

**TEIJIN**

*Human Chemistry, Human Solutions*



# ALWAYS EVOLVING

INTEGRATED REPORT

**2020**

Year ended March 31, 2020





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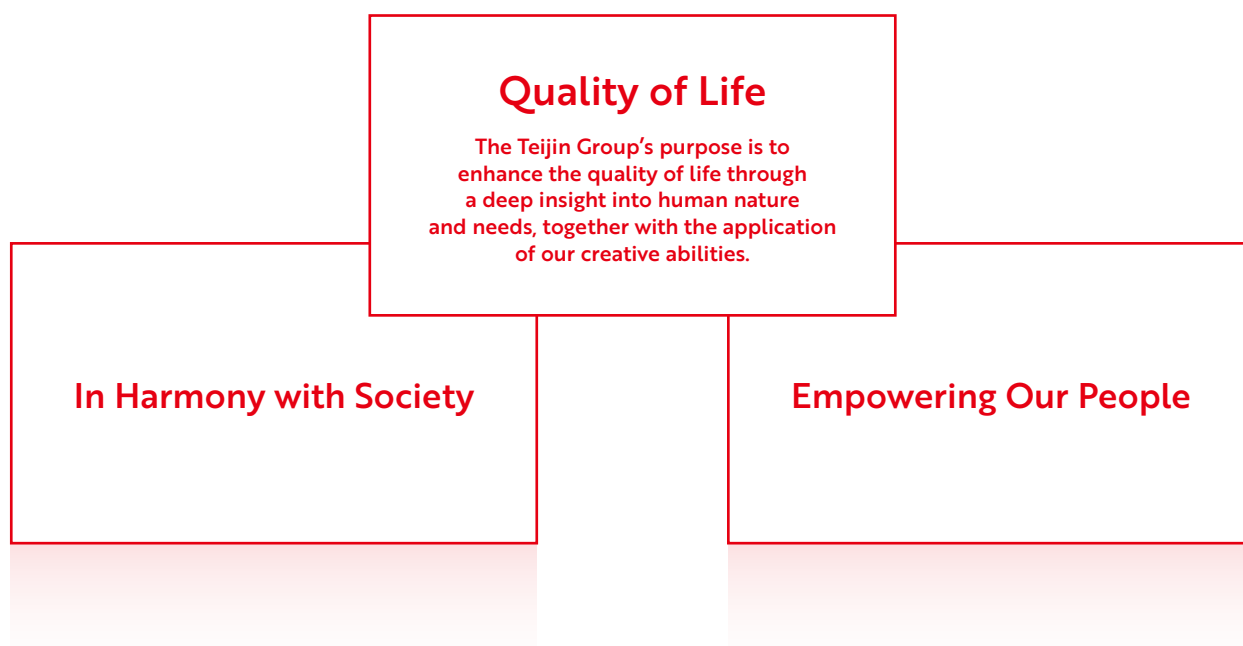
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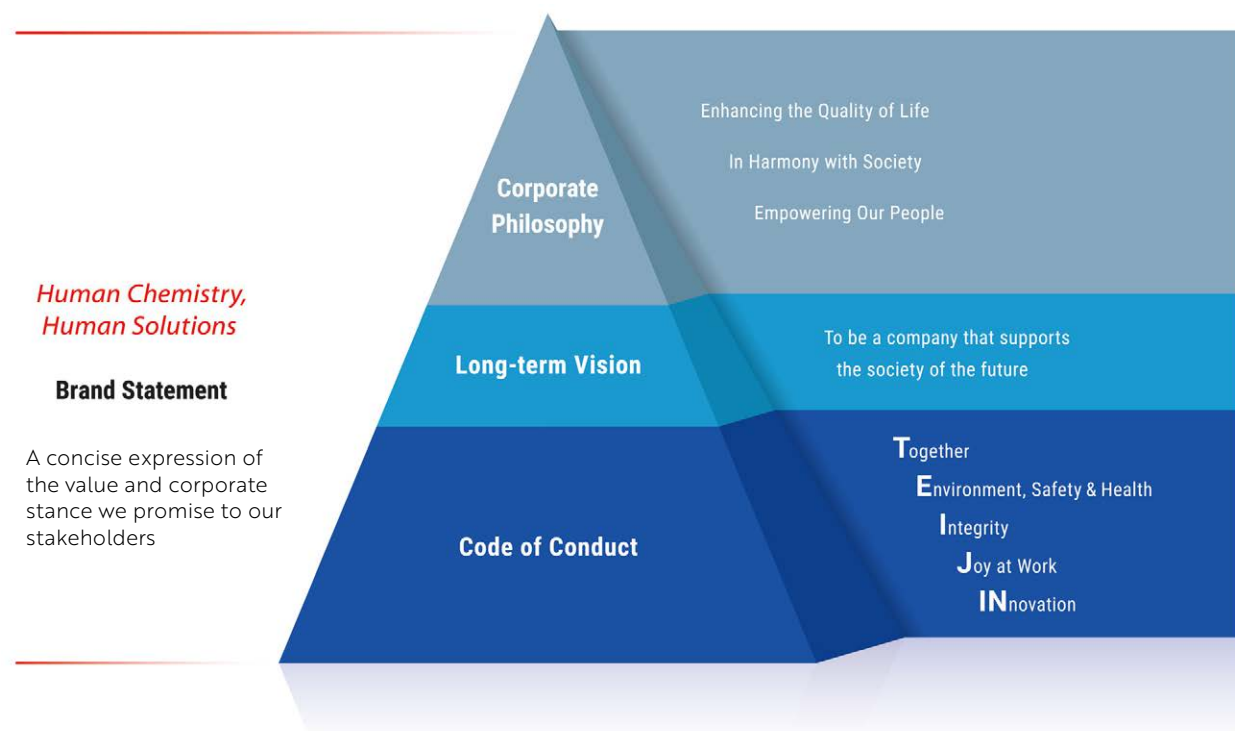
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## Corporate Philosophy



