Group is globally expanding its wide range of businesses, including materials, healthcare, and IT, to name just a few, and these business activities have an impact on the earth's environment.

Consequently, the Teijin Group will recognize its environmental impacts and work towards finding a variety of solutions. While making the guarantee of safety a basic foundation, the Teijin Group will strive to achieve a society manifesting "low carbon," "effective materials circulation," and "existence in harmony with nature," and work towards the sustainable development of both society and the Company.

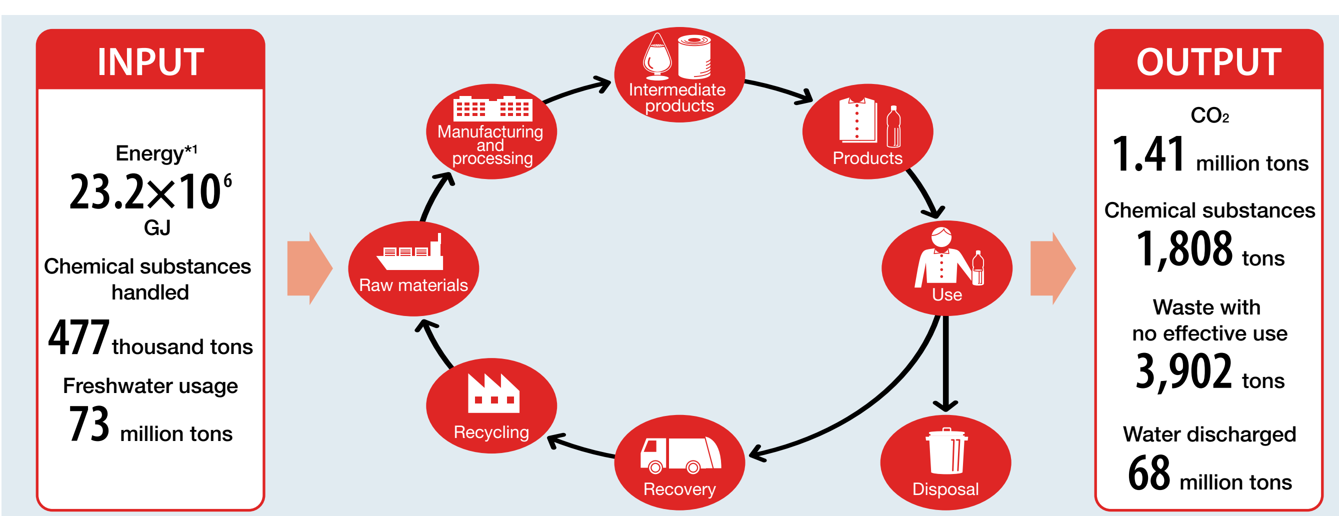
Environmental Management and Reduction of Environmental Impact

The Teijin Group considers that environmental management refers to reducing environmental impact over the entire life cycle of products, including all processes from material procurement to production, use and disposal. We are working to integrate this with the Teijin Group's overall management strategy, provide environmental value solutions, reduce environmental impacts, conserve biodiversity, and promote environmental education and communication.

We are working to conserve energy, to use various resources effectively, to minimize emissions of chemical substances into the environment, to manage and reduce waste materials, to prevent soil and underground water pollution, and to conserve biodiversity.

■ Environmental Impact during Manufacturing in FY2017 by Input/Output ★

★…Independently assured indicators



*1 Energy is calculated according to the amount of heat generated per unit as specified in the Act on the Rational Use of Energy. We deduct the amount of energy sold to other companies.

- The above figures do not include Continental Structural Plastics Holdings Corporation (CSP).
- No seawater usage in FY2017.

Climate Change Initiatives

Reducing Chemical Substance Emissions

Management and Reduction of Waste

■ Environmental Impact Reduction Targets for FY2012–FY2020

Climate Change Initiatives

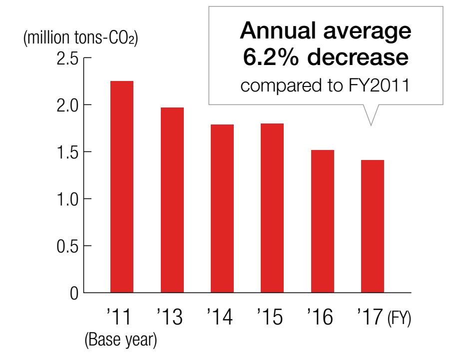
Greenhouse Gas Emissions from Manufacturing Operations*1

Achieve CO_2 emissions reduction ratio of 1% or more per year

(compared to the level in the base year of fiscal 2011)

Fiscal 2017

1.41 million tons-CO_2 ★



The Teijin Group is working to reduce its greenhouse gas emissions released during manufacturing, both in Japan and overseas. In fiscal 2017, CO_2 emissions were reduced as a result of the close of the Tokuyama Factory and the termination of production at the Gifu Factory, in addition to the realization of emission reductions through a fuel conversion of in-house power generation equipment at the Mishima Factory of Toho Tenax Co., Ltd. (currently Mishima Factory of Teijin Limited).

Reducing Chemical Substance Emissions

Emissions of Chemical Substances into the Environment*2

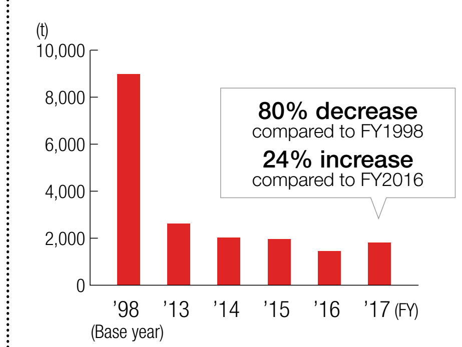
By fiscal 2020,

reduce by 80% or more

(compared to fiscal 1998 level)

Fiscal 2017

1,808 t ★



We are actively committed to reducing emissions into the environment, covering 567 substances. These 567 chemical substances comprise the Class 1 designated chemical substances pursuant to the Law Concerning Reporting, etc. of Release to the Environment of Specific Chemical Substances and Promoting Improvements in Their Management (462 substances: revised in April 2010) and the chemical substances designated by the Japan Chemical Industry Association (105 substances). In fiscal 2017, chemical substance emissions increased due to an increase in production at factories that use large amounts of chemical substances.

Management and Reduction of Waste

Waste with No Effective Use*3

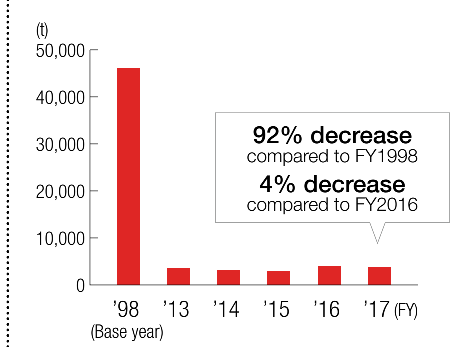
By fiscal 2020,

reduce by 85% or more

(compared to fiscal 1998 level)

Fiscal 2017

3,902 t ★



The Teijin Group is committed to reducing the amount of waste it generates, as well as to reducing waste with no effective use by shifting to reusing resources and to material, chemical, thermal and other forms of recycling treatment. In fiscal 2016, the amount of waste with no effective use increased due to temporary factors such as the launch of new production lines. However, the amount of this waste decreased in fiscal 2017.

*1 Includes CO_2, methane and nitrous oxide. CO_2 emissions are calculated according to the coefficients specified in the Law Concerning the Promotion of Measures to Cope with Global Warming. (Up to fiscal 2014, an emissions coefficient for electricity of 0.555 kg CO_2/kWh was used; in fiscal 2015, 0.579 kg CO_2/kWh was used. After fiscal 2016, adjusted emissions coefficients of individual electric power companies are used for power purchased in Japan, and latest available IEA country-specific emissions coefficients are used for power purchased overseas.) However, for power purchased overseas, where known, power company-specific emissions coefficients are used for the calculations. We deduct an amount of CO_2 emissions equivalent to the amount of energy sold to other companies.

*2 The total amount of chemical substances released into the atmosphere, water and soil, and forming landfill inside business sites.

*3 Waste with no effective use refers to waste incinerated without heat recovery and waste for landfill.

CLOSE - UP

Awarded a Gold Partner Certificate in the EcoVadis Sustainability Survey

Teijin Aramid B.V. (Netherlands), a Teijin Group subsidiary engaged in the aramid fibers business, has been awarded a Gold Partner Certificate, the highest rank in a survey conducted by EcoVadis (France), an independent sustainability rating platform for supply chains. Global environmental regulations have become stricter, and market needs with regard to sustainability and reducing environmental impact have increased. Under these conditions, the automotive market has increasingly required third-party assessments from suppliers.

In order to solidify its position as a trustworthy supplier, Teijin Aramid has registered as a member of EcoVadis and has been covered by reports and assessments since 2015. The latest report shows that Teijin Aramid belongs in the top 2% of all suppliers in the synthetic fiber production category and in the top 1% of suppliers in all categories.

Diversity

By encouraging personnel from extensive backgrounds to thrive irrespective of nationality, gender or age, the Teijin Group aims to become a prominent and globally admired corporate group, bringing together the Group's overall collective strength.

Basic Stance

To promote our business activities globally, it is essential to make full use of the abilities of diverse human resources who differ in nationality, gender, age, race, sexual identity and sexual orientation, sense of values, ideas and experience. The Teijin Group upholds parts of its corporate philosophy, "Empowering Our People," and accordingly put in place a work environment in which every Group member can fully harness their individuality and advantages to make the most of their abilities.

The Teijin Group is promoting workstyle diversity, women's advancement, and personnel diversity, aiming to realize an organization that fully demonstrates the abilities of diverse human resources with different values and experiences, in order to revitalize the organization and stimulate innovation. In fiscal 2017, we newly set KPIs from many different perspectives targeting the years from 2020 to 2027, and we have been promoting and following-up on the utilization of human resources directed at achieving these targets.

Diverse Workstyles	Women's Advancement	Personnel Diversity
Work-at-home system utilization rate Fiscal 2017 7% (target 50%)	Number of female executives Fiscal 2017 2 (target 10+) Female managerial positions Japan fiscal 2017 98★ (Fiscal 2020 target 180+) Overseas fiscal 2017 20%★ (target 33%)	Number of foreign-national executives Fiscal 2017 3★ (target 12+)

Diversity recognition rate*
Fiscal 2017 47.5% (Fiscal 2020 target 60%, Fiscal 2027 target 100%)

* Since fiscal 2017, Teijin has measured the diversity recognition rate based on the results of the CSR awareness survey. In fiscal 2017, Teijin conducted a survey of all executives and employees of Teijin Group companies in Japan. As a result, although almost all employees believe that it is crucial for one another to recognize the individuality and values of a wide range of people, Teijin found that the Group's policies to achieve this principle are not very well understood. Looking ahead, we will expand surveys to overseas Group companies, as well as promote activities to increase the penetration of diversity within the Company.

- The number of female employees in managerial positions in Japan covers the four core Group companies in Japan: Teijin Limited (including the former Toho Tenax Co., Ltd.), Teijin Pharma Limited, Teijin Frontier Co., Ltd., and Infocom Corporation.
- The ratio of female employees in managerial positions overseas covers the 13 core companies.
- The total number of female executives and foreign-national executives covers Teijin Limited.

Diverse Workstyles

Work-at-home system

From 2007, Teijin Limited and Teijin Pharma Limited have implemented a work-at-home system. One of the following conditions must apply in order that an employee may use the system: (1) An employee has a child who has not reached the end of the academic year of the sixth grade; (2) An employee has a family member who requires nursing care; (3) A female employee is pregnant or for whom not more than one year has passed since giving birth; or (4) An employee has a disability.

Going forward, Teijin will consider removing the restrictions (1)–(4) above. We will strive to develop a work-at-home system to provide an even more comfortable and productive working environment for each and every employee.

Voice of an Employee Using the Work-at-Home System

Shingo Muramatsu
Patent Development Office
Intellectual Property Department
Teijin Limited

I use the work-at-home system because it allows me and my wife, who also works, to share the burden of dropping off and picking up our children from after-school day care and preschool. The work-at-home system is very helpful as it frees up the two hours that I would otherwise have to spend commuting to the office, enabling me to look after my children and do household chores. There are some tasks that I am not permitted to perform at home. However, I am motivated to get these tasks done while I am in the office by working more productively and efficiently.

Women's Advancement

Since December 1999, the Teijin Group has been pursuing women's advancement. We have set targets for the ratio of newly recruited career-oriented female university graduates and the number of female employees in managerial positions at four core Group companies in Japan. Beginning with fiscal 2017, we have set targets for the number of female executives and female employees in managerial positions in both Japan and overseas. To reach these targets, we will promote women's advancement even more than before.

Female Leadership Training

Since fiscal 2011, we have held Female Leadership Training for selected members soon to be promoted to managerial positions. In this training, we hold three-day group training sessions, as well as presentations attended by the supervisors of the trainees. In fiscal 2017, 17 employees participated in the training. To date, 138 employees have participated in the training on a cumulative basis. Thirteen of these employees have been promoted to managerial positions and are fulfilling leadership roles in the workplace.

Voice of a Participant in Female Leadership Training

Hiroko Tonogai
Global Planning Department
Resin & Plastic Solutions Division
Resin & Plastic Processing Business Unit
Teijin Limited

In this training, envisioning issues that could occur in future business operations, I participated in a series of case studies solving problems as a leader. I also tackled the challenge of solving real issues in actual operations. This experience enabled me to gradually demonstrate leadership in my work even after the training session. I also had the opportunity to participate in the training together with fellow female employees from other businesses who were in the same position as myself, and they had a positive influence on me. Therefore, I found the training to be a very good experience.

Personnel Diversity

From 2009, we have established the Global Human Resources Office in the Human Resources Division to create a human resource management system and mechanism of appointment to aid Teijin employees to be active on a global basis. Moreover, since April 2014, the general manager of the Human Resources Department of a Group company in Europe has been serving as the deputy Chief Human Resources Officer of the Teijin Group, and has been accelerating the roll-out of the Teijin Group's human resource strategy on a global level.

Group-wide leadership training program, EaGLES

From fiscal 2011, the Group's shared leadership training program, EaGLES, has been expanded to five regions worldwide (Japan, EU, U.S., China and Thailand). Through this program, the participants acquire the leadership skills and experience needed to serve in managerial positions and learn the Teijin Group's values, management policies and history.

Voice of a Participant in EaGLES

Takashi Yamamoto
Medicinal Chemistry Core Technology Group
Teijin Institute for Bio-Medical Research
Teijin Pharma Limited

Looking ahead, it will become increasingly crucial to conduct management from a global viewpoint. In this environment, the EaGLES training program has been enhanced in innovative ways across many different areas, in order to sharpen leadership and creative thinking skills unique to Teijin. These leadership and creating thinking skills are honed through discussions with the instructors and other participants. As a mid-career recruit, I found the training to be particularly meaningful because it gave me firsthand insight into Teijin's diverse business fields and free-spirited culture.

ESG IN ACTION

Governance

Corporate governance

The Teijin Group seeks to strengthen its corporate governance system to ensure high transparency and prompt decision-making, and to establish relationships of trust through dialogue with shareholders and investors, for further growth.

Basic Philosophy

The Teijin Group recognizes that its basic mission as a company is to ensure sustainable growth in shareholder value. On this basis, we have promptly striven to strengthen corporate governance to fulfill our responsibilities to various stakeholders.

Since the late 1990s, we have implemented a series of groundbreaking management reforms relating to basic elements of corporate governance with the aim of enhancing transparency, ensuring fairness and objectivity, accelerating decision-making, and ensuring independence. These reforms include establishing the Advisory Board, appointing independent outside directors, and separating business execution and monitoring/auditing functions. The Teijin Group Corporate Governance Guide was published to specify guidelines regarding corporate governance.

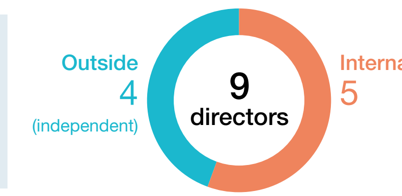
■ Initiatives for Strengthening Governance

		1999	2003	2012	2018
Separation of management and execution	24 directors	1999: 9 directors	2009: 10 directors		2018: 9 directors
		From 1999: Introduced the corporate officer system (to accelerate decision-making for execution of business and clarify the system of responsibility)			
Advisory Board	1999	Advisory Board established (to enhance management transparency)			
Outside directors		2003	Introduced 3 outside directors	2012: 4 members	
	1999	3 outside statutory auditors (a majority of the Board of Statutory Auditors)			
Corporate philosophy	Formulated in 1993				
Compliance	Standards of Conduct and Corporate Code of Conduct formulated in 1993	Corporate Ethics Committee established and Corporate Standards of Conduct formulated in 1998			

■ Overview of the Corporate Governance System

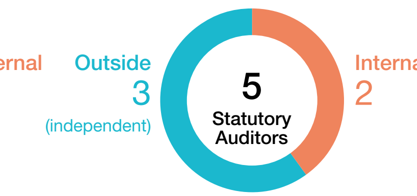
Organization form	Advisory body to the Board of Directors with nomination and remuneration committee functions
Company that employs Board of Auditors system	Established Advisory Board

■ Board of Directors



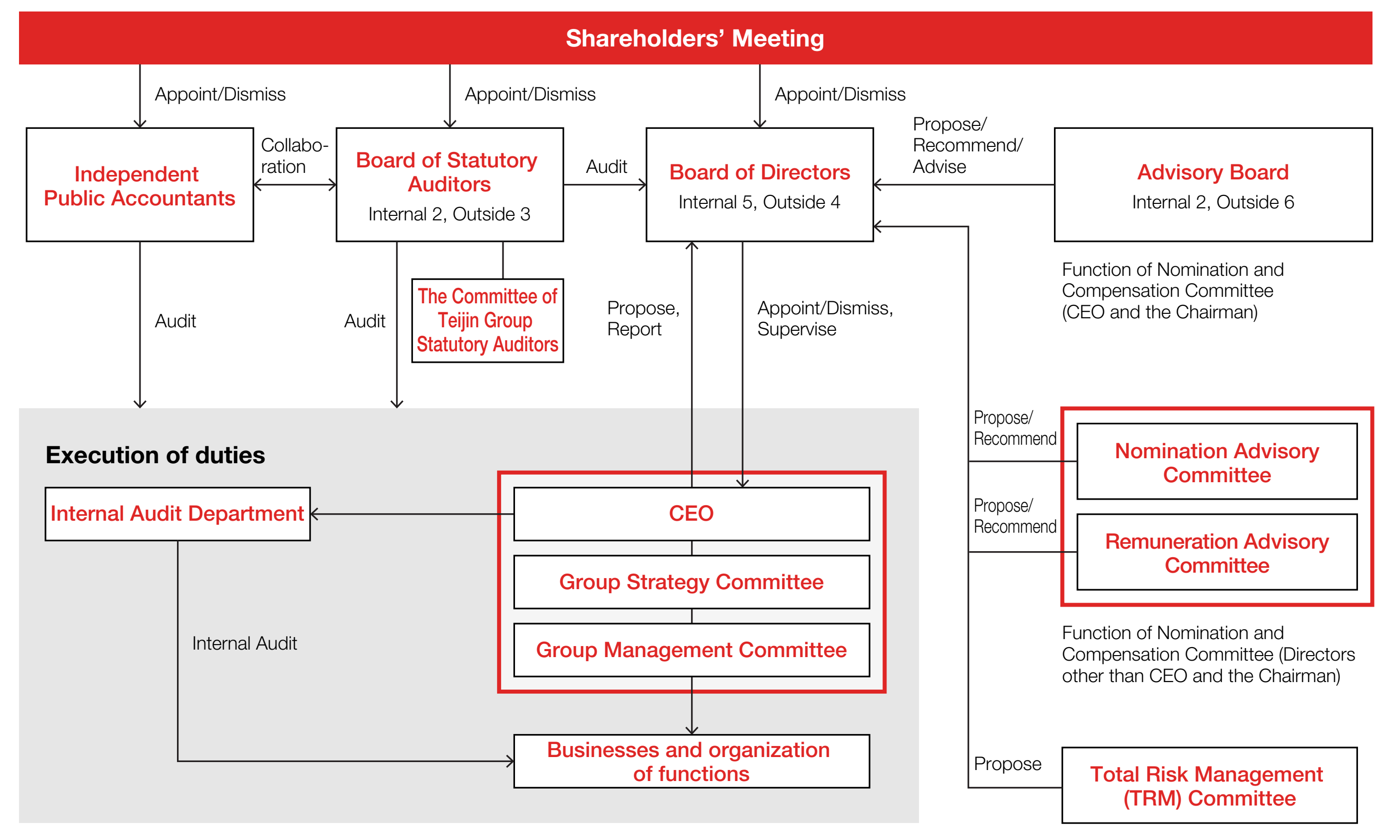
No. stipulated in Articles of Incorporation .... Up to 10
Term .... 1 Year
Chairman of the Board of Directors... Outside director

■ Board of Statutory Auditors



No. stipulated in the Articles of Incorporation... Upper limit on the number of members is not stipulated

The Teijin Group's Corporate Governance System (As of June 2018)



Board of Directors

The Board of Directors is comprised of 9 directors of whom 4 are outside directors that maintain independence. The Board of Directors is chaired by the chairman (in the event that the position of Chairman of the Board of Directors is unoccupied, an advisor who is a director or an outside director), to ensure the appropriate separation of responsibility for front-line management and monitoring/supervising. The main goal of the Board of Directors is to maximize shareholder value each fiscal year and over the medium and long term. At the same time, it must pay close attention to the position of stakeholders other than the shareholders. The Board of Directors must also deliberate, determine, and approve any management policies, and the overall plans of the entire Teijin Group, and any other items required by law or other regulations. Furthermore, the Board of Directors is responsible for ensuring accountability. It must also clarify its policies on compliance and how to manage risks surrounding the Teijin Group, and supervise those implementations.

Advisory Board

The Advisory Board is a consultative body to the Board of Directors. It is comprised of five to seven outside advisors (of whom two to three are non-Japanese nationals), the Chairman of the Board of Directors (in the case of a vacancy of the Chairman of the Board of Directors, the senior advisor will take the chairmanship of the Board), and the CEO of the Teijin Group. Its role is to give advice and make proposals regarding corporate strategy and results, and function as the Nomination and Compensation Committee that is chaired by an outside director in deliberating on matters such as a change of CEO and the successor as well as systems and standards governing remuneration for Teijin Group directors, statutory auditors and corporate officers, and it evaluates the performance of the CEO.

Nomination Advisory Committee/ Remuneration Advisory Committee

In addition to the Advisory Board, in order to further improve transparency with respect to executive personnel, we operate a Nomination Advisory Committee and a Remuneration Advisory Committee.

Two outside directors, the Chairman of the Board, and the CEO (in the event that the position of Chairman of the Board of Directors is unoccupied, two outside directors and the CEO) participate as members, and outside directors chair the committees. Both committees play a consultative role for the Board of Directors, and have the function of making proposals and recommendations to the Board of Directors as regards the nomination, evaluation and remuneration of directors and senior management other than the Chairman of the Board and the CEO, and the nomination of statutory auditors.

TRM Committee

The Teijin Group has established the Total Risk Management (TRM) Committee beneath the Board of Directors, as a preventive measure to handle any uncertainties we may face. The TRM Committee categorizes the risks into management strategy or business operating risks. The Chief Social Responsibility Officer (CSRO) is assigned in charge of business operating risks, while the CEO is directly in charge of management strategy risks. The CEO chairs the TRM Committee, whose members are the CSRO and other chief officers assigned by the CEO. The Board of Directors deliberates and determines TRM basic policies and annual plans that are proposed by the TRM Committee, as well as managing significant risks for the Teijin Group, supporting business continuity.

Board of Statutory Auditors and Committee of Teijin Group Statutory Auditors

The Board of Statutory Auditors comprises five statutory auditors, and a majority of three are outside statutory auditors who maintain independence to enhance the efficacy of monitoring and auditing, and secure transparency of the Board of Directors. All of the statutory auditors attend the Board of Directors meetings and any other important internal meetings, where they express their opinions and make recommendations. The Committee of Teijin Group Statutory Auditors is responsible for monitoring and auditing the entire Teijin Group, a role that corresponds to Group management and financial consolidation management. The Committee of Teijin Group Statutory Auditors' activities include deliberating and ensuring the inclusion of the basic policy and plan for auditing and the selection of key auditing items of each business. These deliberations are based on the Teijin Group's basic auditing policy and plans decided by our Board of Statutory Auditors.

Group Strategy Committee and Group Management Committee

The Group Strategy Committee and Group Management Committee are bodies for deliberating on the decision-making of the CEO, who is responsible for execution of duties. Attended by full-time statutory auditors, the committees ensure a rapid and highly transparent decision-making process.

Advisory Board (As of July 2018)

Teijin established **the Advisory Board, which is comprised mainly of outside experts**, in 1999 with the objective of raising the degree of management transparency. In addition to leading experts in Japan, the Advisory Board's original members included leading global authorities on governance John A. Krol, former chairman of E. I. du Pont de Nemours and Company ("DuPont"), and Ronald Hampel, former chairman of Imperial Chemical Industries PLC. Since its establishment, the board has held two ordinary meetings each year, in the spring and autumn, and has played **a substantial role in such ways as making proposals to management, assessing directors, and deliberating presidential succession plans.**

The Board of Directors implements decision-making based on consideration of the advice and recommendations of the Advisory Board.