## Our Philosophy

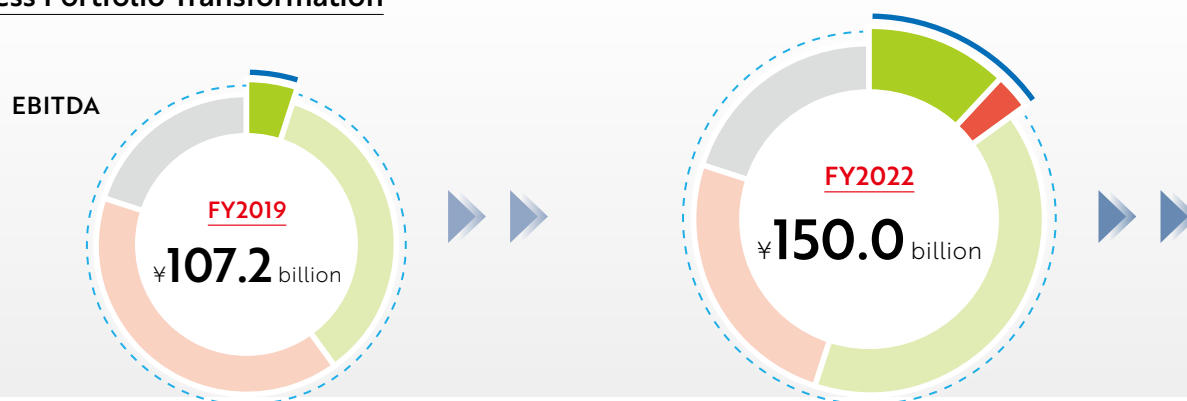


# Executive Summary

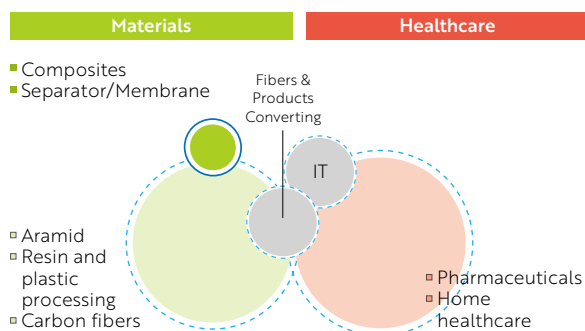
The Teijin Group formulated Medium-Term Management Plan 2020–2022: ALWAYS EVOLVING, which serves as a period for “Creating Growth Platforms” with the aim of achieving the Group’s vision for fiscal 2030. Under this plan, we will achieve both sustainable growth through portfolio transformation and contribute to society by reducing our environmental impact. In this integrated report, we introduce examples of Teijin Group initiatives that aim to create business opportunities and reduce risks in the fields of our three solutions,\* contribute to society while strengthening our management base, and achieve our long-term vision as well as a sustainable world.

\* Environmental Value Solutions; Safety, Security, and Disaster Mitigation Solutions; and Demographic Change and Increased Health Consciousness Solutions

## Business Portfolio Transformation



### Portfolio in Fiscal 2019



## Strategic Focus Businesses

## Profitable Growth Businesses

Previous Medium-Term Management Plan 2017–2019  
“Prioritizing Business Areas and Clarifying Challenges”

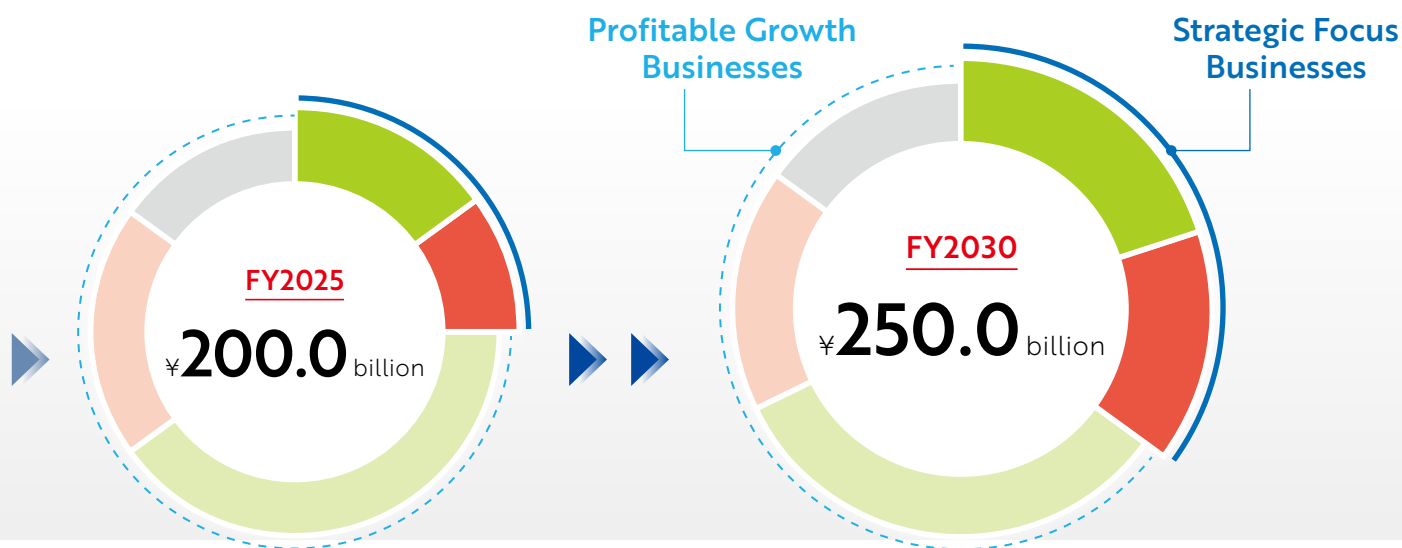
Medium-Term Management Plan 2020–2022  
“Creating Growth Platforms”

### Financial Targets of Medium-Term Management Plan 2020–2022

<b>ROE</b>	Fiscal 2019 (Results) 6.3%	➡	Fiscal 2022 <b>10</b> % or more
<b>ROIC</b> (based on operating income)	Fiscal 2019 (Results) 8.7%	➡	Fiscal 2022 <b>8</b> % or more
<b>Capital expenditures + M&amp;As</b>	Previous Medium-Term Management Plan (Results) ¥233.6 billion*	➡	Medium-Term Management Plan 2020–2022 ¥ <b>350.0</b> billion

\* Includes expenditures, etc., toward associates accounted for using the equity method



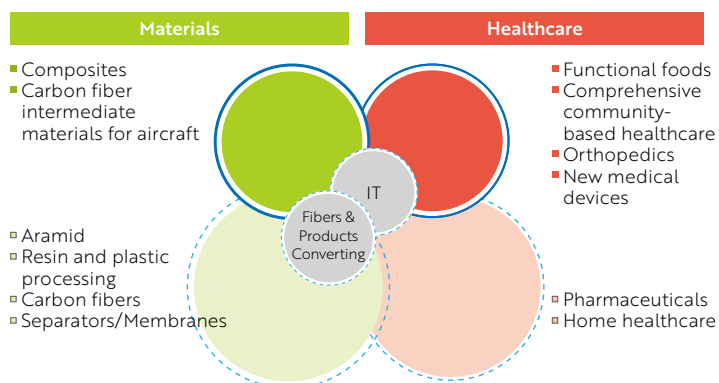


Materials Healthcare

Materials Healthcare

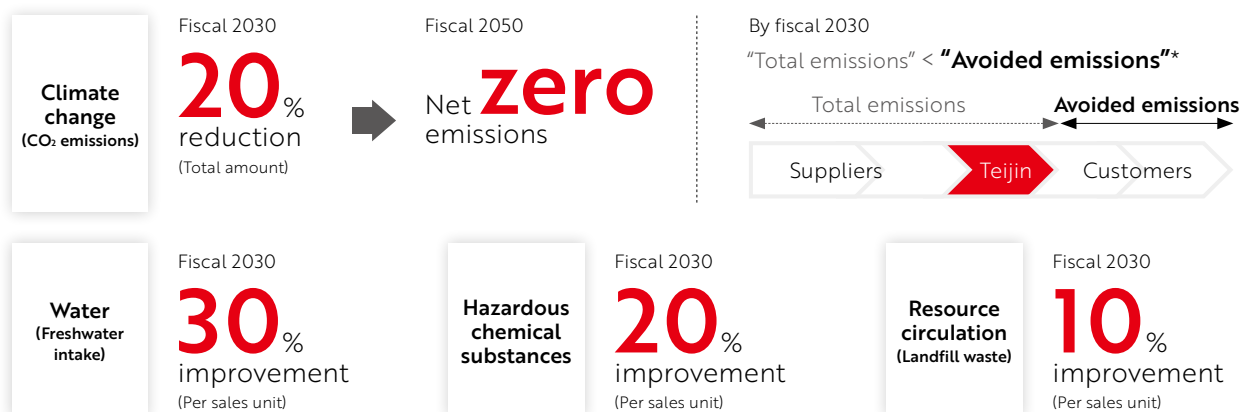
Fibers & Products Converting/IT

#### Portfolio in Fiscal 2030



### Toward 2030 "Contributing to the Realization of a Sustainable World"

#### Long-Term Goals for Reducing Environmental Impact (vs. Fiscal 2018)



\* Calculated as the amount of CO<sub>2</sub> reductions that the Company's products have contributed to in the supply chain downstream

# We will steadily push with determination to supports the society



## Opening Words

I would first like to offer my thoughts and prayers to those who have contracted COVID-19 and their families. In addition, I would like to express my profound respect and gratitude to all relevant parties who are working every day to treat the disease and prevent its further spread. To address the spread of COVID-19, we will continue to proactively engage in various initiatives and activities that make full use of our products, services, and know-how so that we can contribute to society and protect the safety of patients, business partners, and Group employees and their families.

## Outlining the Road to Becoming a Company That Supports the Society of the Future

We formulated our previous medium-term management plan in 2017. At the same time, we adopted our long-term vision of “to be a company that supports the society of the future,” in order to realize management focused on the next 10 years. This vision reflects our aim to realize a sustainable world by expanding our businesses into areas where the Group’s strengths

## Jun Suzuki

**President and CEO,  
Representative Director of the Board**

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



# forward become a company that of the future.

overlap with social issues, namely “Environmental Value Solutions,” “Safety, Security, and Disaster Mitigation Solutions,” and “Demographic Change and Increased Health Consciousness Solutions.”

Under the previous plan, we took on various challenges to realize our long-term vision. Rather than focusing solely on positive and negative impacts in terms of profits, we pursued efforts based on whether we can realize long-term growth and whether we can contribute to the resolution of social issues. By doing so, we gradually became better at focusing on the accomplishments we need to make. Furthermore, under the new medium-term management plan, we have reinforced our approach toward our long-term vision and the three aforementioned solutions by incorporating into our efforts the concepts of the Sustainable Development Goals (SDGs), which align perfectly with the direction to where we are aiming as a company. We also identified important social issues (materiality) by considering our vision for the Company by 2030 and then thinking backwards on what we need to do to achieve that vision. In these ways, we better clarified the direction of our efforts to realize a sustainable world. I also believe we took a significant

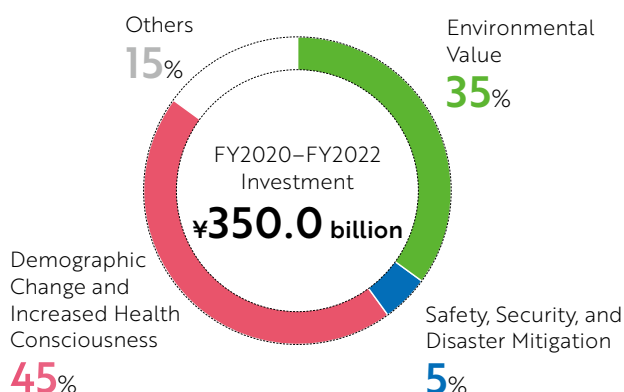
step in terms of reducing our environmental impact by establishing long-term targets for fiscal 2030, 10 years in the future, and placing the same level of importance on these targets as we do on our management indicators.

Growing together with society while resolving social issues is not something we can do overnight. Our strengths do not lie in businesses that can suddenly change the world or businesses that simply follow trends. Rather, our strengths focus more on bringing about gradual change in society and providing products and services that are needed for the society of the future, more so than what is needed in today's society. These strengths encapsulate the true meaning of our long-term vision. I believe the perfect world is one in which people find themselves using our products and services in their daily lives, before they even realize it.