Advisory Board Members

Advisor, Teijin Limited	Shigeo Ohyagi (Board chairman)
Former President/Chairman, Chiyoda Corporation	Nobuo Seki
Special Advisor to Panasonic Corporation	Fumio Ohtsubo
Board Chair, Japan Women's Innovative Network	Yukako Uchinaga
Former Foreign Ministry Ambassador for International Economic Affairs	Yoichi Suzuki
Professor, University of Amsterdam, Netherlands	Alexander H.G. Rinnooy Kan
Executive Director and CEO, American Chemical Society	Thomas Connelly
President and CEO, Representative Director of the Board, Teijin Limited	Jun Suzuki

Primary Agenda Items

May 2018

- Fiscal 2017 results, progress made with the Medium-Term Management Plan (Fiscal 2017–2019) and the Fiscal 2018 Short-Term Management Plan
- CEO succession plan
- Deliberations on the performance review and remuneration of the CEO in the previous fiscal year

Outside Directors and Outside Statutory Auditors

The Teijin Group has prescribed "Requirements for Independent Directors" for outside directors, including candidates. These conditions for appointment are designed to increase the level of precision and ensure the transparency of the management supervisory function of the Board of Directors. In the same way, we have also prescribed "Requirements for Independent Statutory Auditors," which cover outside statutory auditors, including candidates. These are designed to increase the level of precision and ensure the transparency of the auditing function of the execution of duties of the internal directors and the management.

With regard to independent director and independent statutory auditor requirements, we have formulated and operate our own regulations.

Independent Director and Independent Statutory Auditor Requirements (Overview)

(1) Persons having no significant special interests in the Teijin Group.
(2) Persons to whom items (a) through (e) below do not apply are deemed to be Independent Directors or Independent Statutory Auditors having no significant special interest in the Teijin Group.
(a) Internal officers or employees and former internal officers or employees of the Teijin Group
(b) Providers of specialized services to the Teijin Group
(c) Persons having customer or business partner relations with the Teijin Group
(d) Persons having "inter-directorship" relations with the Teijin Group
(e) Persons having other special interests in the Teijin Group

Director Compensation

Compensation for directors is determined based on the degree of achievement of targets set for consolidated net income, ROE, EBITDA, and ROIC based on operating income and an assessment of each individual director's execution of duties. The Advisory Board deliberates systems and standards governing remuneration for Teijin Group directors, statutory auditors and corporate officers and evaluates the performance of the CEO and representative directors.

Compensation for Directors in Fiscal 2017

(Millions of yen)

Position	No. of people	Compensation amount
Directors	11*1	555
Of which, outside directors	4	57
Statutory auditors	6*2	94
Of which, outside statutory auditors	4	32

*1 The number of salaried directors includes one director who retired in fiscal 2017.
*2 The number of salaried statutory auditors includes one statutory auditor who retired in fiscal 2017.

Evaluating the Effectiveness of the Board of Directors

To clarify the issues for improving the effectiveness of the Board of Directors, the Teijin Group has been implementing the “Self Evaluation of the Effectiveness of the Board of Directors” since fiscal 2015. The evaluation for fiscal 2017 is listed below.

1. Evaluation Process

In November 2017, the Company’s Board of Directors implemented a written survey of the directors and statutory auditors with questions on the Board of Directors’ composition and operations, the implementation of strategies, dialogues with stakeholders, and other matters. In January 2018, the Board of Directors held a discussion on the current state of the corporate governance system and measures to improve the effectiveness of the Board of Directors based on the results of this survey.

2. Results of Effectiveness Evaluation for the Board of Directors

Active discussions were held at the Board of Directors meetings, and the evaluation results confirmed that deliberations on important management and business strategies are adequate, that there are no problems with the current governance system or its operations, and that the Board of Directors is functioning properly. However, the Board of Directors confirmed there is still room for improvements to ensure further efficiency in regards to stakeholder dialogues (creating opportunities for dialogues, analysis and evaluation of dialogue topics, etc.), and greater enhancements to strategy discussions (such as providing more substantial information to the Board of Directors, etc.).

Going forward, the Teijin Group will work towards advancing improvements for these issues and further strengthening corporate governance.

Investor Relations Activities

The Teijin Group behaves as a company that takes requests from shareholders and society into consideration to achieve a higher degree of accountability. Under the charge of the Director Responsible for Corporate Strategy, we conduct investor relations activities including information disclosure and communication with shareholders and investors. In disclosing information, our basic policy is to disclose information in a timely, fair, accurate and continuous manner, both in and outside Japan simultaneously. In addition to disclosing legally stipulated financial information, we proactively disclose corporate information from the perspective of CSR. In particular, we are making establishing a relationship of trust with shareholders and investors an important management priority, proactively disclosing information and enriching two-way communication. Moreover, we believe that corporate accountability is a prerequisite for ensuring the effectiveness of corporate governance.

■ Main Investor Relations (IR) Activities in Fiscal 2017

Activity	Details
Presentations for analysts and institutional investors	Presentations were held every quarter. A presentation on our individual businesses was also held. (Fiscal 2017 result: Held 5 presentations in total)
Presentations for overseas institutional investors	The CEO or CFO visited overseas investors and held individual meetings (three times). Apart from this, the CEO or CFO actively participated in conferences held by securities firms (six times).
Presentations for individual investors	Teijin proactively participated in presentations for individual investors organized by securities firms and other parties (10 times). Moreover, at management presentations held every year for individual shareholders, the CEO explains management policies and provides an overview of business operations.
Disclosure of IR materials on website	In addition to timely disclosure of materials such as announcements of quarterly earnings, integrated reports and fact books, from the standpoint of fair disclosure, we publish materials for institutional investors and individual investors on our website in a timely manner in both Japanese and English. Regarding presentations for institutional investors, we have been posting explanatory videos and transcripts of Q&A sessions in both Japanese and English. (Japanese: https://www.teijin.co.jp/ir/library/) (English: https://www.teijin.com/ir/library/)

Reason for Selection and Status of Activities of Directors and Statutory Auditors

	Name	Reason for selection	Advisory Board	Independent director	Attendance at meetings of the Board of Directors and Board of Statutory Auditors in Fiscal 2017
Directors	Jun Suzuki	Appointed for his experience as President and then formulating the revised medium-term plan. On this basis, we expect him to complete the restructuring initiatives which he inherited from his predecessor, and promote the transformation and growth strategy for the future based on the new medium-term management plan formulated in February 2017.	✓		Attended 12 of 12 Board of Directors meetings
Directors	Kazuhiro Yamamoto	Appointed for his knowledge and insight accumulated in the finance and accounting field and management strategies field, together with his business experience in the IT business field, of which we expect him to take full advantage. As CFO, head of the accounting administration field, and CIO, we expect him to put efforts into cost management, IR activities and the promotion of information strategies.			Attended 12 of 12 Board of Directors meetings
Directors	Hiroshi Uno	Appointed for his business experience and insight accumulated in the healthcare business field, of which we expect him to take full advantage. As the Director Responsible for the Healthcare Business of the Teijin Group, we expect him to make efforts to expand the profits of the Healthcare Business, promote the transformation and growth strategy and work on inter-business integration.			Attended 12 of 12 Board of Directors meetings
Directors	Yasumichi Takesue	Appointed for his knowledge and insight accumulated in the human resources and general affairs fields and the electric materials and performance polymer products fields, of which we expect him to take full advantage. As the Director Responsible for the Materials Business of the Teijin Group, we expect him to expand revenue of the Materials Business and put efforts into promoting the transformation and growth strategy.			Attended 12 of 12 Board of Directors meetings
Directors	Yoshihisa Sonobe	Appointed for his knowledge and insight accumulated in the finance and accounting field and management strategies field, of which we expect him to take full advantage. As the Director Responsible for Corporate Strategy, Legal and Intellectual Property, and Global Strategy, we expect him to make efforts to plan strategies toward the achievement of the execution of restructuring initiatives and the promotion of transformation and growth strategies, which are our most important issues.			Attended 12 of 12 Board of Directors meetings
(Outside)	Nobuo Seki	Appointed for his considerable business experience and deep insight developed as the president and chairman of a listed company, based on which we expect him to provide us with advice and recommendations on our business operations.	✓	✓	Attended 12 of 12 Board of Directors meetings
(Outside)	Fumio Ohtsubo	Appointed for his considerable business experience and deep insight developed as the president and chairman of a listed company, based on which we expect him to provide us with advice and recommendations on our business operations.	✓	✓	Attended 12 of 12 Board of Directors meetings
(Outside)	Yukako Uchinaga	Appointed for her considerable business experience, acute insight and deep knowledge of diversity, developed as the vice president of a listed company, and based on which we expect her to provide us with advice and recommendations on our business operations.	✓	✓	Assumed the post in June 2018
(Outside)	Yoichi Suzuki	Appointed for his experience as a diplomat, his considerable knowledge, and his deep insight from a global perspective, based on which we expect him to provide us with guidance and advice on our business operations.	✓	✓	Assumed the post in June 2018
Statutory Auditors	Atsushi Mugitani	Appointed for his knowledge and insight accumulated in the finance and accounting field, together with his experience as general manager of the Internal Audit Department. Accordingly, we expect him to contribute to internal control.			Attended 12 of 12 Board of Directors meetings Attended 12 of 12 Board of Statutory Auditors meetings
Statutory Auditors	Noriaki Endo	Appointed for his business experience accumulated in the healthcare business field, together with his experience as CSRO and Supervisor of the Internal Audit Department. Accordingly, we expect him to contribute to internal control.			Attended 12 of 12 Board of Directors meetings Attended 12 of 12 Board of Statutory Auditors meetings
(Outside)	Nobuo Tanaka	Appointed for his deep insight and abundant experience developed in national government positions including within the Ministry of Economy, Trade and Industry, as well as international institutions such as the Organization for Economic Co-operation and Development, based on which we expect him to contribute to maintaining and enhancing corporate governance.		✓	Attended 12 of 12 Board of Directors meetings Attended 12 of 12 Board of Statutory Auditors meetings
(Outside)	Gen Ikegami	Appointed for his deep insight and abundant experience developed as a certified public accountant, based on which we expect him to contribute to maintaining and enhancing our corporate governance.		✓	Attended 12 of 12 Board of Directors meetings Attended 12 of 12 Board of Statutory Auditors meetings
(Outside)	Hitomi Nakayama	Appointed for her deep insight and abundant experience developed as a lawyer, based on which we expect her to contribute to maintaining and enhancing our corporate governance.		✓	Attended 9 of 9 Board of Directors meetings Attended 9 of 9 Board of Statutory Auditors meetings

Overview of Directors

(As of July 2018)

Board of Directors

[1] President and CEO, Representative Director of the Board
Jun Suzuki
1983 Joined Teijin Limited
2011 President of Teijin Holdings Netherlands B.V.
2012 Chief Marketing Officer, Director of BRICs Business
2013 Director of Teijin Limited, and general manager of Advanced Fibers and Composites Business Group
2014 President and CEO, representative director of the board of Teijin Limited (incumbent)

[2] Executive Vice President, Representative Director of the Board
Kazuhiro Yamamoto
1975 Joined Teijin Limited
2011 General manager of IT Business Group
2012 General manager of Corporate Strategy Office
2014 Chief Financial Officer (CFO) (incumbent), general manager of Accounting, Finance & Procurement Division
2015 Member of the board of Teijin Limited
2017 Representative director of the board of Teijin Limited (incumbent), Chief Information & Innovation Officer (incumbent)

[3] Senior Executive Officer, Member of the Board
Hiroshi Uno
1981 Joined Teijin Limited
2011 General manager of Pharmaceutical Business Unit, Teijin Pharma Limited
2013 General manager of Healthcare Business Group
2015 Member of the board of Teijin Limited (incumbent)
2017 President of Healthcare Business of Teijin Group (incumbent)

[4] Senior Executive Officer, Member of the Board
Yasumichi Takesue
1980 Joined Teijin Limited
2010 Corporate Officer, Chief Human Resources Officer (CHO)
2015 General manager of Electric Materials & Performance Polymer Products Business Group, general manager of Resin & Plastic Processing Business Unit
2017 President of Material Business of Teijin Group (incumbent)
Member of the board of Teijin Limited (incumbent)

[5] Executive Officer, Member of the Board
Yoshihisa Sonobe
1980 Joined Teijin Limited
2010 Deputy Chief Financial Officer (CFO), general manager of Accounting and Finance Office
2011 Chief Financial Officer (CFO), general manager, Accounting and Finance Division
2014 Member of the board of Teijin Limited (incumbent), general manager of Corporate Strategy Office
2017 Chief Officer of Corporate Strategy, Global Business Strategy (incumbent)

[1] Independent Outside Director
Nobuo Seki
1970 Joined Chiyoda Corporation
2001 President & CEO of Chiyoda Corporation
2007 Chairman of the board of Chiyoda Corporation
2012 Member of the board of Teijin Limited (incumbent)

[2] Independent Outside Director
Fumio Ohtsubo
1971 Joined Matsushita Electric Works, Ltd. (now, Panasonic Corporation)
2006 President, Representative Director of Matsushita Electric Works, Ltd.
2012 Chairman of the Board, Representative Director of Panasonic Corporation
2013 Special Advisor to Panasonic Corporation (incumbent)
2016 Member of the Board of Teijin Limited (incumbent)

[3] Independent Outside Director
Yukako Uchinaga
1971 Joined IBM Japan, Ltd
2004 Director, Senior Executive Officer of IBM Japan, Ltd
2007 Board Chair, Japan Women's Innovative Network (NPO) (incumbent)
2013 President & CEO, Globalization Research Institute Co., Ltd. (incumbent)
2018 Member of the board of Teijin Limited (incumbent)

[4] Independent Outside Director
Yoichi Suzuki
1975 Joined Ministry of Foreign Affairs of Japan (MFA)
2008 Director-General for Economic Affairs of MFA
2010 Ambassador of Japan in Singapore
2013 Ambassador of Japan in France
2018 Member of the board of Teijin Limited (incumbent)

Statutory Auditors

[1] Full-Time Statutory Auditor
Atsushi Mugitani
1980 Joined Teijin Limited
2007 General manager of New Business Development Department
2013 General manager of Corporate Audit Department
2015 Statutory auditor (incumbent)

[2] Full-Time Statutory Auditor
Noriaki Endo
1983 Joined Teijin Limited
2009 General manager of Global Pharmaceutical Business Department, Teijin Pharma Limited
2012 General manager of Compliance Division of Teijin Pharma Limited
2015 Chief Social Responsibility Officer (CSRO)
2016 Statutory auditor (incumbent)

[3] Independent Outside Statutory Auditor
Nobuo Tanaka
1973 Joined Ministry of International Trade and Industry (now Ministry of Economy, Trade and Industry)
2002 General manager of International Trade Policy Bureau, Trade and Industry Organization Division, METI
2007 Director-General of International Energy Agency
2012 Statutory auditor of Teijin Limited (incumbent)
2015 President of the Sasakawa Peace Foundation
2016 Chairman of the Sasakawa Peace Foundation (incumbent)

[4] Independent Outside Statutory Auditor
Gen Ikegami
1983 Registered as a Certified Public Accountant
1992 Registered as CPA the state of California, USA
2000 Representative partner of Audit Corporation Ota Showa Century (formerly Senior Partner, Ernst & Young ShinNihon LLC)
2010 Vice President, The Japanese Institute of Certified Public Accountants
2015 Statutory auditor of Teijin Limited (incumbent)
Representative of Gen Ikegami CPA Office (incumbent)
2016 Outside Director of TAC Co., Ltd. (incumbent)

[5] Independent Outside Statutory Auditor
Hitomi Nakayama
1991 Admitted to the Bar (Daini Tokyo Bar Association)
2011 Vice President of Daini Tokyo Bar Association
2013 Executive Governor of Japan Federation of Bar Associations
2017 Statutory auditor of Teijin Limited (incumbent)

Chief Officers

Chief Officer (Corporate Strategy)	Yoshihisa Sonobe
Chief Financial Officer	Kazuhiro Yamamoto
Chief Social Responsibility Officer	Nobuyuki Takakura
Chief Human Resources Officer	Yasuhiro Hayakawa
Chief Officer (Engineering)	Taizo Makari
Chief Information & Innovation Officer	Kazuhiro Yamamoto
Chief Officer (Global Business Strategy)	Yoshihisa Sonobe
Chief Officer (Legal, Intellectual Property)	Hiroyuki Umetani
President, Material Business of Teijin Group	Yasumichi Takesue
President, Healthcare Business of Teijin Group	Hiroshi Uno
Chief Officer (Special Project)	Tsunehiro Ogawa

Business Group General Managers

Material Business Group	Toshiya Koyama
Aramid Business Unit	Gert W. Frederiks
Carbon Fibers Business Unit	Shukei Inui
Films Business Unit	Yoshihiro Nomi
Resin & Plastic Processing Business Unit	Eiji Ogawa
Composites Business Unit	Akio Nakaishi
Material Technology Center	Hiroyuki Umetani
Fibers & Products Converting Business Group	Shinji Nikko
Healthcare Business Group	Akihisa Nabeshima
Pharmaceutical Business Unit	Ken-ichi Masuda
Home Healthcare Business Unit	Yasuhiko Kuriyama
IT Business Group	Norihiro Takehara

ESG Topics

Global CSR Meeting

A Global CSR Meeting was held at the Tokyo Head Office on September 28, 2017, in which persons in charge of CSR participated. Chaired by the Chief Social Responsibility Officer, the participants reaffirmed the CSR Mid-Term Plan along with sharing information such as the revision of the Code of Conduct, CSR communication within the Group, the CSR awareness survey and other initiatives, and CSR trends in each country.

Establishing a Whistle-Blowing Window in China

The Teijin Group established a counseling and whistle-blowing system for all Group company employees in Japan in 1999. Teijin Holdings USA, Inc. and Teijin Aramid B.V. and other Group companies later established their own services for Group company employees in North America and the Aramid Business Unit, respectively, which address counseling and reporting related to compliance. In October 2017, Teijin (China) Investment Co., Ltd. established a new counseling service for employees in Group companies in China and strengthened its compliance system.

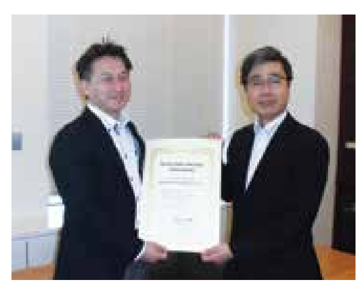
In addition, we also receive reports from outside the Teijin Group from our online "Reports from Suppliers" in Japanese and English.

Amendment of the Teijin Group's CSR Procurement Guidelines

The Teijin Group completely revised its CSR Procurement Guidelines on November 1, 2017 to further strengthen initiatives towards CSR procurement on a global level. The guidelines were revised in accordance with ISO 20400, the international standard regarding sustainable procurement and other international standards, and specify more detailed efforts regarding human rights and labor in supply chains. As well, Teijin Frontier Co., Ltd. held a CSR supply chain seminar in Vietnam and Myanmar for the purpose of disseminating information regarding compliance with laws and protection of human rights at facilities such as sewing and embroidery factories and material manufacturers in those countries.

Teijin Cord (Thailand) Co., Ltd. Receives CSR Management Award

The Teijin Group established an internal award system related to ESH* which commends Group companies who deliver remarkable performances related to ESH. In fiscal 2017, Teijin Cord (Thailand) Co., Ltd. received the CSRO Award for achieving a record of 13 years without accident or incident. Teijin Cord's safety management is highly praised at its base in Thailand, where it also received the National Occupation Safety and Health Award, the most prestigious safety award in Thailand, for the 10th consecutive year.



* ESH: Environment, Safety and Health

Selected for Inclusion in Three Programs as a Stock with Excellent ESG-Related Features
(Jointly organized by the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange)

Nadeshiko Brand: Encouraging the empowerment of women in the workplace

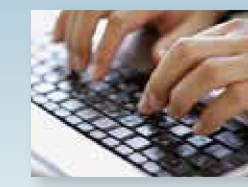
White 500: Engaging in efforts for health and productivity management

Competitive IT Strategy Company 2018: Engaging in efforts for IT utilization

BUSINESS REVIEW

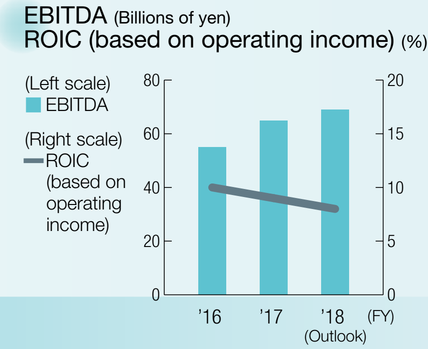
Review of Operations and Growth Strategies

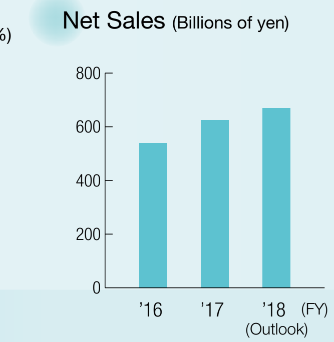
This section describes the market presence of each business underpinning the Teijin Group's core earnings, and their performances in fiscal 2017, along with presenting strategies for achieving further growth.

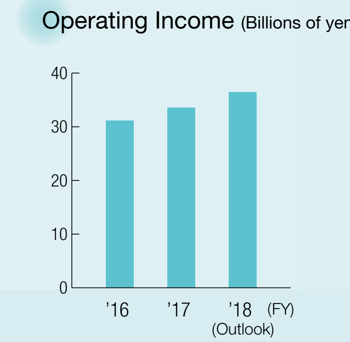


MATERIALS

Yasumichi Takesue
Senior Executive Officer,
Member of the Board
President, Materials Business Field of Teijin Group







Material Business Group

Aramid Fibers

Global share
of para-aramid fibers
Twaron and *Technora*
Approx. 50% (1st)

Meta-aramid fiber
Teijinconex for
firefighting uniforms
in Japan
Top share

Business Opportunities

Aramid fibers possess outstanding features such as high strength and heat resistance. They can be divided into two broad categories: para-aramid fibers and meta-aramid fibers. Para-aramid fibers are particularly outstanding in terms of strength and heat resistance. Accordingly, they are mainly used as reinforcement for tires and friction material for automobile brake pads, as well as reinforcement for optic fiber cables. The market for para-aramid fibers is expected to grow at an annual rate of 3%. Meta-aramid fibers have outstanding long-term heat resistance and flame retardant properties, enabling them to be used in heat-resistant filters and special environment uniforms such as those worn by firefighters, as well as other industrial materials where heat resistance is required.

Fiscal 2017 Performance

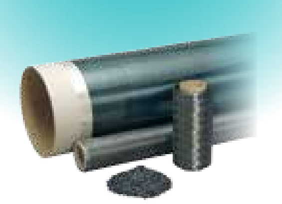
Sales of aramid fibers expanded mainly for automotive and infrastructure-related applications

Sales of *Twaron* para-aramid fibers expanded firmly, centered on automotive applications, such as friction materials and rubber reinforcements, and optical fiber applications. Sales were firm for *Technora* para-aramid fibers both for automotive applications in Japan and also for infrastructure-related applications overseas. Sales of *Teijinconex* meta-aramid fibers were robust for use in automotive applications, as well as protective clothing and industrial applications.

Production Sites

Para-aramid fibers .... The Netherlands, Japan
Meta-aramid fibers .... Japan, Thailand

Carbon Fibers



Global share of carbon fibers
Among the top class

Contributing to
energy conservation and CO_2 emissions cuts
through weight reduction

Business Opportunities

With ten times the strength and only one-quarter of the weight of steel, carbon fiber is attracting interest as an environmentally friendly material that will contribute to CO_2 emissions cuts and provide other benefits. This growing interest has driven expansion in demand particularly for aerospace applications and industrial applications. The Teijin Group's *TENAX* carbon fibers boast a high global market share, mainly in aircraft applications. Moreover, against a backdrop of tighter environmental regulations in recent years, carbon fiber is expected to see rapid growth in applications as automotive components.

Fiscal 2017 Performance

Sales for use in aircraft grew steadily

Sales of *TENAX* carbon fibers continued to grow steadily for use in aircraft. Among other applications, we drove growth in sales volume of compound applications, as well as sports and leisure applications in Asia. However, rising raw material and fuel prices pushed down earnings.

Production Sites

Carbon fibers .... Japan, Germany

Resin and Plastics Processing

Polycarbonate resins
Among the top class
in Asia

Providing high added value through
Teijin's proprietary technologies

Business Opportunities

With an impact resistance 200 times greater than glass, and only half the weight, polycarbonate (PC) resins offer outstanding heat resistance, transparency and weatherability. These resins are now widely used in the markets of the electronics and automotive fields, with market growth projected at an annual rate of about 3–4%. Teijin has a strong presence in Asia, mainly in the electronics field. The reason is that we have materials technologies that comprise compounds and are developing specialty polymers, and we also have large-scale molding and coating technologies. Polycarbonate films and sheets are also used in products that leverage their functionality due to factors including sophisticated optical control technologies.