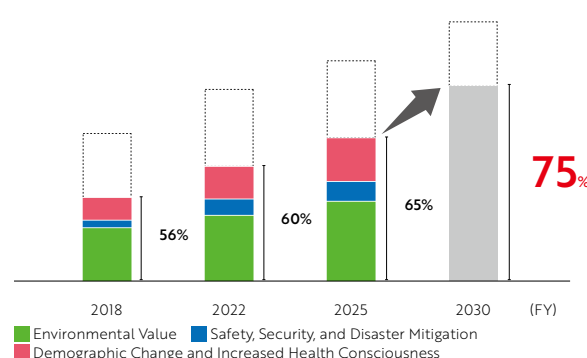
## Pushing Forward to Achieve Our Vision without Stopping

Although COVID-19 will impact our management over the short term, we have not made any changes to our medium- to long-term management policies and strategies. The Group's financial structure has dramatically

### Prioritizing Investments for the Three Solutions and Allocating 85% of All Investments in the Three Solutions (Capital Expenditures and M&As)



### Sales of the Three Solutions to Account for 75% of Total Sales by Fiscal 2030



improved compared with its condition during fiscal 2008, when the global financial crisis occurred, and we have also realized growth in the Healthcare and IT businesses and made strides in transforming our portfolio in the Material Business. As a result, we are now able to generate stable cash flows. Based on these circumstances, while there is a need for us to enact an emergency response to the current situation, there is no need for us to change our vision for the future. Rather, we will actually take proactive steps in areas that will help us reach that vision faster.

When it comes to Environmental Value Solutions, our lineup of high-performance materials related to mobility provides us with a major strength. Even though we are facing a temporarily challenging situation at the moment in light of such factors as the decline in demand for automobiles and aircraft due to the impact of COVID-19, there has been no change in the social need for lightweight materials, meaning the demand for such materials should return to normal over the long term. Our Safety, Security, and Disaster Mitigation Solutions are a field in which we can make contributions through our sturdy and lightweight materials. These solutions involve products and services that are absolutely necessary to society, such as infrastructure equipment, safety gear, and protective clothing. As all of the solutions we offer represent areas where a certain amount of time is needed for research and development, it is imperative that we push forward to achieve our vision without stopping.

With that said, we do need to carefully examine the pros and cons of executing major investments that were decided upon before the spread of COVID-19, in addition to the timing of these investments. Some examples of which are investments in aramid, carbon fibers, and composites, as demand for these materials may not be completely restored within around a year's time. In addition to observing the status of competitors, our own condition, the social environment, and other aspects, we are working to gain a detailed understanding of the conditions in each business as well as the circumstances for each application our materials are being used for. Businesses that can turn a high profit are naturally sought after by other companies, and we have had tough experiences in the past with competitors catching up to us during times when demand has been stagnant. Accordingly, we must strictly monitor the economic environment as it appears as well as what is actually occurring behind the scenes.

In addition, we expect that the environment in the field of Demographic Change and Increased Health Consciousness Solutions will completely change due to the impact of COVID-19. Leveraging the connections we have cultivated with medical institutions and patients through our pharmaceutical and home healthcare businesses, we are working to provide comprehensive

community-based healthcare services. Our original vision for these services is to realize remote healthcare services and businesses involving medical services not covered by public health insurance, and this will likely be achieved faster than expected due to the spread of COVID-19.

As people become more comfortable with paying out of pocket for medical examinations or spending money on private insurance than before, we can probably expect an increase in competitors entering these markets.

Accordingly, we are maintaining both a sense of expectation and a sense of crisis.

### Creating Growth Platforms through Areas of "Strategic Focus" and "Profitable Growth"

Under the previous medium-term management plan, we adopted "establish new core businesses and transform business models" as our transformation strategy and "strengthen core earnings power by accelerating growth in existing businesses" as our growth strategy. As a result of pursuing these strategies, we were able to clearly distinguish between businesses that will provide a source for profits in the future and businesses where we can further expand profits, which in turn allowed us to determine prioritized business areas. In the Materials Business Field, we executed strategic investments largely according to plan centered on expanding the composites business, which included the acquisition of Continental Structural Plastics Holdings Corporation (CSP) in January 2017. While there were both positive and negative developments if we look at each individual business, from an overall standpoint, I believe we made solid progress toward our future vision. While we are working to expand new businesses in the Healthcare Business Field, under the previous plan we did not produce significant results as we were unable to carry out large-scale M&As. We have taken careful steps to plant seeds in this business field, and we find ourselves in a situation where we are waiting for these seeds to grow. Our average EBITDA over the three-year period from fiscal 2017 to fiscal 2019 was ¥110.1 billion, up ¥15.4 billion compared with our average EBITDA over the period from fiscal 2014 to fiscal 2016. EBITDA for fiscal 2019 alone stood at ¥107.2 billion, and while this fell a bit short of our goal of over ¥120.0 billion, I still view this as a solid accomplishment.

Under the new medium-term management plan, we position businesses that need to be developed in order to secure future profits as "Strategic Focus" businesses and businesses that are already generating profits but need to be grown further as "Profitable Growth" businesses. We have set our investment level at ¥350.0 billion, which is ¥100.0 billion higher than the total investments carried out during the previous medium-term management plan. With this amount, we aim to create growth platforms while engaging in proactive resource investment. Although it will be the period after



the new plan when we start recording significant results, we forecast that our investment projects will start contributing to profit growth in fiscal 2022; and by fiscal 2023 onward, we expect to be firmly settled in on our path for growth. While the new medium-term management plan constitutes a three-year strategy, we position the execution of the plan as a definitive move toward achieving our vision for 10 years in the future. For example, our investment projects under the new plan serve as initiatives geared toward 2025 and 2030.

We expect that the EBITDA of Strategic Focus businesses will account for one-third of total EBITDA by fiscal 2030. First, in regard to automotive composites, we anticipate that CSP will regain positive operating income after amortization of goodwill by fiscal 2022. We initially thought this return to profitability would happen sooner, but various issues materialized over the period of the previous medium-term management plan, including soaring labor costs and worsening yield rates. At the moment, CSP is making genuine progress with efforts to improve its productivity. While it may be difficult to achieve in the near future due to the impact of COVID-19, CSP aims to reach the 10% level for operating margin before amortization of goodwill and is continuing to pursue efforts to further expand its share as the largest Tier 1 supplier in North America.

For carbon fiber intermediate materials for aircraft, we have been promoting such efforts as increasing our pipeline for over 10 years. This is a business where it takes an extremely long time to achieve results, but we are slowly starting to see some accomplishments being made. In this business, there is a need for cost-competitive products that also have high functionality, and we are focusing our efforts on products that make use of thermoplastic resins and non-crimp fabrics. In order to have our structure components verified by major aircraft manufacturers, we are currently promoting investment in launching a new factory in North America. The three-year period of the new medium-term management plan is

positioned as a time for upfront investment in this regard. As the aircraft business has been heavily impacted by the COVID-19 crisis, we need to proceed carefully with our planned projects.

In terms of large-scale M&As in the Healthcare Business Field, which has been an issue, the value of investment projects is not necessarily declining due to the impact of COVID-19, and there are actually companies whose worth is increasing under these circumstances. Accordingly, we are still facing a challenging situation. There are target companies valued at over 20 to 30 times their EBITDA as well as companies that come with high value even before sales can be recorded. With this in mind, we need to be prudent about investment if we cannot say for certain that a project will meet an area in which we are lacking and will exert synergies and realize significant growth after executing acquisition. In terms of supplementing an area of deficiency, we have been coming up with numerous ideas on how to accomplish this—and we therefore aim to capitalize on opportunities for large-scale acquisitions while continuing to actively pursue small to medium-sized projects. Going forward, we will strive to steadily grow new healthcare businesses such as functional foods, comprehensive community-based healthcare systems, and new medical devices.


We have high expectations to generate cash in our Profitable Growth businesses. In the Material Business, the aramid business has been performing extremely well, achieving a particularly high level of profitability. Accordingly, we expect annual sales growth of 5% to 7% in this business, which will be realized through our efforts thus far to run at nearly full operation and improve productivity. As the aramid business currently boasts a high presence across the globe, under the previous medium-term management plan we decided to bolster the production capacity of this business through significant capital expenditures. We intend to increase production capacity by 25% or more compared with fiscal 2017 and, although there may be a short-term slowdown in

## Business Portfolio

	Strategic Focus Businesses	Profitable Growth Businesses
Materials	<ul style="list-style-type: none"> <li>■ Automotive composites</li> <li>■ Carbon fiber intermediate materials for aircraft</li> </ul>	<ul style="list-style-type: none"> <li>■ Aramid</li> <li>■ Carbon fibers</li> <li>■ Resin and plastic processing</li> <li>■ Separators/Membranes</li> </ul>
Healthcare	<ul style="list-style-type: none"> <li>■ New business related to comprehensive community-based healthcare systems</li> <li>■ Functional foods</li> <li>■ New healthcare businesses (orthopedics and new medical devices)</li> </ul>	<ul style="list-style-type: none"> <li>■ Pharmaceuticals</li> <li>■ Home healthcare</li> </ul>
Others	—	<ul style="list-style-type: none"> <li>■ Fibers &amp; Products Converting</li> <li>■ IT</li> </ul>

demand due to the current COVID-19 crisis, we will commence mass production in fiscal 2022. By doing so, we expect that this business will be able to capture the majority of growth in the market. I feel it is a major accomplishment for us to have established an environment where we can further grow the aramid business.

Additionally, in the Healthcare Business, we will integrate the organizations of our existing pharmaceutical and home healthcare businesses as we work to enhance productivity and promote cost-reducing structural reform. In terms of minimizing the impact from the emergence risk of generic versions of *FEBURIC* (febuxostat), our mainstay pharmaceutical, starting from fiscal 2022, we need to get our management under this new organizational structure up to speed. While we are currently making solid efforts to cultivate new businesses in the Healthcare Business Field, we by no means intend to withdraw from our existing businesses. There are countless people who depend on our pharmaceuticals and medical devices, and as such we will continue to focus on such efforts as the research and development of new medical treatments and new drugs.

► P.30 Business Strategy 

### Creating Frameworks to Help Spur Innovation

With the new medium-term management plan, we will create frameworks to help spur innovation to a greater extent than ever before. We established an organization to examine and execute M&As on a Groupwide level, starting in fiscal 2019. In addition, in April 2020 we established the Innovation Promotion Organization. Through this organization, we will investigate and nurture new business domains for the next generation and provide support to R&D and new business development from Groupwide and long-term perspectives. The purpose of this organization for promoting innovation is not to realize technological breakthroughs but rather to ultimately create new businesses and ensure their success. Furthermore, in February 2020 we established Teijin Automotive Center Europe in Germany. This automotive center handles the design, planning, and prototyping of automotive composites, among other functions. Through this automotive center we will strengthen our proposal-making capabilities in Europe, where automobile manufacturing needs to be carried out at a very high level. There is also a high level of environmental awareness and sensitivity in Europe, and we therefore plan to establish a new technological development center in the region during fiscal 2020. With this new center, we will focus on eco-friendly fields and examine future policies and initiatives while gathering information from Japan and the United States, using this center as a Groupwide hub.

Also, we will continue our efforts to further expand collaborative businesses born out of integration between businesses, such as integration between the Material and Healthcare businesses, the Material and IT businesses, and the Healthcare and IT businesses. For example, the Material Technology Center has been promoting research in Strategic Focus business domains as well as domains where our Material and Healthcare businesses overlap. Through such research, we will expand into new domains one after the other. Also, it will almost certainly not be enough for us to realize our long-term vision with only the technologies and resources we possess, which means it is extremely important to promote alliances and collaborations with external organizations. These can come in the form of majority investments, minority investments, or even collaborations in which we do not acquire capital. The first step in this process is fostering an awareness among employees of the importance of working together with external organizations to expand our business horizons and complement areas where our businesses are lacking. When attempting to spur innovation in areas that closely relate to our existing businesses, there are certainly approaches that differ from past conventions, and at times conflicts can occur. We therefore place value on striking a balance between promoting thorough initiatives toward our existing businesses and striving to spur innovation to ensure the success of new businesses. Moving forward, we recognize the need to create organizations and frameworks to help us achieve that balance.

We will also continue to place emphasis on diversity and inclusion as a means to help spur innovation. In fiscal 2019, the final year of the previous medium-term management plan, we appointed Karola Japke, a German woman, to the post of chief human resources officer. Ms. Japke played a leading role in formulating diversity and inclusion initiatives and KPIs for the new medium-term management plan with a focus on the long term. Going forward, we will accelerate the promotion of diversity and inclusion not only in Japan but also on a global level.