Fiscal 2017 Performance

Sales mix improved due to firm demand for polycarbonate resin

Market prices for our *Panlite* and *Multilon* mainstay polycarbonate resin increased due to tightening supply and demand. In this environment, high capacity utilization was maintained at our production sites for polycarbonate resin and compounds in Japan and abroad. In addition, we significantly expanded sales of high-performance products for the automotive, semiconductor manufacturing-related, and optical lens fields, which have been key areas of focus in recent years.

Production Sites

Polycarbonate resins .... Japan, China
Polycarbonate films and sheets ...... Japan

Films

Expanded Teijin's proprietary
PEN film products
to automotive applications

Strengths in processing technologies
Multi-layer film formation technologies and surface processing

Business Opportunities

Polyester films feature balanced physical properties in terms of such characteristics as strength, heat resistance, and optical properties, together with outstanding cost performance. For these reasons, polyester films are used in a wide array of applications. Our proprietary development polyethylene naphthalate (PEN) is a highly functional film used in high-density data backup tapes, electronic materials, and the automotive field.

Fiscal 2017 Performance

Sales expanded for use in smartphones and automotive electronics

Although overall sales declined due to the impact of the integration of domestic production facilities, we expanded sales of *Purex*, which is used as a release film for manufacturing processes mainly for multilayer ceramic capacitors for smartphones and automotive electronics.

Production Sites

Polyester films .... Japan, Indonesia

MATERIALS

Material Business Group

Medium- and Long-Term Strategies

Accelerate measures to build a stable earnings base by expanding solutions-oriented businesses

We aim to drive the expansion of high-performance materials that realize higher fuel efficiency through weight reduction, for aircraft, automobiles and other applications, in order to address global needs to reduce environmental impact.

The Teijin Group will deliver optimal solutions by working to properly address heightened disaster mitigation awareness and growing needs for refurbishing and expanding infrastructure.

▶ Aramid fibers

In para-aramid fibers, particularly *Twaron*, Teijin will work to develop air freight containers with high durability and fire resistance in the aircraft field. In the automotive field, we will focus on expanding products to address demands for weight reduction and higher performance, including tire reinforcement materials and rubber materials. We will also use *Technora* to respond to the expansion of demand for the reinforcement of rubber materials in the automotive field. In infrastructure, demand for *Technora* is anticipated in a wide range of demand of applications, such as rope and deep sea oil drilling.

For the meta-aramid fiber *Teijinconex neo*, we will drive growth in demand for protective clothing in Asia and emerging countries, where high growth is expected against the backdrop of increasingly stringent regulations pertaining to flame-retardant materials and environmental safety.

▶ Carbon fibers

In the aircraft field, we will intensively allocate resources to intermediate materials. We will build a competitive edge by accelerating the expansion of thermoplastic prepreg and the textile materials business, thereby steadily expanding sales. Moreover, we will address growing needs for use in the infrastructure and energy fields. Specifically, we will work to expand sales of pressure vessels for the transportation of shale gas, along with sales of products and materials for wind turbine blades.

To address further growth in demand for carbon fiber primarily in North America, we have begun construction of a new carbon fiber production facility in the U.S. and the construction work is proceeding steadily.

▶ Resin and plastics processing

We will strive to add even more value by proposing weight reduction and design improvements using our high-performance compound products that use the "super engineering plastic" polyphenylene sulfide (PPS) resin and suchlike, in addition to polycarbonate resins.

Moreover, Teijin has decided to establish a resin compound plant and a related R&D facility in Thailand to advance further global development in the resin business. Teijin is working to enhance value-added resin products using the compound technologies it has developed over many years, with the aim of achieving further business expansion in China and ASEAN, both of which are growing regions.

▶ Films

We will enhance cost competitiveness by steadily realizing the benefits of integrating domestic production sites.

In addition, we will strive to supply high-quality products in line with further growth in demand for release films for manufacturing processes for electronic components. We will also develop various films for use in electric vehicles.

Polyester Fibers & Trading and Retail Business Group

Specialized textiles trading company

Among the **top class** in Japan

Delivering innovative **solutions** by integrating manufacturing and trading company functions

Business Opportunities

Teijin Frontier Co., Ltd. is among the top class of specialized textiles trading companies in Japan and develops a wide array of products. These products include fiber materials and sewn products in the fashion and apparel field. In the industrial textiles and materials field, products include automotive materials and components, materials for tents, and living-related materials. In April 2017, Teijin Frontier integrated the polyester fibers business into its business operations. Teijin Frontier's strengths lie in its integrated system spanning materials development to production and sales, as well as research and development, production and sales of polyester fiber. Leveraging these strengths, Teijin Frontier is expanding its business globally.

Fiscal 2017 Performance

Functional materials for sports and outdoor use for Europe and the Americas held firm, while civil engineering materials declined

In the fiber materials and apparel field, sales of functional fabrics remained favorable for sports and outdoor use for Europe and the Americas. Firm sales were posted for uniforms. In functional textiles and apparel, performance was sluggish, amid continued weakness in domestic market conditions. In the industrial textiles and materials field, we posted firm sales of automotive-related reinforcement materials and synthetic leather car seat fabric. In fiber materials, there was a downturn in sales of civil engineering materials as earthquake reconstruction demand and orders received for new infrastructure construction settled down.

Production Sites

Polyester fibers .... Japan, Thailand
Textiles .... Japan, China, Thailand
Sewn products .... Japan, Vietnam, Myanmar

Medium- and Long-Term Strategies

Contribute to the enhancement of people's lifestyles and daily lives through chemical products such as textiles, resins and films

To rigorously pursue a customer-focused approach, that is, to further advance its solutions-oriented business model, Teijin will strive to further enhance services for customers as the only enterprise in the industry that conducts integrated fiber manufacturing and sales.

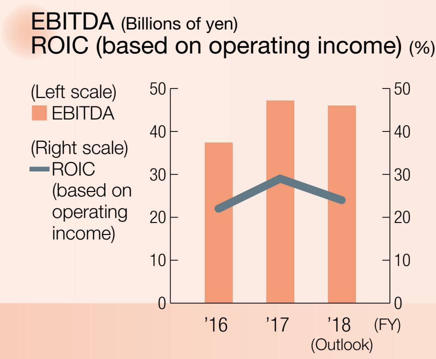
Our strengths lie in our global supply chain spanning manufacturing to retail. We will create and supply products that meet customer needs, as well as products that are not currently available on the market, by developing even more sophisticated differentiated products. Teijin will continue to reinforce its production capabilities through proactive M&A and alliances in pursuit of globally optimized local production for local consumption. Notably, in automotive materials, we are working to strengthen supply chains in the key regions of Japan, China, ASEAN, Europe and the Americas, in conjunction with expanding our production sites, thereby paving the way for higher sales.

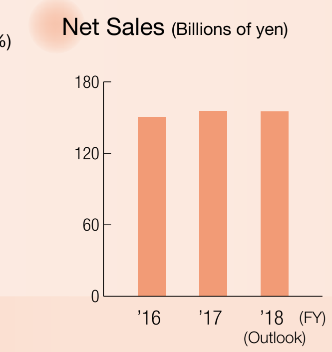
In addition, Teijin will lay the groundwork for further growth and development by taking full advantage of its ability to rapidly address market needs through integrated development and production spanning yarn to materials and products converting.

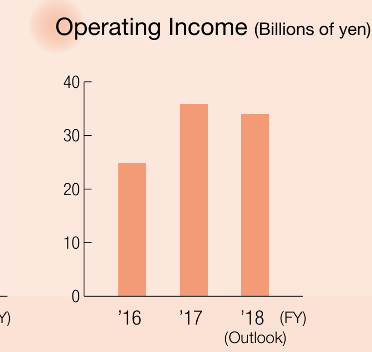
In the environmental field, we formulated *THINK ECO* as an activity guideline based on the seven main themes of 1) recycling; 2) derived from biomaterial; 3) energy conservation; 4) organic; 5) reduced use of hazardous chemicals; 6) reduced emissions of environmental-burdening substances; and 7) adapting to climate change. With this in mind, we are working to build and expand our environment-conscious business, in addition to focusing on CSR procurement activities.

HEALTHCARE

Hiroshi Uno
Senior Executive Officer,
Member of the Board
President, Healthcare Business Field of Teijin Group







Healthcare Business Group

Pharmaceuticals

Hyperuricemia and gout treatments
Top share* in Japan

* Copyright©2018 IQVIA.
Source: IQVIA Japan Pharmaceuticals Market Statistics, April 2017–March 2018
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Countries or regions where the Teijin Group has business alliances
117

Business Opportunities

Operating conditions remained harsh for the recently developed drugs business owing to the downward revisions of Japan's National Health Insurance drug reimbursement prices for prescription pharmaceuticals and higher sales of generic drugs. Under these conditions, the Teijin Group's originally developed hyperuricemia and gout treatment febuxostat, its first novel global treatment in 40 years, has already secured the top share of the domestic market. Sales are forecast to continue to the extent that they will be a driver of business growth. In addition, we have secured exclusive distributorship agreements for febuxostat covering 117 countries and regions overseas and sales have already started in more than 70 of these places as of the end of June 2018, with plans to expand the sales area going forward.

Fiscal 2017 Performance

Favorable sales of hyperuricemia and gout treatment *FEBURIC*

Sales of pharmaceuticals such as the hyperuricemia and gout treatment *FEBURIC* (febuxostat) and *Somatuline*®* expanded steadily. In July 2017, *Somatuline*® received additional approval in Japan for the new indication of gastro-entero-pancreatic neuroendocrine tumors (GEP NET). Sales of febuxostat also continued to expand encouragingly overseas. In May 2017, we entered into a worldwide license agreement with Merck & Co., Inc., U.S.A. for the development, manufacture and commercialization of an investigational antibody candidate targeting tau, for a possible new treatment of Alzheimer's disease. Accordingly, we received a lump-sum payment as consideration for licensing out the investigational antibody.

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

Business Sites

70 sales offices in Japan

Home Healthcare

Therapeutic oxygen concentrators for HOT and CPAP ventilators for the treatment of SAS
Top share* in Japan

* Estimated from external reports and Teijin's rental volume

Number of users
Over 350,000

Business Opportunities

In Japan, the Teijin Group was a pioneer in home oxygen therapy (HOT) services. Teijin's strengths are its customer base, the largest in the sector, and its extensive domestic structure, which can support patients 24 hours a day, 365 days a year. Teijin provides home healthcare services to over 350,000 patients inside and outside of Japan. We have also secured the No.1 share in Japan for the rapidly growing market for continuous positive airway pressure (CPAP) ventilators for the treatment of sleep apnea syndrome (SAS), the same as with our HOT services.

Fiscal 2017 Performance

Solid rental volume for home oxygen therapy

We maintained a high level of rental volume for therapeutic oxygen concentrators for HOT. This was done by enhancing the lineup and expanding the use of portable oxygen concentrators. Rental volume for CPAP ventilators for the treatment of SAS continued to increase favorably, due to increasing the appeal of *NemLink*, a monitoring system for CPAP ventilators that uses mobile phone networks, and to the use of the *SAS-2100* sleeping pattern analysis devices.

Business Sites

65 sales offices in Japan

Medium- and Long-Term Strategies

We will strive to capture synergies between both the pharmaceuticals and home healthcare businesses. Our goal is to help to enhance the quality of life (QOL) of our patients

The Teijin Group is working to maximize earnings from existing growth drivers, while focusing on drug discovery research and striving to strengthen home healthcare using IoT. The Teijin Group will proactively support comprehensive and efficient community healthcare, as it strives to optimally allocate resources across the entire field and implement restructuring initiatives.

▶ Pharmaceuticals

Sales of febuxostat, a treatment for hyperuricemia and gout have been increasing steadily worldwide. Aiming to maximize earnings from febuxostat, we will work to raise disease awareness and to boost recognition of the importance of treatment. By doing so, we will strive to absorb the impact of downward revisions of Japan's National Health Insurance drug reimbursement prices for prescription pharmaceuticals.

In drug discovery research, we will continue working to expand drug discovery fields. Specifically, we will enhance drug discovery technologies in areas such as nuclear receptor drug discovery and macrocyclic and constrained peptide drug discovery, along with conducting R&D activities focused on advanced medical materials based on the integration of materials and healthcare technologies. Another priority is to pursue regenerative medicine initiatives for neurological diseases and other diseases. We will also continue to promote alliances on a global scale. Notably, in May 2017, we received consideration for the licensing out of an investigational antibody candidate targeting tau, for a possible new treatment of Alzheimer's disease, from Merck & Co., Inc., U.S.A. In October 2017, we acquired the exclusive license and co-development rights in Japan to Xeomin (incobotulinumtoxinA), the novel type A botulinum neurotoxin developed by Merz Pharma GmbH & Co. KGaA of Germany.

▶ Home Healthcare

In fiscal 2018, Home Healthcare is expected to be impacted by factors including downward revisions to medical fees. However, we will continue to strengthen the base of the Home Healthcare field by striving to further increase rental volume of ventilators for the treatment of sleep apnea syndrome (SAS) and oxygen concentrators. This will be done primarily by enhancing the functionality of these devices, bolstering support systems and upgrading and expanding the product lineup.

VitalLink is a multidisciplinary collaboration and information sharing system used by medical professionals as a tool to support comprehensive community healthcare. For *VitalLink*, we have made steady progress on signing agreements with general practitioners through medical associations, in addition to signing agreements directly with primary care physicians. In 2017, *VitalLink* was adopted for use by the Hyogo Prefecture Medical Association. With the number of users nearly reaching 1,000, *VitalLink* is contributing to comprehensive community healthcare in Hyogo Prefecture.

■ Pipeline

As of the end of June 2018

Area	Code No.	Target Disease	Phase of Clinical Trials: Phase 1	Phase 2	Phase 3	Filed
Bone and joint disease	ITM-058	Osteoporosis			■	
	NT 201	Pure botulinum neurotoxin type A1/upper and lower limb spasticity			■	
	KTP-001	Lumbar disc herniation		■		
Respiratory disease	PTR-36	Bronchial asthma		■		
Cardiovascular and metabolic disease	TMX-67 (PRC)	Hyperuricemia and gout				■
	STM-279	ADA deficiency				■
	ITM-014T	Thyroid stimulating hormone-secreting pituitary tumors			■	
	TCF-12	Chronic kidney disease		■		
	TMX-049	Hyperuricemia and gout		■		
	TMX-049DN	Diabetic nephropathy in Type 2 diabetes		■		
Others	GGS-ON, -MPA, -CIDP	Optic neuritis, Microscopic polyangiitis, Chronic inflammatory demyelinating polyneuropathy			■	

BUSINESS REVIEW

IT

Norihiro Takehara
President and CEO,
Infocom Corporation

IT Business Group

MECCHA COMICS e-comics distribution service for smartphone and mobile phone users

Surpassed 1 million paying subscribers

Creating new services using **IoT** in nursing care

Business Opportunities

With Infocom Corporation at the core, we are engaged in Business Solutions (B2B) and Digital Entertainment (B2C). With our Business Solutions (B2B), we provide corporate, medical, and public institutions with high value-added services, leveraging our know-how and development technology in the medical industry. With our Digital Entertainment (B2C), we provide consumers with such services as the *MECCHA COMICS* e-comics distribution service and e-commerce, leveraging our know-how and track record built up from the early days of the mobile phone business. In the e-book market, *MECCHA COMICS* has grown to become one of Japan's largest digital comic stores.

Fiscal 2017 Performance

The IT Business delivered steady growth in the e-comics distribution service and healthcare services

In Digital Entertainment, we recorded a solid performance, highlighted by steady expansion in sales of the *MECCHA COMICS* e-comics distribution service. Notably, we implemented initiatives such as an exclusive pre-release e-comics distribution campaign through a collaboration project with a major publisher. This project contributed to sales growth mainly through the acquisition of new readers. In Business Solutions, specifically in the healthcare-related business, a recovery in business performance in the hospital field contributed to sales growth.

Medium- and Long-Term Strategies

Contribute to the realization of an even better society through collaborative creation with related companies, governments and communities

In the IT Business, we have positioned the e-comics business and the healthcare-related business as priority businesses. In these areas, we will strive to strengthen our competitiveness and expand business by leveraging our proprietary technologies and expertise.

In Business Solutions, specifically the healthcare-related field, we are accelerating business development initiatives in the comprehensive community healthcare and nursing care areas through the creation of new IoT-driven services that will realize higher efficiency at medical and nursing care sites. These initiatives include promoting *Nursing care whole IT!*, a project designed to reduce the workload of staff at nursing care facilities using sensors and other devices, as well as expanding the provision of monitoring services using IoT and a nursing care recordkeeping system.

In Digital Entertainment, we aim to grow at a faster pace than the market growth rate as the industry's frontrunner in the e-comics distribution service through *MECCHA COMICS*. We will upgrade and expand collaboration projects with major publishers centered on exclusive pre-release e-comics distribution campaigns. In addition, we will bolster and enhance our ability to analyze big data using artificial intelligence (AI), thereby laying the groundwork for expanding personalized services fields and for monitoring strong-selling works. Moreover, we have commenced collaboration with peer companies in the same industry through initiatives such as the establishment of Japan E-Bookstore Association, a measure to combat pirated content. We are also working to expand the size of our business through initiatives such as launching a publishing agency business for Asia and North America and exploring the feasibility of providing a proprietary content distribution service.

R&D

Technological innovation is vital to ensuring sustainable corporate growth. We intend to deliver new value grounded in innovative technology to customers and markets, and thereby enrich people's daily lives and contribute to the advancement of society. Doing so is inseparable from enhancing the quality of life, as set forth in our Corporate Philosophy. With this in mind, we are working to sharpen our ability to develop technologies and to deliver solutions that create new value. This is being done by formulating a Group-wide R&D strategy, including basic research, in tandem with strengthening coordination between Group companies.

Research and Development Strategy

The Teijin Group has embraced a long-term vision laid out as follows: "Teijin aims to be an enterprise that is essential to tomorrow's society by continuously creating new value." To realize its aspirations for the Group ten years from now, Teijin is advancing research and development from a global perspective.

To achieve its long-term vision, Teijin will strengthen and utilize its basic technologies. At the same time, Teijin has positioned "Environmental Value," "Safety, Security, and Disaster Mitigation," and "Demographic Change and Increased Health Consciousness" as its core priority fields, and is steadily advancing research and development to promote its transformation strategy for achieving innovation through the integration of technologies and organizational functions, and its growth strategy for maximizing earnings in existing businesses.

In regard to the organization, inter-business integration will be promoted by integrating materials-related businesses, which had previously been separated into several different parts, into one organization as the materials business. At the same time, coordination will be deepened by splitting up the New Business Development Business Unit into materials and healthcare business.

Research and Development Sites

The Teijin Group's R&D sites are spread around the world. At eight R&D sites in Japan and eight sites overseas, researchers are carrying out R&D activities based on the Group's overall R&D strategies, including basic research.

(As of March 31, 2018)

Investment in Research and Development

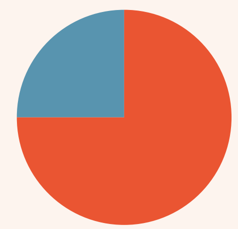
Teijin's policy is to continuously allocate approximately 5% of net sales to R&D. Under this policy, we intend to effectively allocate resources to R&D with an emphasis on core priority fields.

In fiscal 2017, ¥35.9 billion was spent on R&D, up ¥0.5 billion compared to the previous fiscal year.

Teijin will allocate around 25% of R&D expenses to the budget for its transformation strategies, including composites, LIB Separators, membranes and new healthcare, and around 75% to the budget for its growth strategies, including progress in the drug discovery and development phases and strengthening materials platform technologies.

Fiscal 2018 Allocation Plan

- Budget for growth strategies Around 75%
- Budget for transformation strategies Around 25%



Fostering R&D Personnel

Teijin is actively involved in holding forums gathering university professors and researchers primarily in the fields of composites and healthcare, a technical advisory council comprised of influential members of academia, research institutes; and a dispatch program that sends young researchers on assignment to leading research institutions both in Japan and overseas.

Dr. Ei-ichi Negishi, awarded the Nobel Prize in Chemistry in 2010, on staff as a Teijin Group Distinguished Fellow and presently a special professor at Purdue University in the US, continues to offer consultation services to researchers in Japan.

Open Innovation

Teijin has embraced an open innovation strategy to strengthen partnerships with researchers both within and outside the Company, in an effort to spur R&D activities aimed at creating new businesses. This is not confined to being only within R&D conducted in the Teijin Group. We are undertaking joint research and exchanging information and personnel by forming networks in an expansive range of fields spanning industry, government and academia. By doing so, we aim to provide sophisticated solutions required by customers in a timely manner.

Intellectual Property Strategy

Teijin is strengthening its execution of intellectual property activities from a strategic perspective, with a view to advance integrated management of business, technology and intellectual property strategies. In addition, we will work to reshape our intellectual property portfolio and optimize our intellectual property resources in line with our business portfolio transformation, which is driven by the execution of our growth and transformation strategies. Besides protecting and utilizing patents, trademarks and other intellectual property, we are enhancing activities to protect knowledge and trade secrets throughout the Company.

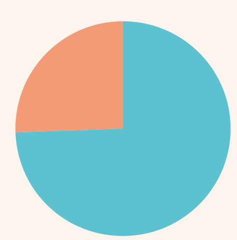
Patent Applications in Fiscal 2017

Japan

Materials	239
Healthcare	22
Total	261

Overseas

Materials	50
Healthcare	17
Total	67



Business Topics

Teijin Pharma Entered into Worldwide License Agreement with Merck & Co., Inc. for an Investigational Antibody Candidate Targeting Tau for a Possible New Treatment of Alzheimer's Disease

In May 2017, Teijin Pharma Limited entered into a worldwide license agreement with Merck & Co., Inc. for the development, manufacture and commercialization of an investigational antibody candidate targeting tau, for a possible new treatment of Alzheimer's disease.

The anti-tau antibody licensed out to Merck is designed to bind to hyperphosphorylated tau proteins, which are believed to cause neurofibrillary tangles involved in the progression of Alzheimer's disease. This agreement seeks to accelerate Teijin Pharma's research and development into the anti-tau antibody and maximize its value. Going forward, Merck will conduct clinical development aimed at launching a new treatment in the future, and will verify the effectiveness of the anti-tau antibody in suppressing the progression of Alzheimer's disease.

Teijin and JCR to Develop Allogeneic Regenerative Medical Product Using Dental Pulp Stem Cells (DPCs)

Teijin and JCR, a leading biopharmaceutical company in Japan, have entered into a co-development and license agreement regarding JTR-161, an allogeneic regenerative medical product using dental pulp stem cells (DPCs) for the indication of acute cerebral infarction (stroke) in Japan.

DPCs are expected to be applied widely in various therapeutic fields based on their potential in modulating the immune system, protecting the nerve system and generating new blood vessels, as well as their likelihood of minimal risk of drug rejection. Aiming to enhance and enlarge the field of regenerative medicine, Teijin will actively work to maximize the possibilities of DPCs as it strives to expand indications to diseases beyond cerebral infarction (stroke).

Teijin Commenced Increased Production of the Para-Aramid Fiber *Technora*

We have commenced increased production of the para-aramid fiber *Technora* at the Matsuyama Factory, after completing all the work needed to increase its production capacity.

Technora was developed independently by Teijin using its proprietary technology and commercial production began in 1987. In 2017, *Technora* marked the 30th anniversary of the start of commercial production. Demand for *Technora* has increased further since fiscal 2014. In light of this expanding demand and market growth, Teijin decided to increase its production capacity of *Technora* in March 2016. This increase in production capacity will strengthen Teijin's ability to address diversifying global demand for *Technora*.

Teijin Acquired Exclusive License and Co-Development Rights in Japan for Novel Botulinum Toxin

Teijin has acquired the exclusive license and co-development rights in Japan to *Xeomin* (incobotulinumtoxinA), the novel type A botulinum neurotoxin developed by U.S.-based Merz Pharma GmbH & Co. KGaA, covering all expected indications for ethical pharmaceutical use in Japan.

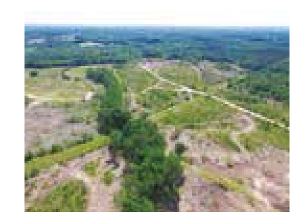
Xeomin has been launched in more than 50 countries worldwide and is being prescribed in the EU and the U.S. to treat patients with upper limb spasticity, cervical dystonia and blepharospasm. The use of *Xeomin* relieves the symptom of excessive muscle contraction. As a result, *Xeomin* can be expected to improve the activity of daily life, enhance rehabilitation outcomes and provide other therapeutic benefits.

Teijin will push ahead with the development and sale of *Xeomin*, and strengthen collaboration with its other products and drugs under development in the same therapeutic area.

Teijin Decides to Establish Carbon Fiber Production Facility and Operating Company in the U.S.

Teijin has decided to construct a new carbon-fiber production facility on an industrial site acquired in South Carolina, U.S.A., and establish Teijin Carbon Fibers, Inc. to operate the new facility.