► P. 42 The Teijin Group's Innovations

► P. 58 Promotion of Diversity and Inclusion



### Taking Action toward Important Social Issues (Materiality) and KPIs Derived from Our Future Vision

Every year in July, members of the Company's top management gather at a Company seminar house to discuss management issues. One major theme of these discussions in fiscal 2018 was the SDGs and the environment. The representative directors from Teijin Aramid B.V. in the Netherlands, CSP in the United States, and other Group companies also gathered at this event, where



broad-minded, positive discussions were held from the morning into the evening. These discussions became an extremely positive opportunity for us to come together to determine the kind of social issues we need to address from a wide array of perspectives, including the regulations in Europe and the approaches taken in the United States. Additionally, at these discussions in fiscal 2019, the CSR officer played a leading role in creating an SDGs pyramid, which summarized how each business is contributing to society. Based on this tree, we were able to create a value creation story for each business. At the same time, we conducted an analysis that broke down social issues from the perspectives of both risks and opportunities. This analysis resulted in the identification of the materiality found in the new medium-term management plan.

Also, the new medium-term management plan lays out long-term targets for reducing our environmental impact. These newly announced targets were agreed upon across the Group. By placing the same level of importance on these environmental KPIs as we do with our financial indicators, we aim to achieve both business growth and environmental impact reduction even amid a time of crisis, like the situation we face today. We are strongly committed to this vision and we will push forward to achieve it without stopping.

► P. 44 The Teijin Group's Materiality 

### Contributing to the Environment throughout the Entire Product Life Cycle

Efforts to reduce environmental impact usually start with products that are produced in large quantities. For example, the practice of recycling, reusing, and reducing commodity plastics is firmly entrenched across the world. At the Teijin Group, we are already pursuing efforts to help with this practice, such as polyester production. However, our efforts to consider how to develop high-performance fibers and composites—some of the materials we intend to grow going forward—in an eco-friendly manner are something that has yet to be promoted on a global scale. As I mentioned earlier, we can help reduce CO<sub>2</sub> emissions by making vehicles more lightweight. This alone is not enough, however, and we need to consider how to reduce the environmental impact across the entire product life cycle, from the production process through to disposal. If any point of this life cycle has a negative impact on the environment, then the value of the solutions we offer declines. There are many issues we need to resolve in this regard going forward, including the scrapping of automobiles and aircraft.

In addition, we have been producing a significantly greater amount of waste since the inclusion of CSP into the scope of consolidation due to an increase in

production. To address this issue, we have determined new targeted values for our resource recycling KPIs related to reducing landfill waste under the new medium-term management plan and are working to promptly establish systems for separating and recovering landfill waste.

► P. 46 Reduction of Environmental Impact 

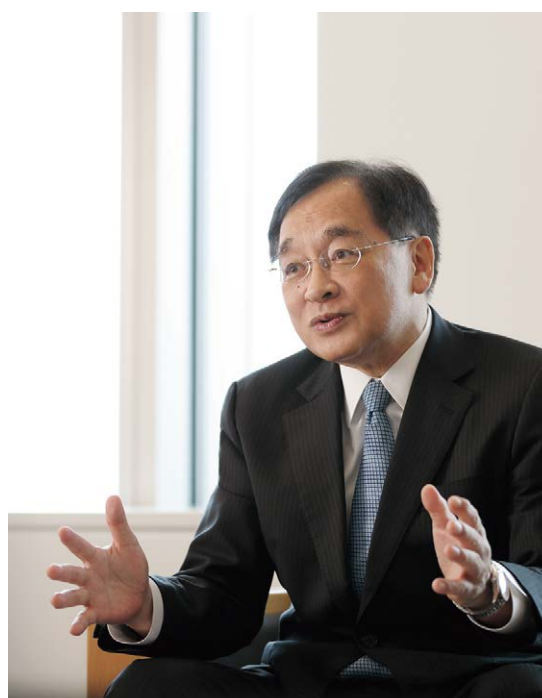
### Closing

We are gradually moving forward on a path toward realizing our long-term vision to become a company that supports the society of the future. Even under the challenging market environment, which will be impacted by COVID-19 in the short term, we believe that our businesses should not simply generate a profit but rather contribute to the resolution of social issues. Based on this belief, we will continue to make concerted efforts to realize growth together with society. I would like to ask our shareholders and other investors for their continued support as we pursue these endeavors over the long term.

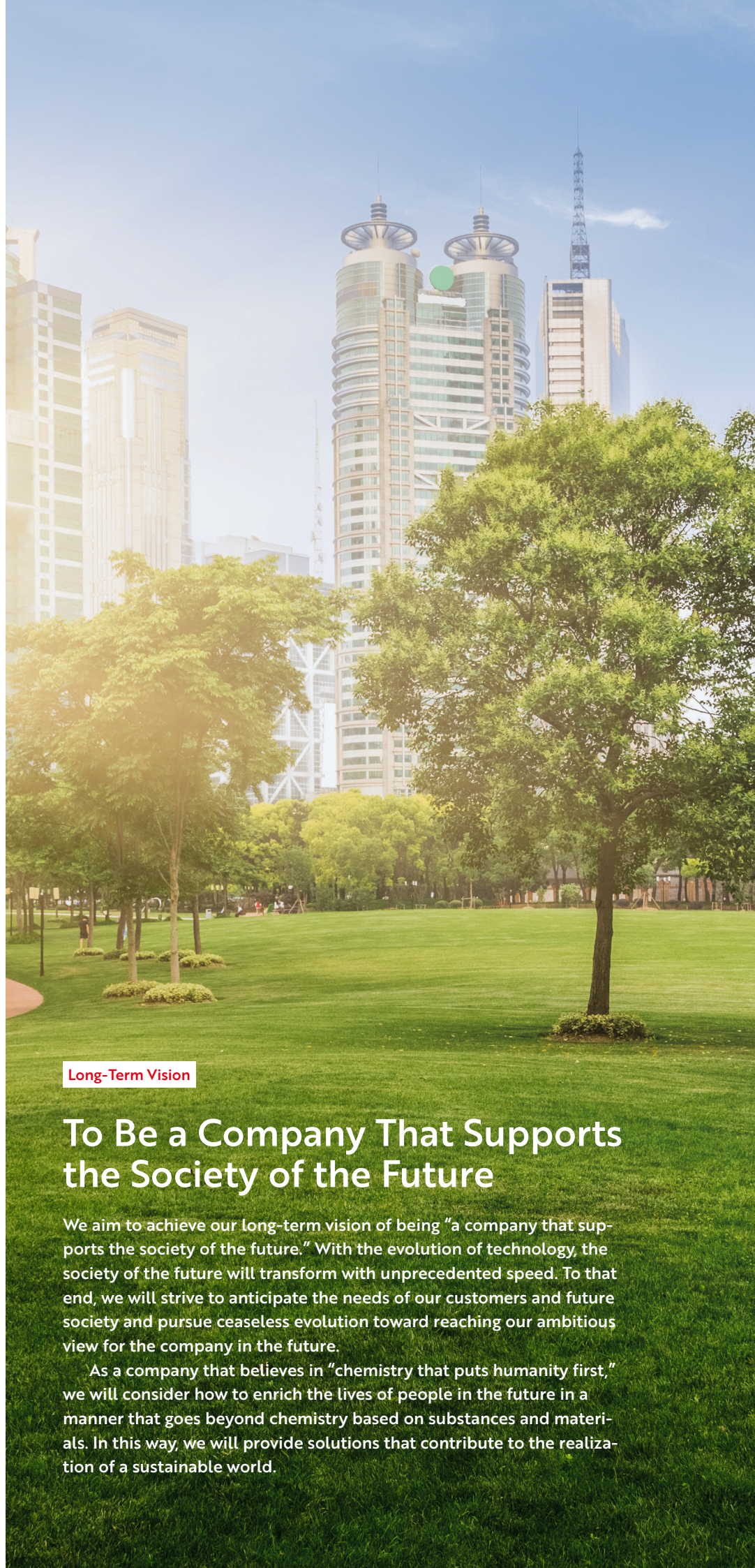
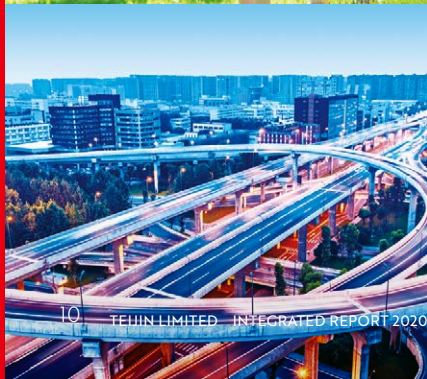


**Jun Suzuki**

President and CEO,  
Representative Director of the Board







#### Long-Term Vision

## To Be a Company That Supports the Society of the Future

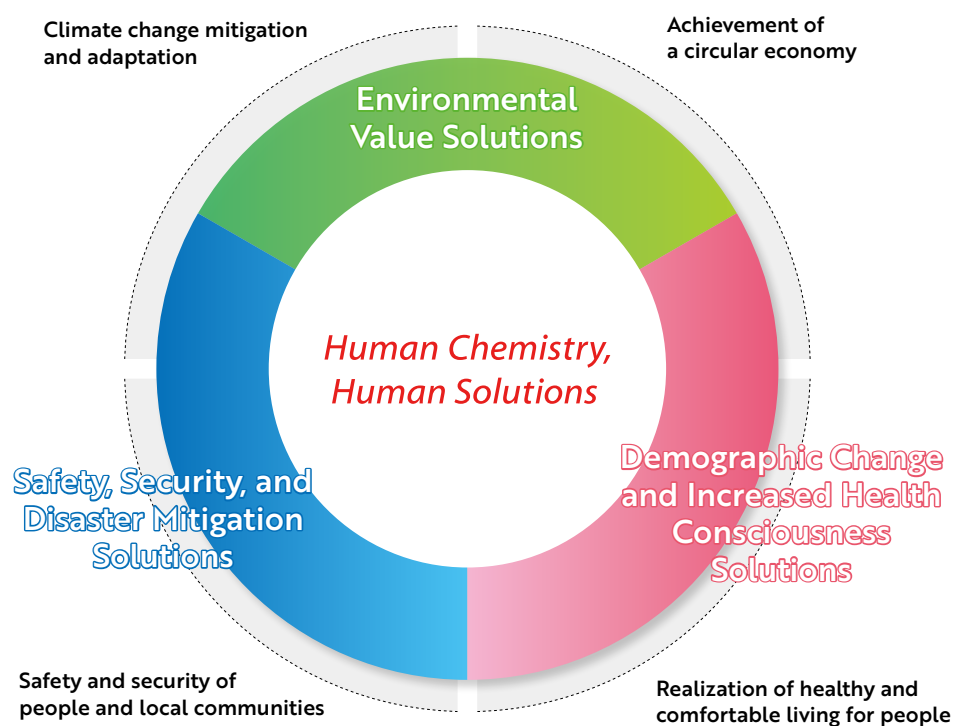
We aim to achieve our long-term vision of being “a company that supports the society of the future.” With the evolution of technology, the society of the future will transform with unprecedented speed. To that end, we will strive to anticipate the needs of our customers and future society and pursue ceaseless evolution toward reaching our ambitious view for the company in the future.

As a company that believes in “chemistry that puts humanity first,” we will consider how to enrich the lives of people in the future in a manner that goes beyond chemistry based on substances and materials. In this way, we will provide solutions that contribute to the realization of a sustainable world.



## Policy for Initiatives Contributing to a Sustainable World

To realize a sustainable world, our focus is on people, delivering innovative solutions to enhance the Quality of Life, while minimizing the negative impacts of our activities on the environment and society.



### Further strengthening of our sustainable management base

For the Earth

#### Environmental Value Solutions

Provide products and services contributing to global environmental goals such as prevention of climate change and achievement of a circular economy

For Society

#### Safety, Security, and Disaster Mitigation Solutions

Provide products and services protecting lives and livelihoods from various risks such as disasters and accidents