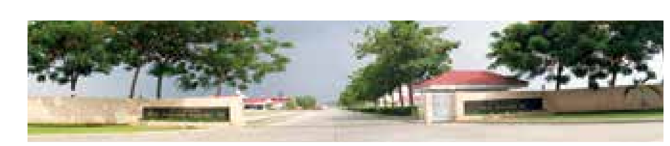
Furthermore, in conjunction with the construction of the new production facility, Teijin has decided to increase its production capacity of a specialized polyacrylonitrile (PAN) precursor used as a raw material for carbon fibers at its Mishima Factory Based on these capital investments, the Teijin Group will strengthen its ability to propose solutions in the upstream-to-downstream carbon fiber business as well as accelerate global expansion through its trilateral hubs in Japan, the U.S. and Europe.



Teijin Decides to Establish Resin Compound Plant and R&D Facility in Thailand

Teijin has decided to establish a resin compound plant and a related R&D facility on the premises of Teijin Corporation (Thailand) Limited to advance further global development in the resin business.

The new plant and R&D facility will give Teijin a framework for responding faster to demands in the ASEAN region. Also, the new R&D facility will become Teijin's third resin-related R&D hub in Asia, following the Plastics Technical Center, Teijin's existing compound-development facility, and Teijin Chemicals Plastic Compounds Shanghai Ltd. Cooperation among the three Asian hubs will enable Teijin to speedily address issues faced by customers, support customers through the supply of optimal materials, and develop high-performance compound products.



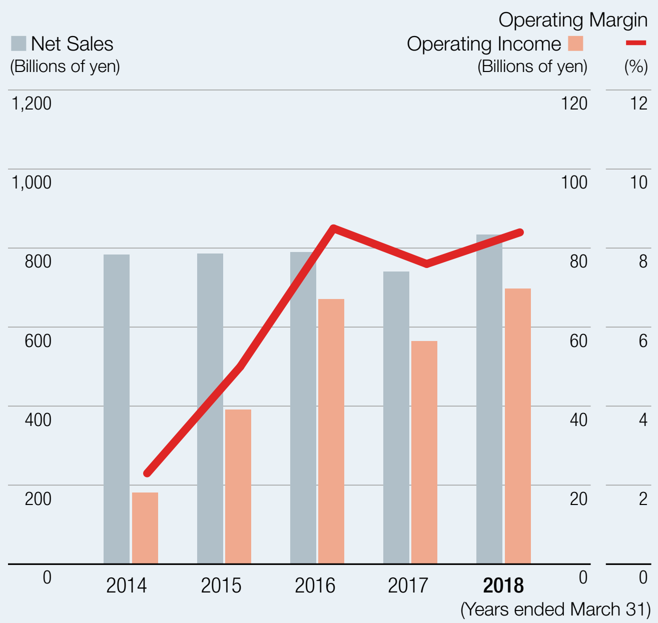
Financial Highlights and Consolidated 11-Year Summary

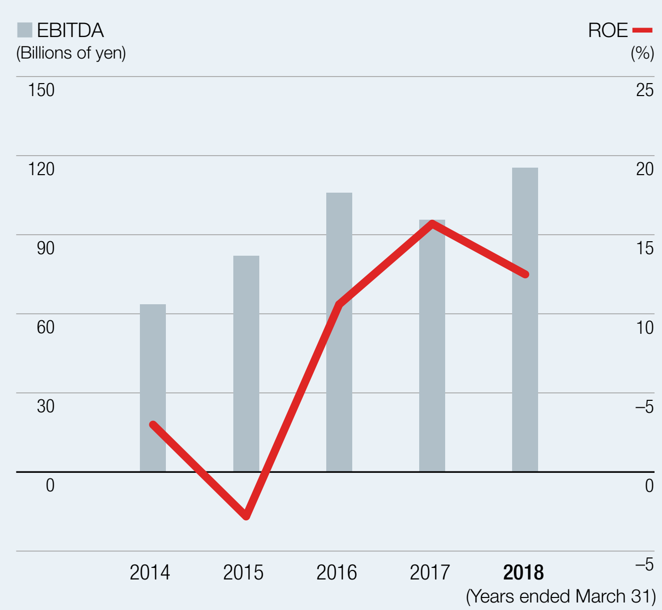
Years ended/as of March 31		2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	Millions of yen 2018	Percentage change	Thousands of U.S. dollars 2018
Operating Results	Net sales	¥1,036,624	¥ 943,410	¥765,840	¥815,656	¥854,371	¥745,713	¥784,425	¥786,171	¥790,748	¥ 741,292	**¥834,986**	12.6%	$7,859,431
	Operating income	65,162	17,966	13,436	48,560	34,044	12,358	18,078	39,086	67,130	56,512	**69,823**	23.6%	657,220
	Profit (loss) attributable to owners of parent	12,613	(42,963)	(35,684)	25,182	11,979	(29,131)	8,356	(8,086)	31,090	50,133	**45,556**	–9.1%	428,803
Financial Position	Total assets	¥1,015,991	¥ 874,157	¥823,071	¥761,535	¥762,118	¥762,399	¥768,411	¥823,695	¥823,429	¥ 964,053	**¥986,185**	2.3%	$9,282,615
	Interest-bearing debt	325,245	361,342	320,285	267,400	261,034	270,765	281,524	308,246	303,298	376,218	**344,242**	–8.5%	3,240,230
	Shareholders' equity	391,010	305,577	271,306	284,236	292,030	271,252	281,680	287,074	300,113	338,384	**392,925**	16.1%	3,698,466
Cash Flows	Cash flows from operating activities	¥ 53,740	¥ 40,392	¥ 80,433	¥ 77,132	¥ 53,669	¥ 64,305	¥ 38,587	¥ 76,030	¥ 80,641	¥ 79,040	**¥ 80,092**		$ 753,878
	Cash flows from investing activities	(79,218)	(116,304)	(33,437)	(27,745)	(35,165)	(37,868)	(47,279)	(49,624)	(40,323)	(127,650)	**(51,307)**		(482,935)
	Free cash flow	(25,478)	(75,912)	46,996	49,387	18,504	26,437	(8,692)	26,406	40,318	(48,610)	**28,784**		270,934
	Cash flows from financing activities	16,080	79,178	(42,949)	(42,063)	(14,123)	(12,606)	(7,902)	10,394	(8,317)	63,765	**(31,485)**		(296,357)
Major Indicators	ROE (%)	3.3	(12.3)	(12.4)	9.1	4.2	(10.3)	3.0	(2.8)	10.6	15.7	**12.5**		
	ROIC (based on operating income) (%)	9.3	2.6	2.1	8.5	6.3	2.3	3.4	7.1	12.7	10.0	**11.2**		
	EBITDA	127,829	85,330	75,315	104,971	86,348	59,234	63,742	82,116	106,024	95,843	**115,478**		1,086,954
												Yen		U.S. dollars
Per Share Data	Profit (loss) attributable to owners of parent	¥ 65.8	¥ (218.3)	¥ (181.3)	¥ 128.0	¥ 60.9	¥ (148.1)	¥ 42.5	¥ (41.1)	¥ 158.2	¥ 254.9	**¥ 231.3**		$ 2.18
	Shareholders' equity	1,986.4	1,552.5	1,381.2	1,444.0	1,483.5	1,380.0	1,433.1	1,460.4	1,526.2	1,720.1	**1,986.3**		18.70
	Cash dividends	40.0	25.0	10.0	25.0	30.0	20.0	20.0	20.0	35.0	55.0	**60.0**		0.56
												Millions of yen		Thousands of U.S. dollars
Other Data	Capital expenditure	¥ 84,641	¥ 75,806	¥ 36,314	¥ 29,249	¥ 32,294	¥ 36,261	¥ 30,182	¥ 28,098	¥ 38,341	¥ 46,224	**¥ 44,610**		$ 419,898
	Depreciation and amortization	62,668	67,364	61,879	56,410	52,304	46,877	45,664	43,030	38,894	39,331	**45,655**		429,735
	R&D expenses	36,282	37,630	33,356	31,483	31,845	33,184	32,234	32,366	33,285	35,417	**35,926**		338,158
	Number of employees	19,125	19,453	18,778	17,542	16,819	16,637	15,756	15,780	15,756	19,292	**19,711**		

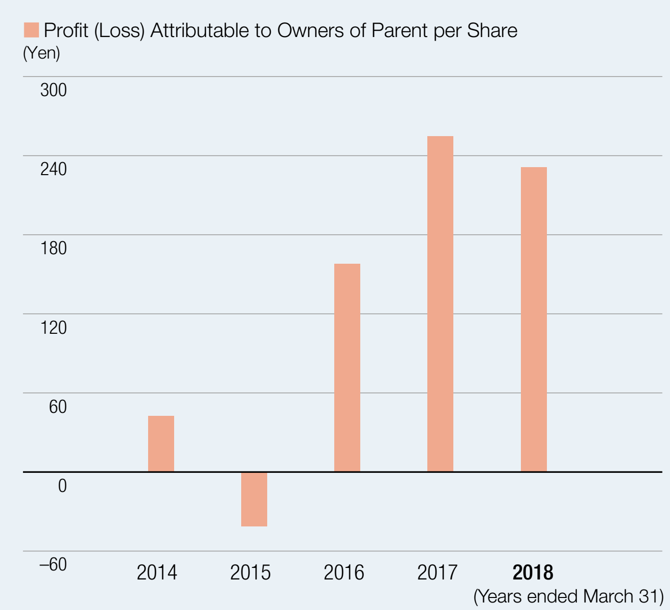
Notes: 1. The U.S. dollar amounts represent translations of Japanese yen, for convenience only, at the rate of ¥106.24 to U.S.$1.00, the prevailing exchange rate at March 31, 2018.

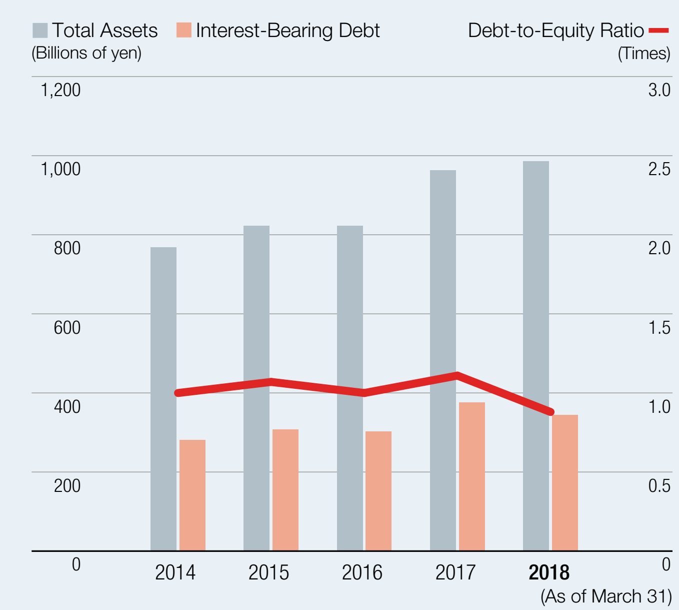
2. Throughout this integrated report, Return on Equity (ROE) is calculated as net income divided by average shareholders' equity. The debt-to-equity ratio is calculated as interest-bearing debt at year-end divided by shareholders' equity at year-end. Shareholders' equity is calculated as total net assets at year-end, less subscription rights to shares at year-end and non-controlling interests at year-end.

Notes: 3. Return on Invested Capital (ROIC) based on operating income is calculated as operating income divided by invested capital, while Earnings Before Interest, Tax, Depreciation and Amortization (EBITDA) is calculated as operating income plus depreciation and amortization. Invested capital is calculated as net assets plus interest-bearing debt, minus cash and deposits.









Management's Discussion and Analysis

Financial Analysis

Operating Environment

Global economic conditions in fiscal 2017, ended March 31, 2018, remained on a recovery path as a whole, despite heightened geopolitical risks concerning North Korea. In the U.S., stock prices reached all-time highs, driven partly by strong corporate earnings. Europe too saw an increase in exports as overseas business conditions turned upward. The Japanese economy continued to stage a modest recovery, mainly due to an upturn in capital investment atop improved corporate earnings, supported by firm overseas demand and rising internal demand.

Outline of Consolidated Operating Results

Key Indicators

Years ended March 31

	2014	2015	2016	2017	2018
ROE*1	3.0%	–2.8%	10.6%	15.7%	**12.5%**
ROIC (based on operating income)*2	3.4%	7.1%	12.7%	10.0%	**11.2%**
EBITDA (billions of yen)*3	63.7	82.1	106.0	95.8	**115.5**

*1 Return on Equity (ROE) is calculated as net income divided by shareholders' equity.
2 Return on Invested Capital (ROIC) based on operating income is calculated as operating income divided by invested capital.
* Invested capital is calculated as net assets plus interest-bearing debt, minus cash and deposits.
*3 Earnings Before Interest, Tax, Depreciation and Amortization (EBITDA) is calculated as operating income plus depreciation and amortization (including goodwill).

In fiscal 2017, we achieved an ROE of 10% or more and an ROIC based on operating income of over 8%, both of which are targets set forth in the medium-term management plan. EBITDA steadily increased toward our target of over ¥120 billion for fiscal 2019, the final year of the medium-term management plan.

Net Sales

In fiscal 2017, net sales totaled ¥835.0 billion, an increase of 12.6% year on year. This increase was primarily due to the impact of U.S.-based Continental Structural Plastics Holdings Corporation ("CSP") joining the composites business in the Materials Business Field. CSP became a consolidated subsidiary in January 2017. Another contributing factor was firm sales of aramid fibers and high-performance polycarbonate resin products, as well as the hyperuricemia and gout treatment *FEBURIC* in the Healthcare Business Field.

Costs and Expenses

In fiscal 2017, cost of sales increased 14.8%, or ¥72.8 billion, to ¥565.7 billion. This increase was mainly due to CSP becoming a consolidated subsidiary in the composites business and rising raw materials and fuel prices. As a percentage of net sales, cost of sales increased 1.3 percentage points to 67.7%.

Selling, general and administrative (SG&A) expenses increased 3.9%, or ¥7.6 billion, to ¥199.5 billion. SG&A expenses represented 23.9% of net sales, a decrease of 2.0 points.

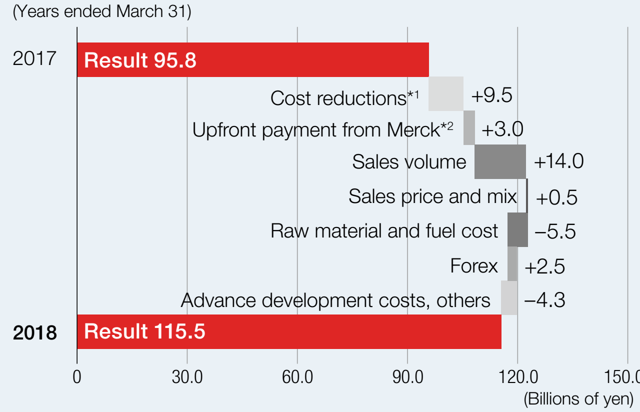
R&D expenses recorded under SG&A expenses increased 1.4%, or ¥0.5 billion, to ¥35.9 billion.

Operating Income / EBITDA

In fiscal 2017, operating income increased ¥13.3 billion to ¥69.8 billion. This increase was partly due to higher sales in the Materials Business Field and Healthcare Business Field, along with the impact of recording consideration for the licensing out of an investigational antibody candidate targeting tau, for a possible new treatment of Alzheimer's disease. The operating margin on sales rose 0.7 of a point to 8.4%.

In fiscal 2017, EBITDA increased ¥19.6 billion to ¥115.5 billion, due to the increase in operating income.

Analysis of EBITDA
(Years ended March 31)



*1 Cost reductions: including those realized through restructuring initiatives
*2 The impact of recording consideration for the licensing out of an investigational antibody candidate targeting tau, for a possible new treatment of Alzheimer's disease

Other Income (Expenses)

Other expenses, a net figure, amounted to ¥1.9 billion, an improvement of ¥20.7 billion from ¥22.6 billion in fiscal 2016. The principal factor contributing to this improvement was business structure improvement expenses recorded in the previous fiscal year due to the withdrawal from the home healthcare business in the U.S.

Profit Attributable to Owners of Parent

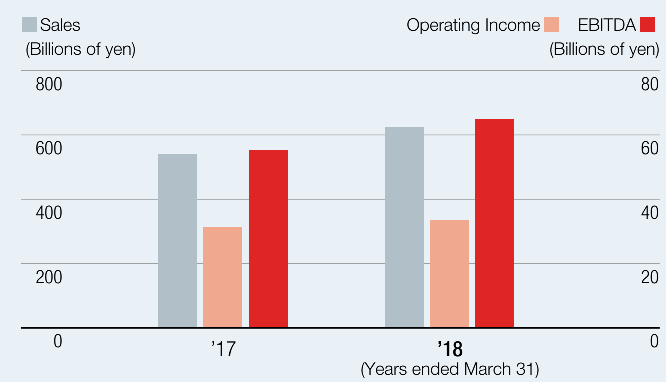
After deducting income taxes and profit attributable to non-controlling interests, we recorded a profit attributable to owners of parent of ¥45.6 billion, down ¥4.6 billion from a profit of ¥50.1 billion in fiscal 2016.

Business Segment Results

In April 2017, the Company reclassified its previous four reportable operating segments, Advanced Fibers and Composites, Electronics Materials and Performance Polymer Products, Healthcare, and Trading and Retail, into two reportable operating segments: the Materials Business and the Healthcare Business Field. This change was made in line with the Company's reorganization to accelerate growth and transformation strategies based on the medium-term management plan announced in February 2017. The figures for fiscal 2016 have been recalculated in accordance with the new segment classification for comparison purposes.

Materials Business Field

Sales ¥624.8 billion (up 15.7% year on year)
Operating income ¥33.6 billion (up 7.7% year on year)
EBITDA ¥65.0 billion (up 18.1% year on year)



Material Business Group

■ **Sales of aramid fibers expanded mainly for automotive applications, and sales were robust for high-performance polycarbonate resin products.**

In Aramid Fibers, sales of *Twaron* para-aramid fibers expanded firmly as a whole, centered on automotive applications, such as friction materials and rubber reinforcements, and optical fiber applications. Sales were firm for *Technora* para-aramid fibers both for automotive applications in Japan and also for infrastructure-related applications overseas. Sales of *Teijinconex* meta-aramid fibers were robust for use in automotive applications such as turbocharger hoses, as well as protective clothing and industrial applications.

In Carbon Fibers, sales of *TENAX* carbon fibers continued to grow steadily for use in aircraft. Among other applications, we drove growth in sales volume of compound applications, as well as sports and leisure applications in Asia. However, rising raw material and fuel prices pushed down earnings.

In Resin and Plastics Processing, market prices for our mainstay polycarbonate resin increased due to tightening supply and demand. In this environment, high capacity utilization was maintained at our production sites for polycarbonate resin and compounds in Japan and abroad. In addition, we significantly expanded sales of high-performance products for the automotive, semiconductor manufacturing-related, and optical lens fields, which have been key areas of focus in recent years.

In Films, although overall sales declined due to the impact of the integration of domestic production facilities, we expanded sales of *Purex*, which is used as a release film for manufacturing processes mainly for multilayer ceramic capacitors for smartphones and automotive electronics.

Polyester Fibers & Trading and Retail Business Group

■ **Functional materials for sports and outdoor use for Europe and the Americas held firm, while civil engineering materials declined.**

In Fiber Materials and Apparel, sales of functional fabrics remained favorable for sports and outdoor use for Europe and the Americas. Firm sales were posted for uniforms. In functional textiles and apparel, performance was sluggish, due to inventory adjustments by major customers amid continued weakness in domestic market conditions.

In Industrial Textiles and Materials, we posted firm sales of automotive-related reinforcement materials, including conveyor belts and automotive hoses, and synthetic leather car seat fabric. In fiber materials, there was a downturn in sales of civil engineering materials as earthquake reconstruction demand and orders received for new infrastructure construction settled down.

Composites and Others

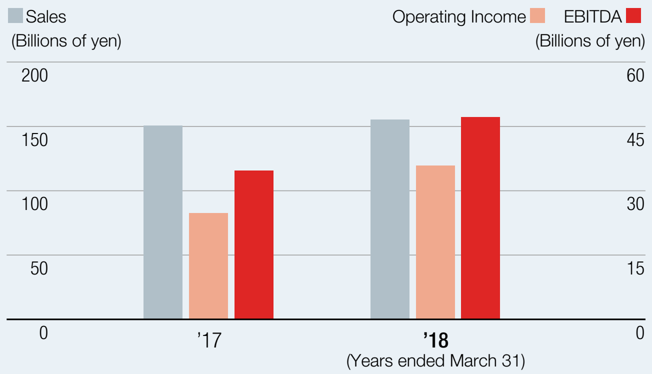
■ **Firm sales of mass-produced automotive components in North America.**

In Composites, we recorded firm sales of mass-produced automotive components led by CSP for pickup trucks and SUVs that performed well in North America, and for large trucks, for which the market showed signs of recovery. CSP was acquired in January 2017 and was consolidated in the fourth quarter of fiscal 2016.

In Battery Materials, in *LIELSORT* lithium-ion battery (LIB) separators for consumer applications, sales to existing customers were sluggish, and delays were experienced in expanding sales to new customers.

Healthcare Business Field

Sales ¥155.4 billion (up 3.1% year on year)
Operating income ¥35.9 billion (up 45.1% year on year)
EBITDA ¥47.2 billion (up 26.2% year on year)



■ Favorable sales of *FEBURIC* in Pharmaceuticals, and solid rental volume for home oxygen therapy in Home Healthcare.

In Pharmaceuticals, sales of hyperuricemia and gout treatment *FEBURIC* (febuxostat), the transdermal anti-inflammatory analgesic patch formulation *LOQOA Tape*, and *Somatuline*®*, a treatment for acromegaly, continued to expand steadily. In July 2017, *Somatuline*® received additional approval in Japan for the indication of gastro-entero-pancreatic neuroendocrine tumors (GEP NET). Sales of febuxostat also continued to expand encouragingly overseas. Furthermore, in May 2017, we entered into a worldwide license agreement with Merck & Co., Inc., U.S.A. for the development, manufacture and commercialization of an investigational antibody candidate targeting tau, for a possible new treatment of Alzheimer's disease. Accordingly, we received a lump-sum payment as consideration for licensing out the investigational antibody.

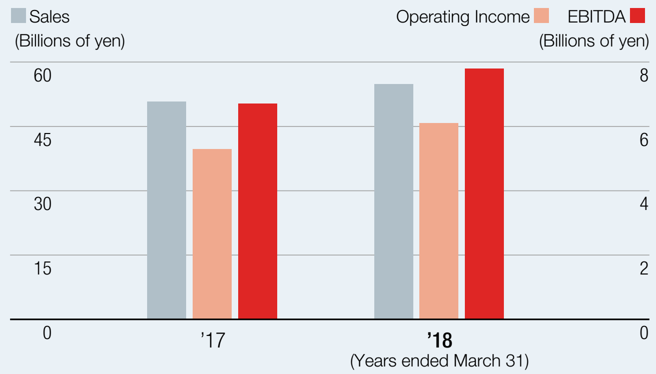
*1 *Somatuline*® is a registered trademark of Ipsen Pharma, France.

In Home Healthcare, we maintained a high level of rental volume for therapeutic oxygen concentrators for home oxygen therapy (HOT). This was done by enhancing the lineup and expanding the use of portable oxygen concentrators (*Hi-Sanso Portable α* (alpha), *Hi-Sanso Portable α II*), which are designed to expand the range of patients' daily activities. Rental volume for continuous positive airway pressure (CPAP) ventilators for the treatment of sleep apnea syndrome (SAS) continued to increase favorably, due to increasing the appeal of *NemLink*, a monitoring system for CPAP ventilators that uses mobile phone networks, and to the use of the *SAS-2100* sleeping pattern analysis devices.

In the area of New Healthcare Initiatives, particularly in the field of implantable medical products, we are conducting an artificial joints business. In fiscal 2017, we augmented this field with bone-bonding materials and the orthopedic business, principally spine fixation devices and spine cages.

Others

Sales ¥54.8 billion (up 7.9% year on year)
Operating income ¥6.1 billion (up 15.9% year on year)
EBITDA ¥7.8 billion (up 16.4% year on year)



■ The IT business expanded steadily, supported by the e-comics and healthcare-related businesses.

In the IT business, specifically in Digital Entertainment, we recorded a solid performance, highlighted by steady expansion in sales of the *Meccha Comics* e-comics distribution service. Notably, we implemented initiatives such as an exclusive pre-release e-comics distribution campaign through a collaboration project with a major publisher. This project contributed to sales growth mainly through the acquisition of new readers. In Business Solutions, specifically in the healthcare-related business, a recovery in business performance in the hospital field contributed to sales growth.

Financial Position

Analysis of Assets, Liabilities and Net Assets

Total assets as of March 31, 2018 amounted to ¥986.2 billion, up ¥22.1 billion from the end of fiscal 2016. The main reasons for the increase in total assets were an increase in working capital in connection with the growth and expansion of each business and rising raw material and fuel prices, among other factors, and an increase in unrealized gains on investment securities in line with the higher market value of shares held.

Total liabilities amounted to ¥577.9 billion, down ¥34.3 billion from the end of fiscal 2016. The main reasons for this decrease were the repayment of long-term debt and the reversal of provision for business structure improvement recorded in preparation for the withdrawal from the U.S. home healthcare business.

Total net assets amounted to ¥408.2 billion, up ¥56.4 billion from the end of fiscal 2016. This was mainly due to profit attributable to owners of parent of ¥45.6 billion, along with an increase in foreign currency translation adjustments in connection with the weaker yen and an increase in valuation difference on available-for-sale securities in line with the higher market value of shares held.

Rating

As of March 31, 2018	Rating	Outlook
Rating and Investment Information, Inc.	A–	Stable

Outline of Capital Expenditures

The Teijin Group implements capital expenditures primarily to increase production capacity in growing fields, as well as to maintain quality and rationalize operations. In fiscal 2017, capital expenditures amounted to ¥44.6 billion (including investments in long-term prepaid expenses and intangible fixed assets).

Analysis of Cash Flows

Net cash and cash equivalents provided by operating activities in fiscal 2017 amounted to ¥80.1 billion. This result reflected income before income taxes, along with the impact of non-cash items such as depreciation and amortization.

Net cash and cash equivalents used in investing activities amounted to ¥51.3 billion, owing mainly to capital expenditures including outlays for growth and transformation strategies. Free cash flow in fiscal 2017 was thus a positive as operating and investing activities combined provided a net total of ¥28.8 billion.

Net cash and cash equivalents used in financing activities amounted to ¥31.5 billion, mainly due to the repayment of long-term loans payable and cash dividends paid.

After factoring in the impact of exchange rate fluctuations, operating, investing and financing activities in the period under review resulted in a net decrease in cash and cash equivalents of ¥1.4 billion as of March 31, 2018.

Dividend Policy

The Teijin Group's basic policy for profit sharing is to ensure dividends are in line with consolidated operating results, targeting a consolidated payout ratio of 30% for the medium term. We will determine dividends by giving consideration to the need to ensure financial soundness, to our ability to maintain stable dividend payments over the medium to long term, and to securing sufficient internal reserves to fund strategic investments aimed at ensuring future growth. Our year-end dividend for fiscal 2017 was declared at ¥30.0 per share, bringing dividends for the full term, including the interim dividend, to ¥60.0 per share.

Outlook for Fiscal 2018

Forecast for Operating Results

Looking at the global economy in fiscal 2018, business conditions are forecast to expand steadily in the U.S., Europe and China, despite heightened geopolitical risks and concerns about stronger protectionism in the U.S. The Japanese economy is forecast to remain on a steady growth trajectory, underpinned partly by a projected improvement in corporate earnings against the backdrop of solid internal and external demand.

In this environment, in order to realize its long-term vision for becoming a company that supports the society of the future as laid out in the new "ALWAYS EVOLVING" Medium-Term Management Plan For 2017–2019 announced in February 2017, the Teijin Group has clarified the actions it must take in the fiscal 2017–2019 period.

In fiscal 2018, the plan's second year, we will continue to steadily push ahead with strategic actions based on the medium-term management plan in order to achieve business portfolio transformation. These actions will pave the way for further growth and transformation. Specifically, in the Materials Business Field, we will work to nurture and expand new businesses, including composites and components businesses and to build a stable earnings base in strategic growth businesses. In the Healthcare Business Field, we will work to optimize overall resource allocation and implement restructuring initiatives, as well as create and expand the area of New Healthcare Initiatives.

Looking at our consolidated full-term operating results forecasts for fiscal 2018, we are forecasting net sales of ¥880.0 billion, up 5.4% from fiscal 2017. We also forecast operating income of ¥70.0 billion, up 0.3%, and ordinary income of ¥71.0 billion, up 4.7%. Profit attributable to owners of parent is forecast at ¥47.0 billion, up 3.2% from fiscal 2017. These forecasts assume exchange rates of ¥105 to US$1.00 and ¥130 to €1.00 and an average Dubai crude oil price of US$65 per barrel.

Forecast for Financial Position

In fiscal 2018, we will press forward with efforts to maintain and enhance financial soundness. At the same time, we will actively promote promising investments and projects with the potential to contribute to future growth, in line with our transformation strategies. Based on these initiatives, we are forecasting ROE of 11.4%, ROIC based on operating income of 10.3% and EBITDA of ¥118.0 billion for fiscal 2018.

* Forecasts for fiscal 2018 are as of May 9, 2018.

Consolidated Balance Sheets

As of March 31,	Millions of yen 2017	Millions of yen 2018	Thousands of U.S. dollars (Note 1) 2018
ASSETS			
Current assets:			
Cash and time deposits (Notes 3 and 4)	¥ 97,750	¥ 96,418	$ 907,549
Receivables:			
Notes and accounts receivable—trade (Note 4):			
Unconsolidated subsidiaries and affiliates	633	546	5,139
Other	166,170	177,231	1,668,213
Short-term loans receivable (Note 4):			
Unconsolidated subsidiaries and affiliates	13,312	12,783	120,322
Other	366	343	3,229
Other	13,175	17,211	162,001
Securities (Notes 4 and 5)	20,000	14,000	131,777
Inventories (Note 7)	122,312	136,264	1,282,605
Deferred tax assets (Note 13)	15,064	11,875	111,775
Other current assets	18,883	23,641	222,525
Allowance for doubtful accounts	(910)	(578)	(5,440)
Total current assets	466,755	489,734	4,609,695
Property, plant and equipment (Note 11):			
Land	44,493	42,092	396,197
Buildings and structures	192,100	185,164	1,742,884
Machinery, equipment and vehicles	584,970	581,451	5,472,995
Tools	91,911	96,954	912,594
Construction in progress	15,471	20,608	193,976
Other	2,410	2,365	22,261
Sub total	931,355	928,634	8,740,907
Accumulated depreciation	(690,065)	(688,345)	(6,479,151)
Total property, plant and equipment	241,290	240,289	2,261,756
Intangible assets:			
Goodwill	32,738	27,192	255,949
Other	36,303	33,149	312,020
Total intangible assets	69,041	60,341	567,969
Investments and other assets:			
Investment securities (Notes 4 and 5):			
Unconsolidated subsidiaries and affiliates	38,543	39,905	375,612
Other	88,794	100,603	946,941
Long-term loans receivable (Note 4):			
Unconsolidated subsidiaries and affiliates	1,237	1,601	15,070
Other	610	1,385	13,037
Net defined benefit assets (Note 9)	37,988	39,576	372,515
Deferred tax assets (Note 13)	10,965	3,018	28,407
Other	10,922	11,835	111,398
Allowance for doubtful accounts	(2,092)	(2,102)	(19,785)
Total investments and other assets	186,967	195,821	1,843,195
Total assets	¥ 964,053	¥ 986,185	$ 9,282,615

See accompanying Notes to Consolidated Financial Statements.

	Millions of yen 2017	Millions of yen 2018	Thousands of U.S. dollars (Note 1) 2018
LIABILITIES AND NET ASSETS			
Current liabilities:			
Short-term loans payable (Notes 4 and 8)	¥ 57,585	¥ 66,291	$ 623,974
Current portion of long-term debt (Notes 4 and 8)	51,327	34,161	321,546
Payables (Note 4):			
Notes and accounts payable—trade:			
Unconsolidated subsidiaries and affiliates	1,021	1,123	10,570
Other	78,096	91,260	858,998
Other	29,934	30,579	287,829
Income taxes payable	5,021	5,111	48,108
Provision for business structure improvement	15,112	9,572	90,098
Accrued expenses	26,262	24,617	231,711
Deferred tax liabilities (Note 13)	54	53	499
Other current liabilities	15,161	13,472	126,808
Total current liabilities	279,573	276,239	2,600,141
Long-term liabilities:			
Long-term debt (Notes 4 and 8)	265,540	242,216	2,279,895
Provision for business structure improvement	10,945	—	—
Net defined benefit liabilities (Note 9)	35,428	35,650	335,561
Asset retirement obligations (Note 18)	1,323	1,426	13,422
Deferred tax liabilities (Note 13)	8,371	9,223	86,813
Other long-term liabilities	11,043	13,193	124,181
Total long-term liabilities	332,650	301,708	2,839,872
Contingent liabilities (Note 17)			
Net assets (Note 10)			
Shareholders' equity:			
Capital stock			
Authorized— 600,000,000 shares in 2017 600,000,000 shares in 2018			
Issued— 196,951,733 shares in 2017 197,953,707 shares in 2018	70,817	71,833	676,139
Capital surplus	103,664	104,685	985,363
Retained earnings	168,661	202,414	1,905,253
Treasury stock, at cost: 231,413 shares in 2017 133,480 shares in 2018	(275)	(167)	(1,572)
Total shareholders' equity	342,867	378,765	3,565,183
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities	21,842	28,377	267,102
Deferred gains or losses on hedges	(276)	903	8,500
Foreign currency translation adjustments	(24,889)	(14,815)	(139,448)
Remeasurements of defined benefit plans	(1,160)	(305)	(2,871)
Total accumulated other comprehensive income	(4,483)	14,160	133,283
Subscription rights to shares	862	860	8,095
Non-controlling interests	12,584	14,453	136,041
Total net assets	351,830	408,238	3,842,602
Total liabilities and net assets	¥964,053	¥986,185	$9,282,615

Consolidated Statements of Income

Years ended March 31	Millions of yen 2017	Millions of yen 2018	Thousands of U.S. dollars (Note 1) 2018
Net sales	¥741,292	¥834,986	$7,859,431
Costs and expenses:			
Cost of sales	492,862	565,689	5,324,633
Selling, general and administrative expenses	156,501	163,548	1,539,420
Research and development expenses	35,417	35,926	338,158
Operating income	56,512	69,823	657,220
Other income (expenses):			
Interest and dividend income	2,510	3,002	28,257
Interest expenses	(2,224)	(2,646)	(24,906)
Gain on sales of investment securities (Note 5)	119	585	5,506
Gain on sales of non-current assets	318	5,595	52,664
Loss on valuation of derivatives	(541)	(3,109)	(29,264)
Gain on investments in partnership	1,100	44	414
Loss on sales and retirement of non-current assets	(4,772)	(4,147)	(39,034)
Loss on valuation of investment securities (Note 5)	(27)	(89)	(838)
Impairment loss (Note 11)	(1,378)	(1,076)	(10,128)
Reversal of impairment loss	52	—	—
Equity in earnings of unconsolidated subsidiaries and affiliates	2,079	1,215	11,436
Business structure improvement expenses	(16,315)	(828)	(7,794)
Reversal of provision for business structure improvement	788	377	3,549
Gain on revision of retirement benefit plan (Note 9)	193	—	—
Insurance income	392	—	—
Other, net	(4,878)	(852)	(8,019)
Total other income (expenses)	(22,584)	(1,929)	(18,157)
Income before income taxes	33,928	67,894	639,063
Income taxes (Note 13):			
Current	12,026	11,269	106,072
Deferred	(29,486)	9,524	89,646
Total income taxes	(17,460)	20,793	195,718
Net income	51,388	47,101	443,345
Profit attributable to non-controlling interests	1,255	1,545	14,542
Profit attributable to owners of parent	¥ 50,133	¥ 45,556	$ 428,803

	Yen 2017	Yen 2018	U.S. dollars (Note 1) 2018
Profit attributable to owners of parent per share (Note 2)	¥254.91	¥231.26	$2.18
Profit attributable to owners of parent per share—diluted	231.09	209.61	1.97
Cash dividends applicable to the year	55.00	60.00	0.56

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Comprehensive Income

Years ended March 31	Millions of yen 2017	Millions of yen 2018	Thousands of U.S. dollars (Note 1) 2018
Net income	¥51,388	¥47,101	$443,345
Other comprehensive income (Note 12):			
Valuation difference on available-for-sale securities	4,180	6,854	64,514
Deferred gains or losses on hedges	1,027	1,180	11,107
Foreign currency translation adjustments	(7,702)	8,679	81,692
Remeasurements of defined benefit plans, net of tax	(305)	862	8,114
Share of other comprehensive income of associates accounted for using the equity method	(2,306)	1,468	13,818
Total	(5,106)	19,043	179,245
Comprehensive income	¥46,282	¥66,144	$622,590
Breakdown of comprehensive income:			
Comprehensive income attributable to owners of the parent	¥44,850	¥64,199	$604,282
Comprehensive income attributable to non-controlling interests	1,432	1,945	18,308

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Changes in Net Assets

	Number of shares of common stock	Millions of yen / Shareholders' equity: Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance at March 31, 2016	984,758,665	¥70,817	¥101,474	¥127,377	¥(355)	¥299,313
Changes of items during the period:						
Dividends from surplus				(8,849)		(8,849)
Net income				50,133		50,133
Purchase of treasury stock					(24)	(24)
Disposal of treasury stock			12		104	116
Change in ownership interest of parent due to transactions with non-controlling interests			2,178			2,178
Net changes of items other than shareholders' equity						
Total		—	2,190	41,284	80	43,554
Balance at March 31, 2017	196,951,733	¥70,817	¥103,664	¥168,661	¥(275)	¥342,867
Changes of items during the period:						
Conversion of convertible bond-type bonds with subscription rights to shares		1,016	1,016			2,032
Dividends from surplus				(11,804)		(11,804)
Net income				45,556		45,556
Purchase of treasury stock					(22)	(22)
Disposal of treasury stock			5		130	135
Net changes of items other than shareholders' equity						
Total		1,016	1,021	33,753	108	35,898
Balance at March 31, 2018	197,953,707	¥71,833	¥104,685	¥202,414	¥(167)	¥378,765

	Thousands of U.S. dollars (Note 1) / Shareholders' equity: Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance at March 31, 2017	$666,576	$975,753	$1,587,548	$(2,589)	$3,227,288
Changes of items during the period:					
Conversion of convertible bond-type bonds with subscription rights to shares	9,563	9,563			19,126
Dividends from surplus			(111,107)		(111,107)
Net income			428,803		428,803
Purchase of treasury stock				(207)	(207)
Disposal of treasury stock		47		1,224	1,271
Net changes of items other than shareholders' equity					
Total	9,563	9,610	317,705	1,017	337,895
Balance at March 31, 2018	$676,139	$985,363	$1,905,253	$(1,572)	$3,565,183

See accompanying Notes to Consolidated Financial Statements.

	Millions of yen / Accumulated other comprehensive income: Valuation difference on available-for-sale securities	Deferred gains (losses) on hedges	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Subscription rights to shares	Non-controlling interests	Total net assets
Balance at March 31, 2016	¥17,755	¥(1,304)	¥(15,072)	¥ (579)	¥ 800	¥837	¥13,462	¥314,412
Changes of items during the period:								
Dividends from surplus								(8,849)
Net income								50,133
Purchase of treasury stock								(24)
Disposal of treasury stock								116
Change in ownership interest of parent due to transactions with non-controlling interests								2,178
Net changes of items other than shareholders' equity	4,087	1,028	(9,817)	(581)	(5,283)	25	(878)	(6,136)
Total	4,087	1,028	(9,817)	(581)	(5,283)	25	(878)	37,418
Balance at March 31, 2017	¥21,842	¥ (276)	¥(24,889)	¥(1,160)	¥ (4,483)	¥862	¥12,584	¥351,830
Changes of items during the period:								
Conversion of convertible bond-type bonds with subscription rights to shares								2,032
Dividends from surplus								(11,804)
Net income								45,556
Purchase of treasury stock								(22)
Disposal of treasury stock								135
Net changes of items other than shareholders' equity	6,535	1,179	10,074	855	18,643	(2)	1,869	20,510
Total	6,535	1,179	10,074	855	18,643	(2)	1,869	56,408
Balance at March 31, 2018	¥28,377	¥ 903	¥(14,815)	¥ (305)	¥14,160	¥860	¥14,453	¥408,238

	Thousands of U.S. dollars (Note 1) / Accumulated other comprehensive income: Valuation difference on available-for-sale securities	Deferred gains (losses) on hedges	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Subscription rights to shares	Non-controlling interests	Total net assets
Balance at March 31, 2017	$205,591	$ (2,598)	$(234,271)	$(10,919)	$ (42,197)	$8,115	$118,448	$3,311,654
Changes of items during the period:								
Conversion of convertible bond-type bonds with subscription rights to shares								19,126
Dividends from surplus								(111,107)
Net income								428,803
Purchase of treasury stock								(207)
Disposal of treasury stock								1,271
Net changes of items other than shareholders' equity	61,511	11,098	94,823	8,048	175,480	(20)	17,593	193,053
Total	61,511	11,098	94,823	8,048	175,480	(20)	17,593	530,948
Balance at March 31, 2018	$267,102	$ 8,500	$(139,448)	$ (2,871)	$133,283	$8,095	$136,041	$3,842,602

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

Years ended March 31	Millions of yen 2017	Millions of yen 2018	Thousands of U.S. dollars (Note 1) 2018
Cash flows from operating activities:			
Income before income taxes	¥ 33,928	¥ 67,894	$ 639,063
Depreciation and amortization	39,331	45,655	429,735
Impairment loss	1,378	1,076	10,128
Reversal of impairment loss	(52)	—	—
Increase (decrease) in net defined benefit liability	3,237	2,179	20,510
Decrease (increase) in net defined benefit asset	(5,586)	(2,782)	(26,186)
Increase (decrease) in allowance for doubtful accounts	(225)	(101)	(951)
Increase (decrease) in provision for business structure improvement	10,463	(16,485)	(155,168)
Interest and dividend income	(2,510)	(3,002)	(28,257)
Interest expenses	2,224	2,646	24,906
Equity in losses (earnings) of affiliates	(2,079)	(1,215)	(11,436)
Loss (gain) on sales and retirement of noncurrent assets	4,454	(1,448)	(13,630)
Loss (gain) on sales of investment securities	(119)	(585)	(5,506)
Loss (gain) on valuation of derivatives	541	3,109	29,264
Loss (gain) on valuation of investment securities	27	89	838
Decrease (increase) in notes and accounts receivable—trade	5,253	(10,813)	(101,779)
Decrease (increase) in inventories	990	(11,295)	(106,316)
Increase (decrease) in notes and accounts payable—trade	2,192	12,307	115,841
Other, net	(4,010)	5,030	47,346
Subtotal	89,437	92,259	868,402
Interest and dividend income received	6,022	5,968	56,175
Interest expenses paid	(2,168)	(2,564)	(24,135)
Income taxes paid	(14,251)	(15,571)	(146,564)
Net cash and cash equivalents provided by operating activities	79,040	80,092	753,878
Cash flows from investing activities:			
Purchase of property, plant and equipment	(37,663)	(42,605)	(401,026)
Proceeds from sales of property, plant and equipment	2,415	10,143	95,473
Purchase of intangible assets	(2,941)	(3,431)	(32,295)
Purchase of investment securities	(2,642)	(5,161)	(48,579)
Proceeds from sales of investment securities	2,026	690	6,495
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(82,890)	(1,942)	(18,279)
Payments for sales of shares of subsidiaries resulting in change in scope of consolidation (Note 3)	—	(3,685)	(34,686)
Decrease (increase) in short-term loans receivable	(2,380)	(529)	(4,979)
Payments of long-term loans receivable	(22)	(868)	(8,170)
Collection of long-term loans receivable	91	300	2,824
Other, net	(3,644)	(4,219)	(39,713)
Net cash and cash equivalents used in investing activities	(127,650)	(51,307)	(482,935)
Cash flows from financing activities:			
Net increase (decrease) in short-term loans payable	1,605	10,619	99,953
Proceeds from long-term loans payable	98,761	16,051	151,082
Repayment of long-term loans payable	(27,310)	(45,831)	(431,391)
Cash dividends paid	(8,849)	(11,804)	(111,107)
Cash dividends paid to non-controlling shareholders	(373)	(287)	(2,701)
Proceeds from share issuance to non-controlling shareholders	1,817	—	—
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(1,585)	—	—
Other, net	(301)	(233)	(2,193)
Net cash and cash equivalents provided by (used in) financing activities	63,765	(31,485)	(296,357)
Effect of exchange rate changes on cash and cash equivalents	823	1,308	12,312
Net increase (decrease) in cash and cash equivalents	15,978	(1,392)	(13,102)
Cash and cash equivalents at beginning of year	100,955	117,550	1,106,457
Increase in cash and cash equivalents resulting from change in scope of consolidation	617	—	—
Cash and cash equivalents at end of year (Note 3)	¥ 117,550	¥116,158	$1,093,355

See accompanying Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements

TEIJIN LIMITED

Note 1. Basis of presenting consolidated financial statements

The accompanying consolidated financial statements of Teijin Limited (the “Company”) have been prepared in accordance with the provisions set forth in Japan’s Financial Instruments and Exchange Law (the “Law”) and the related accounting regulations, and in conformity with accounting principles generally accepted in Japan (“Japanese GAAP”), which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards (“IFRS”).

The Company adopted the “Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements” (Practical Issues Task Force (“PITF”) No. 18, issued by the Accounting Standards Board of Japan (“ASBJ”)). In principle, the Company has unified the accounting standards for overseas subsidiaries and makes necessary adjustments upon consolidation. There were no material effects as a result of the adoption of PITF No. 18 on the consolidated financial statements for the years ended March 31, 2017 and 2018.

The accompanying consolidated financial statements have been reformatted and translated into English with some expanded descriptions from the consolidated financial statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Law. Certain supplementary information included in the statutory Japanese-language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

The translation of the Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2018, which was ¥106.24 to U.S. $1.00. The convenience translations should not be construed as representations that the Japanese yen amounts have been, could have been or could in the future be converted into U.S. dollars at this or any other rate of exchange.

Note 2. Summary of significant accounting policies

Consolidation

The consolidated financial statements include the accounts of the Company and 88 significant subsidiaries for the year ended March 31, 2018 (89 in 2017). Investments made in 75 (80 in 2017) unconsolidated subsidiaries and affiliates are, with minor exceptions, stated at cost, adjusted for equity in undistributed earnings and losses since acquisition.

Companies which are 40% or more owned and substantially controlled by the Company are considered subsidiaries for inclusion in the consolidation. Equity method accounting is applied to unconsolidated subsidiaries and affiliates which are substantially controlled or of which operating and financial policies are significantly influenced by the Company.

In the elimination of investments in subsidiaries, the assets and liabilities of the subsidiaries, including the portion attributable to non-controlling interests, are evaluated using the fair value at the time the Company acquired control of the respective subsidiaries.

Goodwill is usually amortized using the straight-line method over the estimated useful life from 5 to 20 years.

Of the Company’s consolidated subsidiaries, 12 subsidiaries in 2018 and 2017 did not change their fiscal year-end of December 31. These 12 subsidiaries prepared, for consolidation purposes, provisional financial statements for the period that correspond to the fiscal year of the Company.

Statements of cash flows

In preparing the consolidated statements of cash flows, cash on hand, readily available deposits and short-term highly liquid investments with maturities not exceeding three months at the time of purchase are considered to be cash and cash equivalents.

Allowance for doubtful accounts

The allowance for doubtful accounts is provided in amounts sufficient to cover possible losses on collection. It is determined by adding the individually estimated uncollectible amounts of certain accounts to an amount calculated using the provision rate based on past experience.

Securities

Under the Japanese accounting standard for financial instruments, all companies are required to classify securities as (a) securities held for trading purposes (“trading securities”), (b) debt securities intended to be held to maturity (“held-to-maturity debt securities”), (c) equity securities issued by unconsolidated subsidiaries and affiliates, and (d) all other securities that are not classified in any of the above categories (“available-for-sale securities”).

The Company and its consolidated subsidiaries (the “Companies”) do not hold trading securities. Held-to-maturity debt securities are stated at amortized cost.

Equity securities issued by unconsolidated subsidiaries and affiliates, which are not consolidated or accounted for using the equity method, are stated at moving-average cost. Available-for-sale securities with available fair market values are stated at fair market value. Unrealized gains and losses on these securities are reported, net of applicable income taxes, as a separate component of net assets. Realized gains and losses on sales of such securities are computed using moving-average cost.

Debt securities with no available fair market value are stated at amortized cost, net of the amount considered not collectible. Other securities with no available fair market value are stated at moving-average cost.

If the market value of held-to-maturity debt securities, equity securities issued by unconsolidated subsidiaries and affiliates and available-for-sale securities declines significantly, such securities are stated at fair market value and the difference between fair market value and the carrying amount is recognized as a loss in the period of the decline. If the fair market value of equity securities issued by unconsolidated subsidiaries and affiliates not accounted for using the equity method is not readily available, the securities will be written down to net asset value with a corresponding charge in the consolidated statements of income in the event net asset value declines significantly. In these cases, the fair market value or the net asset value will be the carrying amount of the securities at the beginning of the following year.

Inventories

Inventories are stated at the lower of average cost or net realizable value.

Property, plant and equipment

Property, plant and equipment are amortized using the straight-line method over the estimated useful life of the asset.

Intangible assets

Goodwill, customer-related assets, technology-related assets and other intangible assets are amortized using the straight-line method over the estimated useful life of the asset.

Software for internal use is amortized using the straight-line method over the estimated useful life, i.e. 5 to 10 years.

Research and development expenses

The Company charges research and development expenses to income as incurred.

Retirement benefits

Employees

The Company has an unfunded lump-sum benefit plan and a funded contributory pension plan, generally covering all employees. Certain consolidated subsidiaries have unfunded lump-sum benefit plans and non-contributory pension plans. Most overseas subsidiaries do not have pension plans.

Under the terms of the lump-sum benefit plans, eligible employees are, upon mandatory retirement at age 60 or voluntary termination before such age, entitled under most circumstances to a lump-sum payment based on their compensation at the time of severance and years of service.

The liabilities and expenses for severance and retirement benefits are determined based on the amounts actuarially calculated using certain assumptions. The Companies provided for employees' severance and retirement benefits at March 31, 2017 and 2018 based on the estimated amounts of projected benefit obligation and the fair value of the plan assets at those dates.

The method of attributing expected benefits to periods is on the benefit formula basis. Prior service costs and actuarial gains and losses are recognized in expenses using the straight-line method over mainly 12 years, which is within the average of the estimated remaining service years of the employees, commencing with the current and the following period, respectively.

Liabilities arising from the application of the equity method

Liabilities arising from the application of the equity method have been provided with respect to losses that may arise from the Company's portion of the capital deficits of unconsolidated subsidiaries and affiliates that are accounted for by the equity method, after giving consideration to the Company's investments in, and guarantees for, such companies.

Provision for business structure improvement

The provision is provided in amounts sufficient to cover possible losses for business structure improvement.

Derivatives and hedge accounting

The Companies state derivative financial instruments at fair value and recognize changes in the fair value as gain or loss unless the derivative financial instruments are used for hedging purposes.

If derivative financial instruments are used as hedges and meet certain hedging criteria, the Companies defer recognition of the gain or loss resulting from a change in fair value of the derivative financial instrument until the related gain or loss on the hedged item is recognized.

If a forward foreign exchange contract is executed to hedge a future transaction denominated in a foreign currency, the forecast transaction will be recorded using the contracted forward rate on recognition, and no gains or losses on the forward foreign exchange contract are recognized (the "principle-based method").

If interest rate swap contracts of the Company are used as hedges and meet certain hedging criteria, the net amount to be paid or received under the interest rate swap contract is added to or deducted from the interest on the assets or liabilities for which the swap contract was executed (the "special method").

Income taxes

The provision for income taxes is based on income for financial statement purposes. Income taxes comprise corporation tax, enterprise tax and prefectural and municipal inhabitants' taxes. The assets and liabilities approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

The Company and its wholly owned domestic consolidated subsidiaries have adopted consolidated tax return filing under Japanese tax regulations.

Translation of foreign currency

Cash, receivables and payables denominated in foreign currencies are translated into Japanese yen at year-end exchange rates. All revenues and expenses in foreign currencies are translated at the exchange rates prevailing when such transactions are made. The resulting exchange loss or gain is charged or credited to income.

The balance sheet accounts of the overseas consolidated subsidiaries and foreign investments accounted for by the equity method are translated at the rates of exchange in effect at the balance sheet date, except for capital accounts and assets and liabilities due to/from the Company, which are translated at historical rates. Accounts in the consolidated statements of income are translated at the average rates of exchange for the year. Differences arising from translations are presented as "Foreign currency translation adjustments" in the accompanying consolidated financial statements. The Companies report foreign currency translation adjustments in net assets.

Profit attributable to owners of parent per share

Computations of profit attributable to owners of parent per share of common stock are based on the weighted-average number of shares outstanding during each period. Diluted profit attributable to owners of parent per share is calculated based on the assumption that all dilutive shares were converted or exercised at the beginning of the year or at the time of issue.

Cash dividends per share represent amounts applicable for the respective years on an accrual basis.

Profit attributable to owners of parent per share for the years ended March 31, 2017 and 2018 is calculated based on the following factors:

Year ended March 31, 2017

(1) Profit per share	
(a) Profit attributable to owners of parent:	¥50,133 million
(b) Amount not attributable to common shareholders:	¥ — million
(c) Profit attributable to owners of parent related to common stock:	¥50,133 million
(d) Average number of shares outstanding during the period:	196,668 thousand shares*
(2) Diluted profit per share	
(e) Profit adjustment attributable to owners of parent:	¥ (30) million
(f) Increase of number of common stock:	20,147 thousand shares
(g) Summary of outstanding potential shares excluded from the computation of diluted profit per share, since such potential shares do not have a dilutive effect:	—

* 5 shares of common stock were consolidated into 1 share on October 1, 2016.

Year ended March 31, 2018

(1) Profit per share		
(a) Profit attributable to owners of parent:	¥45,556 million	($ 428,803 thousand)
(b) Amount not attributable to common shareholders:	¥ — million	($ — thousand)
(c) Profit attributable to owners of parent related to common stock:	¥45,556 million	($ 428,803 thousand)
(d) Average number of shares outstanding during the period:	196,991 thousand shares	
(2) Diluted profit per share		
(e) Profit adjustment attributable to owners of parent:	¥ (30) million	($ (282) thousand)
(f) Increase of number of common stock:	20,210 thousand shares	
(g) Summary of outstanding potential shares excluded from the computation of diluted profit per share, since such potential shares do not have a dilutive effect:	—	

(Standards and guidance not yet adopted)

The following guidance were issued but not yet adopted.
"Implementation Guidance on Tax Effect Accounting" (ASBJ Guidance No. 28, February 16, 2018 (hereinafter, "Guidance No. 28"))
"Implementation Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No. 26 (revised 2018), February 16, 2018 (hereinafter, "Guidance No. 26"))

1. Overview

The above guidance was revised in regard to the treatments for taxable temporary differences for investments in subsidiaries within the context of non-consolidated financial statements, and to clarify the treatments in determining recoverability of deferred tax assets in a company which was categorized as 'Type1' according to the guidance.

2. Effective date

Effective from the beginning of the fiscal year ending March 31, 2019.

3. Effects of the application of the standards

The Company and its consolidated domestic subsidiaries are currently in the process of determining the effects of these new standards on the consolidated financial statements.

The following standard and guidance were issued but not yet adopted.
"Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 30, 2018)
"Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30, March 30, 2018)

1. Overview

The above standard and guidance provide comprehensive principles for revenue recognition. Under the standard and guidance, revenue is recognized by applying following 5 steps:

Step1: Identify contract(s) with customers.
Step2: Identify the performance obligations in the contract.
Step3: Determine the transaction price.
Step4: Allocate the transaction price to the performance obligation in the contract.
Step5: Recognize revenue when (or as) the entity satisfies a performance obligation.

2. Effective date

Effective from the beginning of the fiscal year ending March 31, 2022.

3. Effects of the application of the standards

The Company and its consolidated domestic subsidiaries are currently in the process of determining the effects of these new standards on the consolidated financial statements.

(Reclassifications and restatements)

Certain prior year amounts have been reclassified and restated to conform to the current year's presentation. These reclassifications and restatements have no impact on previously reported results of operations or retained earnings.

Note 3. Statements of cash flows

(1) The reconciliations of cash and time deposits in the consolidated balance sheets and cash and cash equivalents in the consolidated statements of cash flows, as of March 31, 2017 and 2018 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Cash and time deposits in the consolidated balance sheets	¥ 97,750	¥ 96,418	$ 907,549
Securities	20,000	14,000	131,777
Money held in trust (Other current assets)	—	7,000	65,889
Time deposits with maturities exceeding three months	(200)	(1,260)	(11,860)
Cash and cash equivalents in the consolidated statements of cash flows	¥117,550	¥116,158	$1,093,355

(2) Important non-cash transactions

The amounts recognized for important asset retirement obligations as of March 31, 2017 and 2018 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Important asset retirement obligations recognized	¥764	¥860	$8,095

At the request of bondholders to exercise bonds with subscription rights to shares of common stock, bonds with subscription rights to shares decreased by ¥2,032 million ($19,126 thousand), capital stock increased by ¥1,016 million ($9,563 thousand), and capital surplus increased by ¥1,016 million ($9,563 thousand) for the year ended March 31, 2018.

(3) Assets and liabilities of newly consolidated subsidiaries through acquisition of shares

Assets and liabilities of acquired companies (Continental Structural Plastics Holdings Corporation and its 15 consolidated subsidiaries), acquisition cost of shares and net cash outflow for such acquisition for the year ended March 31, 2017 are as follows:

	Millions of yen
Current assets	¥ 20,653
Noncurrent assets	65,794
Goodwill	29,805
Current liabilities	(10,556)
Noncurrent liabilities	(20,617)
Acquisition cost of shares	85,079
Account payables included in the acquisition price	(470)
Cash and cash equivalents	(1,719)
Net cash used for the acquisition	¥ 82,890

Note 4. Fair value of financial instruments

(1) Qualitative information on financial instruments

(a) Policies for using financial instruments

The Companies' fund management policy is to put money into short-term deposits only and to raise money through loans payable, commercial paper and corporate bonds.

The Companies principally enter into derivative transactions in connection with managing their market risk and not for speculation or trading purposes.

(b) Details of financial instruments used and the exposure to risk and how it arises

Notes and accounts receivable—trade are exposed to customers' credit risk. To manage that risk, the Companies check the balance of the accounts and confirm the collection of money at the due date. The Companies also review the credit risk of their main customers periodically in accordance with the Company's credit management regulations.

Marketable securities are negotiable certificates of deposit subject to settlement in the short term. Securities are exposed to market price fluctuation risk; however, the Companies only hold shares in firms with which they have business relations and these are not held for speculation.

The due dates of notes and accounts payable—trade are mainly within one year.

Short-term loans receivable are used mainly for operating purposes, and funding through corporate bonds and long-term loans payable is mainly for capital investment. Debts with a floating rate are exposed to interest rate fluctuation risk, but interest on some long-term loans payable is converted to a fixed rate through interest rate swap transactions.

The Companies use derivative transactions of, for example, foreign currency forward contract transactions and foreign currency swap. The transactions are used to hedge the risk of fluctuation in foreign currency exchange rates with respect to monetary receivables and payables denominated in foreign currencies resulting from import and export transactions.

With respect to other derivative transactions, interest rate swap transactions are used to hedge the risk of fluctuation in interest rates. The Companies evaluate hedge effectiveness by comparing the cumulative changes in cash flows from, or the changes in fair value of, hedged items with the corresponding changes in the hedging derivative instruments.

The Companies report periodically to the Chief Financial Officer and the Treasury Office on the actual results of derivative transactions. Furthermore, the Companies enter into contracts with banks and securities houses with high credit ratings to minimize credit risk exposure.

(c) Supplementary information on fair values

The fair value of financial instruments is calculated based on the quoted market price or, in cases where there is no market price, by making a reasonable estimation. Because the preconditions applied include a floating element, estimations of fair value may vary. The contracted amounts, as presented in Note 6, "Derivative transactions," do not reflect market risk.

(2) Fair values of financial instruments

The following tables summarize fair value and book value of the financial instruments, and the difference between them, as of March 31, 2017 and 2018. Items for which fair value is difficult to estimate are not included in the following tables.

	Millions of yen		
	2017		
	Book value	Fair value	Difference
(1) Cash and time deposits	¥ 97,750	¥ 97,750	¥ —
(2) Notes and accounts receivable—trade	166,803	166,803	—
(3) Short-term loans receivable	13,407	13,407	—
(4) Marketable securities and investment securities	102,007	102,007	—
(5) Long-term loans receivable	2,118		
Allowance for doubtful accounts*	(513)		
	1,605	1,605	—
Total	¥381,572	¥381,572	¥ —
(1) Notes and accounts payable—trade	¥ 79,117	¥ 79,117	¥ —
(2) Short-term loans payable	57,585	57,585	—
(3) Bonds	55,110	61,419	6,309
(4) Long-term loans payable	261,758	262,334	576
Total	¥453,570	¥460,455	¥6,885
Derivative transactions†			
(1) To which hedge accounting is not applied	¥ 5,010	¥ 5,010	¥ —
(2) To which hedge accounting is applied	(361)	(361)	—
Total	¥ 4,649	¥ 4,649	¥ —

	Millions of yen		
	2018		
	Book value	Fair value	Difference
(1) Cash and time deposits	¥ 96,418	¥ 96,418	¥ —
(2) Notes and accounts receivable—trade	177,777	177,777	—
(3) Short-term loans receivable	13,093	13,093	—
(4) Marketable securities and investment securities	107,919	107,919	—
(5) Long-term loans receivable	3,019		
Allowance for doubtful accounts*	(506)		
	2,513	2,513	—
Total	¥397,720	¥397,720	¥ —
(1) Notes and accounts payable—trade	¥ 92,383	¥ 92,383	¥ —
(2) Short-term loans payable	66,291	66,291	—
(3) Bonds	53,039	56,952	3,913
(4) Long-term loans payable	223,338	223,663	325
Total	¥435,051	¥439,289	¥4,238
Derivative transactions†			
(1) To which hedge accounting is not applied	¥ (3,596)	¥ (3,596)	¥ —
(2) To which hedge accounting is applied	1,197	1,197	—
Total	¥ (2,399)	¥ (2,399)	¥ —

	Thousands of U.S. dollars		
	2018		
	Book value	Fair value	Difference
(1) Cash and time deposits	$ 907,549	$ 907,549	$ —
(2) Notes and accounts receivable—trade	1,673,352	1,673,352	—
(3) Short-term loans receivable	123,240	123,240	—
(4) Marketable securities and investment securities	1,015,804	1,015,804	—
(5) Long-term loans receivable	28,418		
Allowance for doubtful accounts*	(4,764)		
	23,654	23,654	—
Total	$3,743,599	$3,743,599	$ —
(1) Notes and accounts payable—trade	$ 869,568	$ 869,568	$ —
(2) Short-term loans payable	623,974	623,974	—
(3) Bonds	499,238	536,069	36,831
(4) Long-term loans payable	2,102,203	2,105,262	3,059
Total	$4,094,983	$4,134,873	$39,890
Derivative transactions†			
(1) To which hedge accounting is not applied	$ (33,848)	$ (33,848)	$ —
(2) To which hedge accounting is applied	11,267	11,267	—
Total	$ (22,581)	$ (22,581)	$ —

* Allowance for doubtful accounts is estimated for each category and is deducted from long-term loans receivable.

† Derivative transactions are presented net of receivables and liabilities, and figures within parenthesis indicate net liabilities.

(Note 1) The method of estimating the fair value for securities and derivative transactions is as follows:

Assets

(1) Cash and time deposits, (2) Notes and accounts receivable—trade and (3) Short-term loans receivable

The terms of all of the above are short term and the fair value thereof is nearly equal to book value, so the book value is used as fair value.

(4) Marketable securities and investment securities

The fair value of shares is the market price. The terms of negotiable certificates of deposit are short term and the fair value thereof is nearly equal to book value, so the book value is used as fair value. See Note 5, “Market securities and investment securities” for information on investment securities categorized by holding purpose.

(5) Long-term loans receivable

The fair value of long-term loans receivable, categorized by term, is discounted by the interest rate that is based on that of government bonds, to which a spread that reflects credit risk has been added.

Moreover, the fair value of long-term loans receivable that are doubtful is estimated in the same way or is provided in an amount sufficient to cover possible losses on collection.

Liabilities

(1) Notes and accounts payable—trade and (2) Short-term loans payable

The terms of all of the above are short term and the fair value thereof is nearly equal to book value, so the book value is used as fair value.

(3) Bonds

The fair value of corporate bonds is calculated based on market price. In cases where there is no market price, fair value is calculated by using the discounted cash flow based on the sum of the principal and total interest of the remaining period and credit risk.

(4) Long-term loans payable

The fair value of long-term loans payable is the sum of the principal and total interest discounted by the rate that is applied if a new loan is made. Certain long-term loans payable with floating rates are tied to interest rate swap transactions and subject to special method.

Derivative transactions

See Note 6, “Derivative transactions.”

(Note 2) Financial instruments for which fair value is difficult to estimate:

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Unlisted shares	¥ 5,407	¥ 5,433	$ 51,139
Shares in affiliated companies	27,690	28,369	267,027
Total	¥33,097	¥33,802	$318,166

Market prices of the above shares are not available and the future cash flow cannot be estimated. Therefore, fair value is difficult to estimate. Accordingly, these are not included in “(4) Marketable securities and investment securities.”

(Note 3) Expected repayment amounts of monetary assets and securities with maturity after the date of the accounting period are as follows:

	Millions of yen		
	2017		
	Within one year	One year to five years	Over five years
Cash and time deposits	¥ 97,750	¥ —	¥ —
Notes and accounts receivable—trade	166,803	—	—
Short-term loans receivable	13,407	—	—
Long-term loans receivable	271	1,347	500

	Millions of yen		
	2018		
	Within one year	One year to five years	Over five years
Cash and time deposits	¥ 96,418	¥ —	¥ —
Notes and accounts receivable—trade	177,777	—	—
Short-term loans receivable	13,093	—	—
Long-term loans receivable	33	2,486	500

	Thousands of U.S. dollars		
	2018		
	Within one year	One year to five years	Over five years
Cash and time deposits	$ 907,549	$ —	$ —
Notes and accounts receivable—trade	1,673,352	—	—
Short-term loans receivable	123,240	—	—
Long-term loans receivable	311	23,400	4,707

(Note 4) Repayment schedule of bonds and long-term loans payable:

See Note 8, “Short-term loans payable, Long-term debt and Lease obligation.”

Note 5. Marketable securities and investment securities

(1) Information on securities held by the Companies at March 31, 2017 is as follows:

(a) There were no held-to-maturity debt securities with fair values at March 31, 2017.

(b) The following table summarizes acquisition costs and book values of available-for-sale securities as of March 31, 2017.

	Millions of yen		
	2017		
	Acquisition cost	Book value	Difference
Securities with book values exceeding acquisition costs:			
Corporate shares	¥14,908	¥ 46,893	¥31,985
Securities with book values not exceeding acquisition costs:			
Corporate shares	41,809	40,521	(1,288)
Negotiable certificates of deposit	20,000	20,000	—
Total	¥76,717	¥107,414	¥30,697

(c) Total sales of available-for-sale securities in the year ended March 31, 2017 and the related gains amounted to ¥2,026 million, ¥119 million, respectively.

(d) Loss on valuation of investment securities of ¥27 million was recognized as of March 31, 2017.

(2) Information on securities held by the Companies at March 31, 2018 is as follows:

(a) There were no held-to-maturity debt securities with fair values at March 31, 2018.

(b) The following table summarizes acquisition costs and book values of available-for-sale securities as of March 31, 2018.

	Millions of yen		
	2018		
	Acquisition cost	Book value	Difference
Securities with book values exceeding acquisition costs:			
Corporate shares	¥14,846	¥ 61,907	¥47,061
Securities with book values not exceeding acquisition costs:			
Corporate shares	43,925	37,445	(6,480)
Negotiable certificates of deposit	14,000	14,000	—
Total	¥72,771	¥113,352	¥40,581

	Thousands of U.S. dollars		
	2018		
	Acquisition cost	Book value	Difference
Securities with book values exceeding acquisition costs:			
Corporate shares	$139,740	$ 582,709	$442,969
Securities with book values not exceeding acquisition costs:			
Corporate shares	413,451	352,457	(60,994)
Negotiable certificates of deposit	131,777	131,777	—
Total	$684,968	$1,066,943	$381,975

(c) Total sales of available-for-sale securities in the year ended March 31, 2018 and the related gains and losses amounted to ¥690 million ($6,495 thousand), ¥586 million ($5,515 thousand) and ¥1 million ($9 thousand), respectively.

(d) Loss on valuation of investment securities of ¥89 million ($838 thousand) was recognized as of March 31, 2018.

Note 6. Derivative transactions

(1) The following tables summarize market value information of outstanding derivative transactions to which hedge accounting is not applied as of March 31, 2017.

Outstanding positions, for which gains and losses were recognized in the consolidated financial statements as of March 31, 2017, were as follows:

Currency-related derivatives

	Millions of yen			
	2017			
	Contract amount	Amount of principal due over one year	Fair value	Recognized gain (loss)
Foreign currency swap transactions:				
U.S. dollars received for Euro	¥ 3,594	¥ 3,594	¥ 97	¥ 97
U.S. dollars received for Japanese yen	¥77,164	¥64,814	¥4,958	¥4,958
Foreign currency forward contract transactions:				
Sell: U.S. dollars	¥ 3,366	¥ —	¥ (28)	¥ (28)
Sell: Euro	¥ 1,608	¥ —	¥ 7	¥ 7
Sell: Japanese yen	¥ 490	¥ —	¥ (3)	¥ (3)
Sell: Thai baht	¥ 3	¥ —	¥ (0)	¥ (0)
Buy: U.S. dollars	¥ 3,176	¥ —	¥ (12)	¥ (12)
Buy: Euro	¥ 189	¥ —	¥ (1)	¥ (1)
Buy: British pounds	¥ 0	¥ —	¥ 0	¥ 0
Buy: Thai baht	¥ 0	¥ —	¥ 0	¥ 0
Buy: Japanese yen	¥ 1,821	¥ —	¥ (8)	¥ (8)

(2) The following tables summarize market value information of outstanding derivative transactions to which hedge accounting is applied as of March 31, 2017.

Currency-related derivatives: Principle-based method

	Millions of yen		
	2017		
	Contract amount	Amount of principal due over one year	Fair value
Foreign currency forward contract transactions:			
Sell: U.S. dollars	¥21,944	¥11,824	¥(333)
Sell: Euro	¥ 751	¥ —	¥ (1)
Sell: Renminbi	¥ 15	¥ —	¥ (0)
Sell: Thai baht	¥ 0	¥ —	¥ 0
Sell: Japanese yen	¥ 3,977	¥ 2,617	¥ 20
Buy: U.S. dollars	¥12,030	¥ —	¥ 22
Buy: Euro	¥ 27	¥ —	¥ 0
Buy: British pounds	¥ 1	¥ —	¥ 0
Buy: Thai baht	¥ —	¥ —	¥ —
Buy: Renminbi	¥ 47	¥ —	¥ (0)

Interest rate-related derivatives: Principle-based method

	Millions of yen		
	2017		
	Contract amount	Amount of principal due over one year	Fair value
Interest rate swap transactions:			
Receive variable rate in U.S. dollars, pay fixed rate in Euro	¥3,594	¥3,594	¥(69)

Interest rate-related derivatives: Special method

	Millions of yen		
	2017		
	Contract amount	Amount of principal due over one year	Fair value
Interest rate swap transactions:			
Receive variable rate in Japanese yen, pay fixed rate in Japanese yen	¥77,650	¥50,000	¥—

(3) The fair value of foreign currency forward contract transactions is based on the year-end forward rate. The fair value of foreign currency swap transactions and interest rate swap transactions is based on the prices presented by the counterpart financial institutions.

(4) Interest rate swap transactions to which special method has been applied are included in long-term loans payable. Therefore, the fair value of interest rate swap transactions is included in the fair value of the hedged long-term loans payable.

(5) The following tables summarize market value information of outstanding derivative transactions to which hedge accounting is not applied as of March 31, 2018.

Outstanding positions, for which gains and losses were recognized in the consolidated financial statements as of March 31, 2018, were as follows:

Currency-related derivatives

	Millions of yen			
	2018			
	Contract amount	Amount of principal due over one year	Fair value	Recognized gain (loss)
Foreign currency swap transactions:				
U.S. dollars received for Euro	¥ 3,916	¥ 3,916	¥ (426)	¥ (426)
U.S. dollars received for Japanese yen	¥64,814	¥64,814	¥(3,389)	¥(3,389)
Foreign currency forward contract transactions:				
Sell: U.S. dollars	¥ 4,219	¥ —	¥ 224	¥ 224
Sell: Euro	¥ 1,740	¥ —	¥ 0	¥ 0
Sell: Japanese yen	¥ 624	¥ —	¥ 41	¥ 41
Sell: Thai baht	¥ 2	¥ —	¥ (0)	¥ (0)
Buy: U.S. dollars	¥ 3,135	¥ —	¥ (48)	¥ (48)
Buy: Euro	¥ 195	¥ —	¥ (0)	¥ (0)
Buy: Renminbi	¥ 4	¥ —	¥ 0	¥ 0
Buy: British pounds	¥ 4	¥ —	¥ (0)	¥ (0)
Buy: Thai baht	¥ 0	¥ —	¥ 0	¥ 0
Buy: Japanese yen	¥ 225	¥ —	¥ 2	¥ 2

	Thousands of U.S. dollars			
	2018			
	Contract amount	Amount of principal due over one year	Fair value	Recognized gain (loss)
Foreign currency swap transactions:				
U.S. dollars received for Euro	$ 36,860	$ 36,860	$ (4,010)	$ (4,010)
U.S. dollars received for Japanese yen	$610,072	$610,072	$(31,899)	$(31,899)
Foreign currency forward contract transactions:				
Sell: U.S. dollars	$ 39,712	$ —	$ 2,108	$ 2,108
Sell: Euro	$ 16,378	$ —	$ 0	$ 0
Sell: Japanese yen	$ 5,873	$ —	$ 386	$ 386
Sell: Thai baht	$ 19	$ —	$ (0)	$ (0)
Buy: U.S. dollars	$ 29,509	$ —	$ (452)	$ (452)
Buy: Euro	$ 1,835	$ —	$ (0)	$ (0)
Buy: Renminbi	$ 38	$ —	$ 0	$ 0
Buy: British pounds	$ 38	$ —	$ (0)	$ (0)
Buy: Thai baht	$ 0	$ —	$ 0	$ 0
Buy: Japanese yen	$ 2,118	$ —	$ 19	$ 19

(6) The following tables summarize market value information of outstanding derivative transactions to which hedge accounting is applied as of March 31, 2018.

Currency-related derivatives: Principle-based method

	Millions of yen		
	2018		
	Contract amount	Amount of principal due over one year	Fair value
Foreign currency forward contract transactions:			
Sell: U.S. dollars	¥14,530	¥3,797	¥1,325
Sell: Euro	¥ 1,085	¥ —	¥ 13
Sell: Japanese yen	¥ 2,357	¥ 862	¥ 244
Buy: U.S. dollars	¥21,767	¥ —	¥ (335)
Buy: Euro	¥ 65	¥ —	¥ (0)
Buy: Thai baht	¥ 4	¥ —	¥ 0
Buy: Renminbi	¥ 47	¥ —	¥ 1

	Thousands of U.S. dollars		
	2018		
	Contract amount	Amount of principal due over one year	Fair value
Foreign currency forward contract transactions:			
Sell: U.S. dollars	$136,766	$35,740	$12,472
Sell: Euro	$ 10,213	$ —	$ 122
Sell: Japanese yen	$ 22,186	$ 8,114	$ 2,297
Buy: U.S. dollars	$204,885	$ —	$ (3,153)
Buy: Euro	$ 612	$ —	$ (0)
Buy: Thai baht	$ 38	$ —	$ 0
Buy: Renminbi	$ 442	$ —	$ 9

Interest rate-related derivatives: Principle-based method

	Millions of yen		
	2018		
	Contract amount	Amount of principal due over one year	Fair value
Interest rate swap transactions:			
Receive variable rate in U.S. dollars, pay fixed rate in Euro	¥3,916	¥3,916	¥(51)

	Thousands of U.S. dollars		
	2018		
	Contract amount	Amount of principal due over one year	Fair value
Interest rate swap transactions:			
Receive variable rate in U.S. dollars, pay fixed rate in Euro	$36,860	$36,860	$(480)

Interest rate-related derivatives: Special method

	Millions of yen		
	2018		
	Contract amount	Amount of principal due over one year	Fair value
Interest rate swap transactions:			
Receive variable rate in Japanese yen, pay fixed rate in Japanese yen	¥50,070	¥40,070	¥—

	Thousands of U.S. dollars		
	2018		
	Contract amount	Amount of principal due over one year	Fair value
Interest rate swap transactions:			
Receive variable rate in Japanese yen, pay fixed rate in Japanese yen	$471,291	$377,165	$—

(7) The fair value of foreign currency forward contract transactions is based on the year-end forward rate. The fair value of foreign currency swap transactions and interest rate swap transactions is based on the prices presented by the counterpart financial institutions.

(8) Interest rate swap transactions to which special method has been applied are included in long-term loans payable. Therefore, the fair value of interest rate swap transactions is included in the fair value of the hedged long-term loans payable.

Note 7. Inventories

Inventories at March 31, 2017 and 2018 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Merchandise and finished goods	¥ 84,272	¥ 91,258	$ 858,980
Work in process	8,980	10,828	101,920
Raw materials	23,759	28,083	264,335
Supplies	5,301	6,095	57,370
Total	¥122,312	¥136,264	$1,282,605

Note 8. Short-term loans payable, Long-term debt and Lease obligation

Short-term loans payable were represented by bank overdrafts and short-term notes with average annual interest rates of approximately 1.7% and 2.2% in 2017 and 2018, respectively.

Long-term debt at March 31, 2017 and 2018 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Unsecured:			
Banks and insurance companies at 0.0–0.7%, maturing serially through 2027	¥161,750	¥137,235	$1,291,745
0.7% straight bonds, due 2019	15,000	15,000	141,190
Convertible bond-type zero coupon bonds with subscription rights to shares, due 2018	20,042	17,986	169,296
Convertible bond-type zero coupon bonds with subscription rights to shares, due 2021	20,067	20,053	188,752
Loans denominated in foreign currencies (principally U.S. dollars) at 0.0–4.3%, maturing serially through 2024	100,029	86,103	810,457
Lease obligations at 6.2%, maturing serially through 2047	1,260	1,136	10,693
	318,148	277,513	2,612,133
Less amounts due within one year	51,594	34,389	323,692
Total	¥266,554	¥243,124	$2,288,441

The aggregate annual maturities of long-term debt at March 31, 2018, were as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2019	¥ 34,389	$ 323,692
2020	21,368	201,130
2021	30,915	290,992
2022	32,628	307,116
2023 and thereafter	158,213	1,489,203

Note 9. Employees' retirement benefits

(1) Defined benefit pension plans as of March 31, 2017

(a) Projected benefit obligation at beginning and end of year (excludes benefits of companies to which the simplified method is applied)

	Millions of yen
	2017
Balance at April 1, 2016	¥68,730
Service cost	2,291
Interest cost	393
Actuarial gains and losses	778
Benefits paid	(5,886)
Change in scope of consolidation	6,439
Loss on transition to a defined contribution pension plans	(8,182)
Others	(625)
Balance at March 31, 2017	¥63,938

(b) Fair value of plan assets at beginning and end of year (excludes benefits of companies to which the simplified method is applied)

	Millions of yen
	2017
Balance at April 1, 2016	¥72,246
Expected return on plan assets	409
Actuarial gains and losses	1,755
Contributions paid by the employer	381
Benefits paid	(3,983)
Change in scope of consolidation	4,529
Loss on transition to a defined contribution pension plans	(7,049)
Others	(270)
Balance at March 31, 2017	¥68,018

(c) Projected benefit obligation at beginning and end of year of the companies to which the simplified method is applied

	Millions of yen
	2017
Balance at April 1, 2016	¥1,404
Retirement benefit costs	334
Benefits paid	(81)
Contributions paid by the employer	(127)
Others	(10)
Balance at March 31, 2017	¥1,520

(d) Adjustments to reconcile projected benefit obligation and fair value of plan assets at end of year with the difference between net defined benefit liability and net defined benefit asset recognized in the consolidated balance sheets

	Millions of yen
	2017
Funded retirement benefit obligations	¥ 67,013
Plan assets	(70,049)
	(3,036)
Unfunded retirement benefit obligations	475
Total net liability (asset) for retirement benefits at March 31, 2017	¥ (2,561)
Liability for retirement benefits	¥ 35,428
Asset for retirement benefits	(37,988)
Total net liability (asset) for retirement benefits at March 31, 2017	¥ (2,560)

Note: This calculation includes benefits of companies to which the simplified method is applied.

(e) Severance and retirement benefit costs

	Millions of yen
	2017
Service cost	¥ 2,291
Interest cost	393
Expected return on plan assets	(409)
Net actuarial loss amortization	(1,500)
Past service costs amortization	4
Total retirement benefit costs for the fiscal year ended March 31, 2017, based on the simplified method	334
Gain on transition to a defined contribution pension plans	(193)
Others (Extra retirement payments, etc.)	1,445
Total retirement benefit costs for the fiscal year ended March 31, 2017	¥ 2,365

(f) Remeasurements of defined benefit plans

Components of remeasurements of defined benefit plans, excluding the impact of tax effect accounting, and the value thereof were as follows:

	Millions of yen
	2017
Past service costs	¥ (69)
Actuarial gains and losses	(146)
Total balance at March 31, 2017	¥(215)

(g) Accumulated remeasurements of defined benefit plans

Components of accumulated remeasurements of defined benefit plans, excluding the impact of tax effect accounting, and the value thereof were as follows:

	Millions of yen
	2017
Past service costs that are yet to be recognized	¥ (69)
Actuarial gains and losses that are yet to be recognized	(1,661)
Total balance at March 31, 2017	¥(1,730)

(h) Composition of plan assets

The composition of plan assets was as follows:

	2017
Equity securities	23%
Debt securities	31%
General accounts	15%
Others	31%
Total	100%

(i) Determination of long-term expected rate of return on plan assets

The long-term expected rate of return on plan assets is determined by considering the current and projected future allocation of plan assets and present and future estimates for long-term investment returns calculated based on the diverse range of assets comprising plan assets.

(j) Actuarial assumptions

Actuarial assumptions used at March 31, 2017 were as follows:

	2017
Discount rate (defined benefit pension plans)	Mainly 0.1%
(lump-sum benefit plans)	Mainly 0.8%
Long-term expected rate of return on plan assets	Mainly 0.7%

(2) Defined contribution pension plans as of March 31, 2017

Contributions to the defined contribution pension plans of the Companies totaled ¥2,496 million.

(3) Multi-employer pension plans as of March 31, 2017

The Teijin Group's contributions to multi-employer pension plans, for which contributions are negotiated, as well as contributions to defined contribution plans, totaled ¥1,697 million.

The funded status of the multi-employer funded contributory pension plans at December 31, 2016 (based on information available as of March 31, 2017), for which contributions are recorded as net periodic retirement benefit costs by the Companies, is as follows:

	Millions of yen
	2017
Fair value of plan assets	¥ 2,863,939
Benefit obligation in the calculation of pension financing	(2,849,804)
Difference	¥ 14,135
Companies' contribution percentage for multi-employer funded contributory pension plans*	3.7%

* This percentage shows the Companies' portion of the total estimated annual contribution to the plans, which is not necessarily equal to the actual percentage of the Companies' portion against the funded status in the above table.

(4) Defined benefit pension plans as of March 31, 2018

(a) Projected benefit obligation at beginning and end of year (excludes benefits of companies to which the simplified method is applied)

	Millions of yen	Thousands of U.S. dollars
	2018	2018
Balance at April 1, 2017	¥63,938	$601,826
Service cost	2,082	19,597
Interest cost	580	5,459
Actuarial gains and losses	118	1,111
Benefits paid	(5,292)	(49,812)
Others	150	1,412
Balance at March 31, 2018	¥61,576	$579,593

(b) Fair value of plan assets at beginning and end of year (excludes benefits of companies to which the simplified method is applied)

	Millions of yen	Thousands of U.S. dollars
	2018	2018
Balance at April 1, 2017	¥68,018	$640,230
Expected return on plan assets	618	5,817
Actuarial gains and losses	2,100	19,767
Contributions paid by the employer	119	1,120
Benefits paid	(3,547)	(33,387)
Others	(172)	(1,619)
Balance at March 31, 2018	¥67,136	$631,928

(c) Projected benefit obligation at beginning and end of year of the companies to which the simplified method is applied

	Millions of yen 2018	Thousands of U.S. dollars 2018
Balance at April 1, 2017	¥1,520	$14,307
Retirement benefit costs	384	3,614
Benefits paid	(124)	(1,167)
Contributions paid by the employer	(125)	(1,177)
Others	(21)	(197)
Balance at March 31, 2018	¥1,634	$15,380

(d) Adjustments to reconcile projected benefit obligation and fair value of plan assets at end of year with the difference between net defined benefit liability and net defined benefit asset recognized in the consolidated balance sheets

	Millions of yen 2018	Thousands of U.S. dollars 2018
Funded retirement benefit obligations	¥ 64,466	$ 606,796
Plan assets	(69,151)	(650,894)
	(4,685)	(44,098)
Unfunded retirement benefit obligations	759	7,144
Total net liability (asset) for retirement benefits at March 31, 2018	¥ (3,926)	$ (36,954)
Liability for retirement benefits	¥ 35,650	$ 335,561
Asset for retirement benefits	(39,576)	(372,515)
Total net liability (asset) for retirement benefits at March 31, 2018	¥ (3,926)	$ (36,954)

Note: This calculation includes benefits of companies to which the simplified method is applied.

(e) Severance and retirement benefit costs

	Millions of yen 2018	Thousands of U.S. dollars 2018
Service cost	¥2,082	$19,597
Interest cost	580	5,459
Expected return on plan assets	(618)	(5,817)
Net actuarial loss amortization	(869)	(8,180)
Past service costs amortization	7	66
Total retirement benefit costs for the fiscal year ended March 31, 2018, based on the simplified method	384	3,615
Others (Extra retirement payments, etc.)	287	2,702
Total retirement benefit costs for the fiscal year ended March 31, 2018	¥1,853	$17,442

(f) Remeasurements of defined benefit plans

Components of remeasurements of defined benefit plans, excluding the impact of tax effect accounting, and the value thereof were as follows:

	Millions of yen 2018	Thousands of U.S. dollars 2018
Past service costs	¥ 7	$ 66
Actuarial gains and losses	928	8,735
Total balance at March 31, 2018	¥935	$8,801

(g) Accumulated remeasurements of defined benefit plans

Components of accumulated remeasurements of defined benefit plans, excluding the impact of tax effect accounting, and the value thereof were as follows:

	Millions of yen 2018	Thousands of U.S. dollars 2018
Past service costs that are yet to be recognized	¥ (61)	$ (574)
Actuarial gains and losses that are yet to be recognized	(225)	(2,118)
Total balance at March 31, 2018	¥(286)	$(2,692)

(h) Composition of plan assets

The composition of plan assets was as follows:

	2018
Equity securities	26%
Debt securities	29%
General accounts	14%
Others*	31%
Total	100%

Note: "Others" includes mainly Certificates of Deposit.

(i) Determination of long-term expected rate of return on plan assets

The long-term expected rate of return on plan assets is determined by considering the current and projected future allocation of plan assets and present and future estimates for long-term investment returns calculated based on the diverse range of assets comprising plan assets.

(j) Actuarial assumptions

Actuarial assumptions used at March 31, 2018 were as follows:

	2018
Discount rate (defined benefit pension plans)	Mainly 0.1%
(lump-sum benefit plans)	Mainly 0.8%
Long-term expected rate of return on plan assets	Mainly 0.7%

(5) Defined contribution pension plans as of March 31, 2018

Contributions to the defined contribution pension plans of the Companies totaled ¥3,131 million ($29,471 thousand).

(6) Multi-employer pension plans as of March 31, 2018

The Teijin Group's contributions to multi-employer pension plans, for which contributions are negotiated, as well as contributions to defined contribution plans, totaled ¥1,968 million ($18,524 thousand).

The funded status of the multi-employer funded contributory pension plans at December 31, 2017 (based on information available as of March 31, 2018), for which contributions are recorded as net periodic retirement benefit costs by the Companies, is as follows:

	Millions of yen 2018	Thousands of U.S. dollars 2018
Fair value of plan assets	¥ 3,345,619	$ 31,491,143
Benefit obligation in the calculation of pension financing	(3,048,425)	(28,693,760)
Difference	¥ 297,194	$ 2,797,383
Companies' contribution percentage for multi-employer funded contributory pension plans*	3.4%	

* This percentage shows the Companies' portion of the total estimated annual contribution to the plans, which is not necessarily equal to the actual percentage of the Companies' portion against the funded status in the above table.

Note 10. Net assets

Under Japanese laws and regulations, the entire amount of the issue price of shares is required to be accounted for as common stock, although a company may, by resolution of its Board of Directors, account for an amount not exceeding one-half of the issue price of the new shares as additional paid-in capital.

Under the Japanese Corporate Law, in cases where dividend distribution of surplus is made, the smaller of an amount equal to 10% of the dividend and excess, if any, of 25% of common stock over the total of additional paid-in capital and legal earnings reserve must be set aside as additional paid-in capital or legal earnings reserve. Additional paid-in capital is included in capital surplus and legal earnings reserve is included in retained earnings in the accompanying consolidated balance sheets.

Legal earnings reserve and additional paid-in capital may be used to eliminate or reduce a deficit or may be capitalized by a resolution of the shareholders' meeting. All additional paid-in capital and all legal earnings reserve may be transferred to other capital surplus and retained earnings, respectively, which are potentially available for dividends.

At the Board of Directors' meeting held on May 9, 2018, appropriations of retained earnings for year-end dividends applicable to the year ended March 31, 2018 were duly approved as follows:

	Millions of yen	Thousands of U.S. dollars
Cash dividends: ¥30.00 ($0.28) per share	¥5,935	$55,864

Note 11. Impairment loss

The Companies accounted for impairment losses for the year ended March 31, 2017 as follows:

Impairment loss

Location	Purpose of use	Type of assets	Millions of yen	Thousands of U.S. dollars
Ibaraki City in Osaka Prefecture and others	R&D facilities, etc.	Building, etc.	¥ 449	$ 4,002
Others	—	—	929	8,281
		Total	¥1,378	$12,283

The Companies set up asset groupings by business unit for which the profit or loss is continually monitored. Idle assets, which are not being used for business, are separately treated.

Among the assets used for business purposes, certain production facilities were devalued to the recoverable amount. The difference between carrying amounts and recoverable amounts was recorded as "Impairment loss" amounting to ¥1,378 million. The recoverable amount was measured at net sale value or value in use. Net sale value is calculated based on the current sales price of the asset and other factors. Value in use is calculated based on the discounted future cash flows with discount rates of 5–15%.

The Companies accounted for impairment losses for the year ended March 31, 2018 as follows:

Impairment loss

Location	Purpose of use	Type of assets	Millions of yen	Thousands of U.S. dollars
Ibaraki City in Osaka Prefecture and others	R&D facilities, etc.	Building, etc.	¥ 354	$ 3,332
Others	—	—	722	6,796
		Total	¥1,076	$10,128

The Companies set up asset groupings by business unit for which the profit or loss is continually monitored. Idle assets, which are not being used for business, are separately treated.

Among the assets used for business purposes, certain production facilities were devalued to the recoverable amount. The difference between carrying amounts and recoverable amounts was recorded as "Impairment loss" amounting to ¥1,076 million ($10,128 thousand). The recoverable amount was measured at net sale value or value in use. Net sale value is calculated based on the current sales price of the asset and other factors. Value in use is assessed at zero because the future cash flows cannot be generated.

Note 12. Consolidated statements of comprehensive income

Components of other comprehensive income for the years ended March 31, 2017 and 2018 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Valuation difference on available-for-sale securities:			
Increase during the year	¥ 6,070	¥10,029	$ 94,399
Reclassification adjustments	(49)	(140)	(1,317)
Subtotal, before tax	6,021	9,889	93,082
Tax expense	(1,841)	(3,035)	(28,568)
Subtotal, net of tax	4,180	6,854	64,514
Deferred gains (losses) on hedges:			
Increase during the year	718	891	8,387
Reclassification adjustments	718	677	6,372
Subtotal, before tax	1,436	1,568	14,759
Tax expense	(409)	(388)	(3,652)
Subtotal, net of tax	1,027	1,180	11,107
Foreign currency translation adjustments:			
Increase (decrease) during the year	(7,797)	3,602	33,904
Reclassification adjustments	—	5,199	48,937
Subtotal, before tax	(7,797)	8,801	82,841
Tax (expense) or benefit	95	(122)	(1,149)
Subtotal, net of tax	(7,702)	8,679	81,692
Remeasurements of defined benefit plans:			
Increase during the year	966	1,797	16,915
Reclassification adjustments	(1,181)	(862)	(8,114)
Subtotal, before tax	(215)	935	8,801
Tax expense	(90)	(73)	(687)
Subtotal, net of tax	(305)	862	8,114
Share of other comprehensive income of associates accounted for using the equity method:			
Increase (decrease) during the year	(2,362)	1,222	11,502
Reclassification adjustments	56	246	2,316
Subtotal	(2,306)	1,468	13,818
Total other comprehensive income	¥(5,106)	¥19,043	$179,245

Note 13. Income taxes

The Company is subject to a number of taxes based on income, which, in the aggregate, indicate a statutory rate in Japan of approximately 30.7% for the year ended March 31, 2018. The following table summarizes the significant differences between the Company's effective tax rate and the actual income tax rate for financial statement purposes for the year ended March 31, 2017. The reconciliation between the statutory tax rate and the effective tax rate for the year ended March 31, 2018 was not presented since the difference was less than 5percentage points.

	2017	2018
Effective tax rate	30.7 %	–
Non-deductible expenses	4.9	–
Per capita inhabitants' taxes	0.5	–
Difference in statutory tax rate between Japan and other countries	(4.2)	–
Equity in earnings of affiliates	(1.8)	–
Amortization of goodwill	1.0	–
Changes in valuation allowance	(76.7)	–
Refund of income taxes	(9.0)	–
Increase (decrease) in statutory tax rate	(0.9)	–
Others	4.0	–
Actual income tax rate	(51.5)%	–

Significant components of the Companies' deferred tax assets and liabilities as of March 31, 2017 and 2018 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Deferred tax assets:			
Excess bonuses accrued	¥ 4,283	¥ 4,548	$ 42,809
Provision for loss on guarantees	134	321	3,021
Write-down of investment securities	1,533	1,419	13,357
Retirement benefits	5,290	5,546	52,203
Accumulated impairment loss	9,108	3,305	31,109
Net operating loss carry forwards	45,657	43,205	406,674
Others	31,428	15,556	146,422
Total	97,433	73,900	695,595
Valuation allowance	(38,011)	(30,645)	(288,450)
Total deferred tax assets	59,422	43,255	407,145
Offset with deferred tax liabilities	(33,393)	(28,362)	(266,962)
Net deferred tax assets	26,029	14,893	140,183
Deferred tax liabilities:			
Adjustments to fixed assets based on Corporate Tax Law	(4,303)	(3,809)	(35,853)
Accelerated depreciation of foreign subsidiaries' fixed assets	(807)	(478)	(4,499)
Tax effect of foreign subsidiaries' undistributed earnings	(4,225)	(5,201)	(48,955)
Adjustment of carrying amount based on fair value	(21,920)	(13,717)	(129,113)
Valuation difference on available-for-sale securities	(8,616)	(11,762)	(110,712)
Others	(1,947)	(2,671)	(25,141)
Total deferred tax liabilities	(41,818)	(37,638)	(354,273)
Offset with deferred tax assets	33,393	28,362	266,962
Net deferred tax liabilities	¥ (8,425)	¥ (9,276)	$ (87,311)

Note 14. Leases

Operating leases as lessee

Future minimum lease payments for the remaining lease periods as of March 31, 2017 and 2018 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Due within one year	¥ 787	¥ 638	$ 6,005
Due over one year	1,642	2,995	28,191
Total	¥2,429	¥3,633	$34,196

Note 15. Stock option plans

Information on stock option plans at March 31, 2018 is as shown below.

Teijin Limited

The account and the amounts related to stock options in the years ended March 31, 2017 and 2018 are as follows:

	Millions of yen		Thousands of U.S. dollars
Account	2017	2018	2018
Selling, general and administrative expenses	¥112	¥102	$960

The following tables summarize the contents of stock options as of March 31, 2018.

Company name	Teijin Limited
Position and number of grantees	Directors and Corporate Officers: 54
Class and number of stock	Common Stock: 29,200
Date of issue	July 10, 2006
Condition of settlement of rights	No provisions
Period grantees provide service in return for stock options	No provisions
Period subscription rights are to be exercised	From July 10, 2006 to July 9, 2026

Company name	Teijin Limited
Position and number of grantees	Directors and Corporate Officers: 55
Class and number of stock	Common Stock: 41,400
Date of issue	July 5, 2007
Condition of settlement of rights	No provisions
Period grantees provide service in return for stock options	No provisions
Period subscription rights are to be exercised	From July 5, 2007 to July 4, 2027

Company name	Teijin Limited
Position and number of grantees	Directors and Corporate Officers: 57
Class and number of stock	Common Stock: 65,600
Date of issue	July 7, 2008
Condition of settlement of rights	No provisions
Period grantees provide service in return for stock options	No provisions
Period subscription rights are to be exercised	From July 7, 2008 to July 6, 2028

Company name	Teijin Limited
Position and number of grantees	Directors and Corporate Officers: 57
Class and number of stock	Common Stock: 84,000
Date of issue	July 9, 2009
Condition of settlement of rights	No provisions
Period grantees provide service in return for stock options	No provisions
Period subscription rights are to be exercised	From July 9, 2009 to July 8, 2029

Company name	Teijin Limited
Position and number of grantees	Directors and Corporate Officers: 55
Class and number of stock	Common Stock: 69,800
Date of issue	July 9, 2010
Condition of settlement of rights	No provisions
Period grantees provide service in return for stock options	No provisions
Period subscription rights are to be exercised	From July 9, 2010 to July 8, 2030

Company name	Teijin Limited
Position and number of grantees	Directors and Corporate Officers: 47
Class and number of stock	Common Stock: 147,400
Date of issue	March 12, 2012
Condition of settlement of rights	No provisions
Period grantees provide service in return for stock options	No provisions
Period subscription rights are to be exercised	From March 12, 2012 to March 11, 2032

Company name	Teijin Limited
Position and number of grantees	Directors and Corporate Officers: 38
Class and number of stock	Common Stock: 139,600
Date of issue	March 15, 2013
Condition of settlement of rights	No provisions
Period grantees provide service in return for stock options	No provisions
Period subscription rights are to be exercised	From March 15, 2013 to March 14, 2033

Company name	Teijin Limited
Position and number of grantees	Directors and Corporate Officers: 40
Class and number of stock	Common Stock: 123,600
Date of issue	March 14, 2014
Condition of settlement of rights	No provisions
Period grantees provide service in return for stock options	No provisions
Period subscription rights are to be exercised	From March 14, 2014 to March 13, 2034

Company name	Teijin Limited
Position and number of grantees	Directors and Corporate Officers: 32
Class and number of stock	Common Stock: 75,800
Date of issue	March 18, 2015
Condition of settlement of rights	No provisions
Period grantees provide service in return for stock options	No provisions
Period subscription rights are to be exercised	From March 18, 2015 to March 17, 2035

Company name	Teijin Limited
Position and number of grantees	Directors and Corporate Officers: 29
Class and number of stock	Common Stock: 54,800
Date of issue	March 16, 2016
Condition of settlement of rights	No provisions
Period grantees provide service in return for stock options	No provisions
Period subscription rights are to be exercised	From March 16, 2016 to March 15, 2036

Company name	Teijin Limited
Position and number of grantees	Directors and Corporate Officers: 31
Class and number of stock	Common Stock: 57,400
Date of issue	March 17, 2017
Condition of settlement of rights	No provisions
Period grantees provide service in return for stock options	No provisions
Period subscription rights are to be exercised	From March 17, 2017 to March 16, 2037

Company name	Teijin Limited
Position and number of grantees	Directors and Corporate Officers: 30
Class and number of stock	Common Stock: 58,800
Date of issue	March 16, 2018
Condition of settlement of rights	No provisions
Period grantees provide service in return for stock options	No provisions
Period subscription rights are to be exercised	From March 16, 2018 to March 15, 2038

The following tables summarize the numbers and movements of stock options as of March 31, 2018.

Non-exercisable stock options

	Shares											
Company name	Teijin Limited											
	2006	2007	2008	2009	2010	2012	2013	2014	2015	2016	2017	**2018**
Stock options outstanding at April 1, 2017	—	—	—	—	—	—	—	—	—	—	—	—
Stock options granted	—	—	—	—	—	—	—	—	—	—	—	58,800
Forfeitures	—	—	—	—	—	—	—	—	—	—	—	—
Conversion to exercisable stock options	—	—	—	—	—	—	—	—	—	—	—	58,800
Stock options outstanding at March 31, 2018	—	—	—	—	—	—	—	—	—	—	—	—

Exercisable stock options

Company name	Shares											
	Teijin Limited											
	2006	2007	2008	2009	2010	2012	2013	2014	2015	2016	2017	2018
Stock options outstanding at April 1, 2017	2,400	3,800	9,200	19,400	25,200	76,600	105,200	104,000	75,800	54,800	57,400	—
Conversion from non-exercisable stock options	—	—	—	—	—	—	—	—	—	—	—	58,800
Stock options exercised	1,200	2,000	4,400	7,800	12,000	36,800	27,600	11,800	3,000	—	—	—
Forfeitures	—	—	—	—	—	—	—	—	—	—	—	—
Stock options outstanding at March 31, 2018	1,200	1,800	4,800	11,600	13,200	39,800	77,600	92,200	72,800	54,800	57,400	58,800

The following table summarizes value information of stock options as of March 31, 2018.

Company name	Yen											
	Teijin Limited											
	2006	2007	2008	2009	2010	2012	2013	2014	2015	2016	2017	2018
Paid-in value	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1
Average market price of the stock at the time of exercise	2,153	2,148	2,146	2,141	2,180	2,185	2,227	2,259	2,262	—	—	—
Fair value at the date of grant	3,315	3,050	1,535	1,265	1,305	1,225	980	1,140	1,925	1,800	1,955	1,732

The method of estimation for the fair value of stock options granted in the year ended March 31, 2018 is as follows:

Method of valuation	Black-Scholes Model
Volatility	27%
Expected remaining period	5.5 years
Expected dividend	¥60.00 per share
Interest rate without any risks	(0.11%)

Infocom Corporation

The account and the amounts related to stock options in the years ended March 31, 2017 and 2018 are as follows:

Account	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Selling, general and administrative expenses	¥27	¥34	$320

The following tables summarize the contents of stock options as of March 31, 2018.

Company name	Infocom Corporation
Position and number of grantees	Directors and Corporate Officers: 5
Class and number of stock	Common Stock: 36,200
Date of issue	May 31, 2013
Condition of settlement of rights	No provisions
Period grantees provide service in return for stock options	No provisions
Period subscription rights are to be exercised	From June 1, 2013 to May 31, 2043

Company name	Infocom Corporation
Position and number of grantees	Directors and Corporate Officers: 6
Class and number of stock	Common Stock: 23,000
Date of issue	June 6, 2014
Condition of settlement of rights	No provisions
Period grantees provide service in return for stock options	No provisions
Period subscription rights are to be exercised	From June 7, 2014 to June 6, 2044

Company name	Infocom Corporation
Position and number of grantees	Directors and Corporate Officers: 7
Class and number of stock	Common Stock: 26,800
Date of issue	June 9, 2015
Condition of settlement of rights	No provisions
Period grantees provide service in return for stock options	No provisions
Period subscription rights are to be exercised	From June 10, 2015 to June 9, 2045

Company name	Infocom Corporation
Position and number of grantees	Directors and Corporate Officers: 8
Class and number of stock	Common Stock: 18,400
Date of issue	June 13, 2016
Condition of settlement of rights	No provisions
Period grantees provide service in return for stock options	No provisions
Period subscription rights are to be exercised	From June 14, 2016 to June 13, 2046

Company name	Infocom Corporation
Position and number of grantees	Directors and Corporate Officers: 8
Class and number of stock	Common Stock: 17,400
Date of issue	June 12, 2017
Condition of settlement of rights	No provisions
Period grantees provide service in return for stock options	No provisions
Period subscription rights are to be exercised	From June 13, 2017 to June 12, 2047

Company name	Infocom Corporation
Position and number of grantees	Directors and Corporate Officers: 7
Class and number of stock	Common Stock: 11,200
Date of issue	June 11, 2018
Condition of settlement of rights	No provisions
Period grantees provide service in return for stock options	No provisions
Period subscription rights are to be exercised	From June 12, 2018 to June 11, 2048

The following tables summarize the number and movements of stock options as of March 31 2018.

Non-exercisable stock options

Company name	Shares Infocom Corporation 2014	2015	2016	2017	2018
Stock options outstanding at April 1, 2017	—	—	—	—	—
Stock options granted	—	—	—	—	17,400
Forfeitures	—	—	—	—	—
Conversion to exercisable stock options	—	—	—	—	17,400
Stock options outstanding at March 31, 2018	—	—	—	—	—

Exercisable stock options

Company name	Shares Infocom Corporation 2014	2015	2016	2017	2018
Stock options outstanding at April 1, 2017	33,200	23,000	26,800	18,400	—
Conversion from non-exercisable stock options	—	—	—	—	17,400
Stock options exercised	5,600	—	—	—	—
Forfeitures	—	—	—	—	—
Stock options outstanding at March 31, 2018	27,600	23,000	26,800	18,400	17,400

The following table summarizes value information of stock options as of March 31, 2018.

Company name	Yen Infocom Corporation 2014	2015	2016	2017	2018
Paid-in value	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1
Average market price of the stock at the time of exercise	2,252	—	—	—	—
Fair value at the date of grant	143,839	144,800	227,000	300,000	391,600

The method of estimation for the fair value of stock options granted in the year ended March 31, 2018 is as follows:

Method of valuation	Black-Scholes Model
Volatility	37.5%
Expected remaining period	6.8 years
Expected dividend rate	1.48%
Interest rate without any risks	(0.07%)

Note 16. Segment information

(1) Reportable operating segment information

The Company's reportable operating segments are components for which separate financial information is available and evaluated regularly by its chief decision-making authority in determining the allocation of management resources and in assessing performance. The Company currently divides its operations into business groups, based on type of product, nature of business and services provided. The business groups formulate product and service strategies in a comprehensive manner in Japan and overseas.

In April 2017, the Company reclassified its previous four reportable operating segments, (Advanced Fibers and Composites, Electronics Materials and Performance Polymer Products, Healthcare, and Trading and Retail), into two reportable operating segments: Materials Business Field and Healthcare Business Field. This change was made in line with the Company's reorganization to accelerate growth and transformation strategies based on the medium-term management plan announced in February 2017.

The Materials Business involves the production and sale of aramid fibers, carbon fibers, polycarbonate resin, polyester films, polyester fibers, fiber products, and composites, while the Healthcare Business includes the production and sale of pharmaceuticals and medical devices, as well as the production and rental of home healthcare devices and the provision of home healthcare services.

(2) Accounting methods used to calculate segment sales, segment income, segment assets and other items for reportable operating segments

The accounting policies for the reportable operating segments are the same as those described in Note 2."Summary of significant accounting policies." Segment income for reportable operating segments is based on operating income. Amounts for intersegment transactions or transfers are calculated based on market prices or on prices determined using the cost-plus method.

(3) Segment sales, segment income, segment assets and other items for reportable operating segments

Segment information for the years ended March 31, 2017 and 2018 is as shown below:

	Millions of yen 2017 Materials	Healthcare	Subtotal	Others	Total
Sales:					
1) External customers	¥539,847	¥150,677	¥690,524	¥50,768	¥741,292
2) Intersegment net sales and transfer	958	—	958	7,591	8,549
Total sales	540,805	150,677	691,482	58,359	749,841
Segment income	31,235	24,763	55,998	5,297	61,295
Segment assets	585,942	154,424	740,366	84,506	824,872
Other items:					
Depreciation	21,674	12,525	34,199	1,568	35,767
Amortization of goodwill	2,106	155	2,261	1	2,262
Investments in associates accounted for using the equity method	12,253	2,721	14,974	23,569	38,543
Increase in tangible and intangible fixed assets	30,587	12,404	42,991	2,133	45,124

	Millions of yen 2018 Materials	Healthcare	Subtotal	Others	Total
Sales:					
1) External customers	¥624,812	¥155,371	¥780,183	¥54,803	¥834,986
2) Intersegment net sales and transfer	1,164	3	1,167	9,122	10,289
Total sales	625,976	155,374	781,350	63,925	845,275
Segment income	33,627	35,942	69,569	6,138	75,707
Segment assets	617,123	168,428	785,551	97,872	883,423
Other items:					
Depreciation	27,124	10,992	38,116	1,774	39,890
Amortization of goodwill	4,218	266	4,484	—	4,484
Investments in associates accounted for using the equity method	12,224	2,027	14,251	25,656	39,907
Increase in tangible and intangible fixed assets	30,010	12,571	42,581	1,651	44,232

	Thousands of U.S. dollars 2018 Materials	Healthcare	Subtotal	Others	Total
Sales:					
1) External customers	$5,881,137	$1,462,453	$7,343,590	$515,841	$7,859,431
2) Intersegment net sales and transfer	10,957	28	10,985	85,862	96,847
Total sales	5,892,094	1,462,481	7,354,575	601,703	7,956,278
Segment income	316,519	338,310	654,829	57,775	712,604
Segment assets	5,808,763	1,585,354	7,394,117	921,235	8,315,352
Other items:					
Depreciation	255,309	103,464	358,773	16,698	375,471
Amortization of goodwill	39,702	2,504	42,206	—	42,206
Investments in associates accounted for using the equity method	115,060	19,080	134,140	241,491	375,631
Increase in tangible and intangible fixed assets	282,474	118,326	400,800	15,540	416,340

Notes:
1. “Others” which includes the IT business, does not qualify as a reportable operating segment.
2. “Depreciation” and “Increase in tangible and intangible fixed assets” include long-term prepaid expenses and their amortization.

Reconciliations of published figures and aggregates of reportable operating segments for the years ended March 31, 2017 and 2018 are as shown below:

Adjustment for net sales	Millions of yen 2017	2018	Thousands of U.S. dollars 2018
Reportable operating segments	¥691,482	¥781,350	$7,354,575
Others	58,359	63,925	601,703
Elimination of intersegment transactions	(8,549)	(10,289)	(96,847)
Net sales	¥741,292	¥834,986	$7,859,431

Adjustment for operating income	Millions of yen 2017	2018	Thousands of U.S. dollars 2018
Reportable operating segments	¥55,998	¥69,569	$654,829
Others	5,297	6,138	57,775
Elimination of intersegment transactions	209	(38)	(358)
Corporate expenses*	(4,992)	(5,846)	(55,026)
Operating income	¥56,512	¥69,823	$657,220

* Corporate expenses are expenses that cannot be allocated to individual reportable operating segments and are primarily related to head office administration.

Reconciliations of published figures and aggregates of reportable operating segments as of March 31, 2017 and 2018 are as shown below:

Adjustment for assets	Millions of yen 2017	2018	Thousands of U.S. dollars 2018
Reportable operating segments	¥740,366	¥785,551	$7,394,117
Others	84,506	97,872	921,235
Corporate assets†	183,898	163,096	1,535,166
Adjustment	(44,717)	(60,334)	(567,903)
Total assets	¥964,053	¥986,185	$9,282,615

† Corporate assets are assets that cannot be allocated to individual reportable operating segments and are primarily related to investments of the parent company in “Cash and time deposits,” “Investment securities,” etc.

Other items	Millions of yen 2017 Reportable operating segments	Others	Adjustment	Total
Depreciation	¥34,199	¥ 1,568	¥1,302	¥37,069
Amortization of goodwill	2,261	1	—	2,262
Investments in associates accounted for using the equity method	14,974	23,569	—	38,543
Increase in tangible and intangible fixed assets	42,991	2,133	1,100	46,224

Other items	Millions of yen 2018 Reportable operating segments	Others	Adjustment	Total
Depreciation	¥38,116	¥ 1,774	¥1,281	¥41,171
Amortization of goodwill	4,484	—	—	4,484
Investments in associates accounted for using the equity method	14,251	25,656	—	39,907
Increase in tangible and intangible fixed assets	42,581	1,651	378	44,610

Other items	Thousands of U.S. dollars 2018 Reportable operating segments	Others	Adjustment	Total
Depreciation	$358,773	$ 16,698	$12,057	$387,528
Amortization of goodwill	42,206	—	—	42,206
Investments in associates accounted for using the equity method	134,140	241,491	—	375,631
Increase in tangible and intangible fixed assets	400,800	15,540	3,558	419,898

(4) Information by product/service

Sales to external customers by product/service category for the years ended March 31, 2017 and 2018 are as shown below:

Millions of yen					
2017					
Material	Polyester Fibers & Trading and Retail	Composites and Others	Healthcare	IT and Others	Total
¥228,081	¥287,264	¥24,503	¥150,677	¥50,767	¥741,292

Millions of yen					
2018					
Material	Polyester Fibers & Trading and Retail	Composites and Others	Healthcare	IT and Others	Total
¥254,077	¥293,214	¥77,521	¥155,371	¥54,803	¥834,986

Thousands of U.S. dollars					
2018					
Material	Polyester Fibers & Trading and Retail	Composites and Others	Healthcare	IT and Others	Total
$2,391,538	$2,759,921	$729,678	$1,462,453	$515,841	$7,859,431

Notes:
1. In accordance with a reclassification of reportable operating segments noted in "(1) Reportable operating segment information" the Company has classified and disclosed information by product/service into the categories of "Material," "Polyester Fibers & Trading and Retail," "Composites and Others," "Healthcare," and "IT and Others." This disclosure had been omitted because similar information had been disclosed in segment information until the previous fiscal year. In accordance with this change, the Company has prepared and disclosed information by product/service for the previous fiscal year based on the same classification.
2. The Materials Business Field is a reportable operating segment including the product/service categories of "Material," "Polyester Fibers & Trading and Retail" and "Composites and Others." The Material category consists of the production and sale of such high-functional material as aramid fibers, carbon fibers, polycarbonate resin and polyester films.

(5) Information by geographical segment

1. Net sales by region for the years ended March 31, 2017 and 2018 are as shown below:

Millions of yen						
2017						
Japan	China	Asia	U.S.	Americas (ex-U.S.)	Europe and others	Consolidated total
¥453,735	¥93,789	¥65,985	¥59,382	¥6,336	¥62,065	¥741,292

Millions of yen						
2018						
Japan	China	Asia	U.S.	Americas (ex-U.S.)	Europe and others	Consolidated total
¥464,088	¥106,879	¥72,411	¥107,136	¥16,541	¥67,931	¥834,986

Thousands of U.S. dollars						
2018						
Japan	China	Asia	U.S.	Americas (ex-U.S.)	Europe and others	Consolidated total
$4,368,298	$1,006,015	$681,579	$1,008,434	$155,695	$639,410	$7,859,431

2. Tangible fixed assets by region as of March 31, 2017 and 2018 are as shown below:

Millions of yen							
2017							
Japan	China	Netherlands	Asia	U.S.	Europe	Americas (ex-U.S.)	Consolidated total
¥130,907	¥17,020	¥26,889	¥23,914	¥32,817	¥4,624	¥5,119	¥241,290

Millions of yen							
2018							
Japan	China	Netherlands	Asia	U.S.	Europe	Americas (ex-U.S.)	Consolidated total
¥127,308	¥18,026	¥26,470	¥23,883	¥34,693	¥4,830	¥5,079	¥240,289

Thousands of U.S. dollars							
2018							
Japan	China	Netherlands	Asia	U.S.	Europe	Americas (ex-U.S.)	Consolidated total
$1,198,306	$169,672	$249,153	$224,802	$326,553	$45,463	$47,807	$2,261,756

(6) Information by major customer

Information for the year ended March 31, 2018 is omitted as no single customer accounted for more than 10% of consolidated net sales as reported in the consolidated statements of income.

(7) Impairment loss and goodwill by reportable operating segment

Impairment loss by reportable operating segment for the years ended March 31, 2017 and 2018 are as shown below:

	Millions of yen				
	2017				
	Materials	Healthcare	Others	Elimination and corporate	Consolidated total
Impairment loss	¥836	¥—	¥45	¥497	¥1,378

	Millions of yen				
	2018				
	Materials	Healthcare	Others	Elimination and corporate	Consolidated total
Impairment loss	¥699	¥—	¥23	¥354	¥1,076

	Thousands of U.S. dollars				
	2018				
	Materials	Healthcare	Others	Elimination and corporate	Consolidated total
Impairment loss	$6,579	$—	$217	$3,332	$10,128

Goodwill by reportable operating segment as of March 31, 2017 and 2018 is as shown below:

	Millions of yen				
	2017				
	Materials	Healthcare	Others	Elimination and corporate	Consolidated total
Amortization of goodwill	¥ 2,106	¥155	¥ 1	¥—	¥ 2,262
Balance as of March 31, 2017	32,370	368	—	—	32,738

	Millions of yen				
	2018				
	Materials	Healthcare	Others	Elimination and corporate	Consolidated total
Amortization of goodwill	¥ 4,218	¥266	¥—	¥—	¥ 4,484
Balance as of March 31, 2018	26,316	876	—	—	27,192

	Thousands of U.S. dollars				
	2018				
	Materials	Healthcare	Others	Elimination and corporate	Consolidated total
Amortization of goodwill	$ 39,702	$2,504	$—	$—	$ 42,206
Balance as of March 31, 2018	247,703	8,246	—	—	255,949

Note 17. Contingent liabilities

At March 31, 2017 and 2018, the Companies were contingently liable as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
(a) As endorser of notes discounted or endorsed	¥ 1	¥ 3	$ 28
(b) As guarantors of indebtedness of:			
Unconsolidated subsidiaries and affiliates	¥2,107	¥1,898	$17,865
Others	2,193	2,044	19,240
	¥4,300	¥3,942	$37,105
(c) As guarantor of accounts receivable negotiated to third parties	¥1,924	¥1,783	$16,783

Note 18. Asset retirement obligations

Asset retirement obligations recorded in the consolidated balance sheets

(1) Outline of asset retirement obligations

Recorded asset retirement obligations are expenses such as costs for removal of asbestos from buildings owned by the Company when they are demolished and costs for restoration under the lease agreements of real estate.

(2) Calculation method of asset retirement obligations

The Companies estimate that the period of use is mainly from 1 to 50 years, and calculate the obligations using discount rates between 0.0% and 1.3%.

(3) Changes in the total amount of asset retirement obligations

In the year ended March 31, 2018, the estimated amount of obligation was changed as a more precise estimation for restoration under the lease agreements of real estate became possible.

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Beginning balance	¥ 3,678	¥ 2,970	$ 27,956
Increase due to acquisition of property, plant and equipment	—	210	1,977
Reconciliation associated with passage of time	6	8	75
Reconciliation associated with changes in accounting estimates	764	650	6,118
Decrease due to the fulfillment of asset retirement obligations	(1,469)	(2,036)	(19,164)
Others	(9)	(130)	(1,224)
Ending balance	¥ 2,970	¥ 1,672	$ 15,738

Note: The ending balance of asset retirement obligation includes ¥245 million ($2,306 thousand) classified as "Other current assets" for the year ended March 31, 2018.

Independent Auditor's Report

KPMG

Independent Auditor's Report

To the Shareholders and Board of Directors of Teijin Limited:

We have audited the accompanying consolidated financial statements of Teijin Limited and its consolidated subsidiaries, which comprise the consolidated balance sheets as at March 31, 2017 and 2018, and the consolidated income statements, statements of comprehensive income, statements of changes in net assets and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Teijin Limited and its consolidated subsidiaries as at March 31, 2017 and 2018 and their financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2018 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

KPMG AZSA LLC

June 20, 2018
Tokyo, Japan

KPMG AZSA LLC, a limited liability audit corporation incorporated under the Japanese Certified Public Accountants Law and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Independent Assurance Report

KPMG

Independent Assurance Report

To the President and CEO of Teijin Limited

We were engaged by Teijin Limited (the "Company") to undertake a limited assurance engagement of the environmental and social performance indicators marked with a red star ★ (the "Indicators") for the period from April 1, 2017 to March 31, 2018 included in its Teijin Group Integrated Report 2018 (the "Report") for the fiscal year ended March 31, 2018.

The Company's Responsibility

The Company is responsible for the preparation of the Indicators in accordance with its own reporting criteria (the "Company's reporting criteria"), as described in the Report.

Our Responsibility

Our responsibility is to express a limited assurance conclusion on the Indicators based on the procedures we have performed. We conducted our engagement in accordance with the 'International Standard on Assurance Engagements (ISAE) 3000, Assurance Engagements other than Audits or Reviews of Historical Financial Information' and the 'ISAE 3410, Assurance Engagements on Greenhouse Gas Statements' issued by the International Auditing and Assurance Standards Board. The limited assurance engagement consisted of making inquiries, primarily of persons responsible for the preparation of information presented in the Report, and applying analytical and other procedures, and the procedures performed vary in nature from, and are less in extent than for, a reasonable assurance engagement. The level of assurance provided is thus not as high as that provided by a reasonable assurance engagement. Our assurance procedures included:

- Interviewing the Company's responsible personnel to obtain an understanding of its policy for preparing the Report and reviewing the Company's reporting criteria.
- Inquiring about the design of the systems and methods used to collect and process the Indicators.
- Performing analytical procedures on the Indicators.
- Examining, on a test basis, evidence supporting the generation, aggregation and reporting of the Indicators in conformity with the Company's reporting criteria, and recalculating the Indicators.
- Visiting Teijin Polycarbonate China Ltd. selected on the basis of a risk analysis.
- Evaluating the overall presentation of the Indicators.

Conclusion

Based on the procedures performed, as described above, nothing has come to our attention that causes us to believe that the Indicators in the Report are not prepared, in all material respects, in accordance with the Company's reporting criteria as described in the Report.

Our Independence and Quality Control

We have complied with the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which includes independence and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior. In accordance with International Standard on Quality Control 1, we maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

KPMG AZSA Sustainability Co., Ltd.

KPMG AZSA Sustainability Co., Ltd.
Tokyo, Japan
October 24, 2018

Corporate Data

As of March 31, 2018

Established	June 17, 1918
Head Offices	Osaka Head Office Nakanoshima Festival Tower West, 2-4, Nakanoshima 3-chome, Kita-ku, Osaka 530-8605, Japan Tel: +81-6-6233-3401
	Tokyo Head Office Kasumigaseki Common Gate West Tower, 2-1, Kasumigaseki 3-chome, Chiyoda-ku, Tokyo 100-8585, Japan Tel: +81-3-3506-4529
Fiscal Year-End	March 31
Common Stock Authorized	600,000,000 shares
Common Stock Issued	197,953,707 shares
Paid-in Capital	¥71,833 million
Shareholders	87,516
Number of Teijin Group Companies	Japan 59 Overseas 104 Total 163
Number of Teijin Group Employees (Consolidated)	Japan 9,435 Overseas 10,276 Total 19,711
Stock Exchange Listing	Tokyo
Stock Code	3401
Stock Transfer Agent	Mitsubishi UFJ Trust and Banking Corporation
Dividends	Dividends are usually declared in May and November.
Reports Available to Shareholders and Investors	Corporate Profile Integrated Report Financial Results Fact Book (web site)
Annual Meeting of Shareholders	The annual meeting of shareholders is held before the end of June.
Independent Public Accountants	KPMG AZSA LLC
Web Site	https://www.teijin.com Teijin's web site offers a wealth of corporate and product information, including the latest Integrated Report, financial results and corporate news.
Investor Relations	If you have any questions, please contact: IR Section, Investor Relations Department, Kasumigaseki Common Gate West Tower, 2-1, Kasumigaseki 3-chome, Chiyoda-ku, Tokyo 100-8585, Japan Tel: +81-3-3506-4395 Fax: +81-3-5510-7977 E-mail: ir@teijin.co.jp