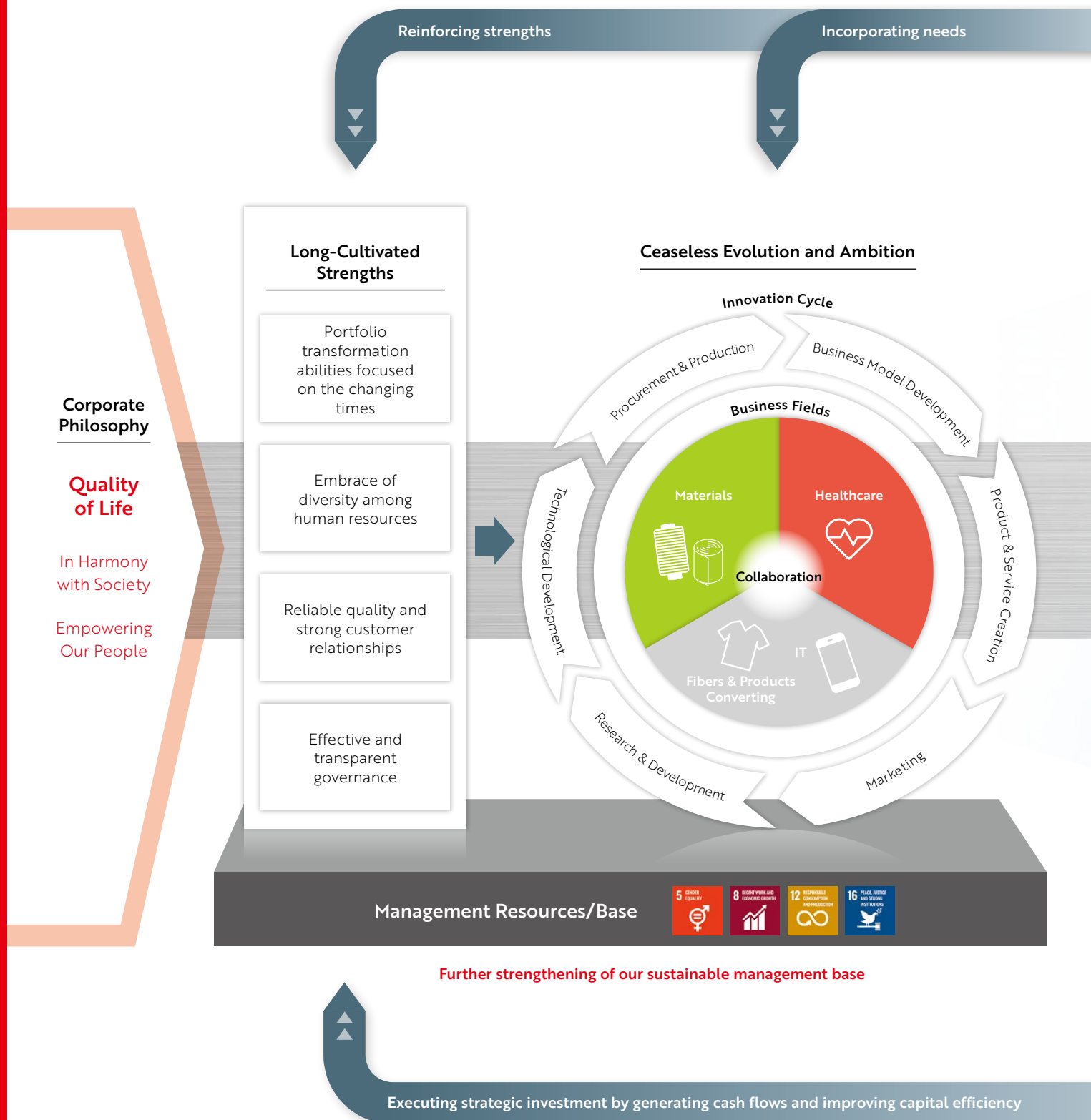
For People

#### Demographic Change and Increased Health Consciousness Solutions

Provide products and services supporting healthy and comfortable living for people of all ages

# Value Creation Model

With the Teijin Group Corporate Philosophy as our starting point, we leverage our long-cultivated strengths to contribute to the resolution of social issues. We aim to provide social value in the three fields of "Environmental Value Solutions," "Safety, Security, and Disaster Mitigation Solutions," and "Demographic Change and Increased Health Consciousness Solutions" to realize a sustainable world and to enhance our corporate value.



Enhancing value provided

Long-Term Vision

## To Be a Company That Supports the Society of the Future

### Providing Value to Society

Environmental Value Solutions

Safety, Security, and Disaster Mitigation Solutions

Demographic Change and Increased Health Consciousness Solutions

Achievement of  
Medium-Term Management  
Plan 2020–2022:  
**ALWAYS EVOLVING**

### Important Social Issues (Materiality) for the Teijin Group

#### Climate change mitigation and adaptation



Social Expectations

- Lightweight and energy-efficient mobility
- Clean energy shift

#### Achievement of a circular economy



Social Expectations

- Longer product lifespans and resource savings
- Circular economy

#### Safety and security of people and local communities



Social Expectations

- Disaster prevention and mitigation
- Reducing damage from disaster, crime, and conflict

#### Realization of healthy and comfortable living for people



Social Expectations

- Health maintenance
- Improvement of patient quality of life (QoL)
- Healthcare cost containment

Contribution to the  
Realization of a  
Sustainable World

**SUSTAINABLE  
DEVELOPMENT  
GOALS**

Accomplishment of  
targets for 2030



## History of the Teijin Group's Business

Since its founding, the Teijin Group has continuously transformed its portfolio in anticipation of changing times and social needs, continuing to realize growth while contributing to more comfortable and enriching lifestyles for people. Going forward, to realize an eco-friendly society and support the peace of mind, safety, and health of people, we will continue to focus our efforts on constantly enhancing the value of our products and services. At the same time, we will boldly take on the challenge of providing new solutions to help address social issues.

### 1918–1960s

#### Transitioning from Rayon Fibers to Synthetic Fibers

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 also successively established manufacturing sites in Japan and overseas, growing into a global synthetic fiber manufacturer.



Bird's-eye view of a factory from the 1920s

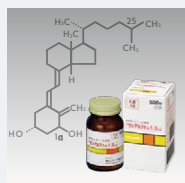


Polyester fiber *TETORON*

### 1970s–1980s

#### Leveraging Our Fundamental Technologies to Pursue New Businesses

While continuing to drive growth with *TETORON* as its mainstay product, Teijin expanded its business as a high-performance materials manufacturer by boldly embracing the challenge of developing and commercializing new businesses. Teijin also commenced pharmaceutical and home healthcare businesses by drawing on its knowledge and experience in synthetic chemistry and polymer chemistry. In addition, by establishing its information systems division as a subsidiary and commencing the external sales business, the Company created its current business foundation that spans across the three fields of Materials, Healthcare, and IT.



Creation of active Vitamin D<sub>3</sub> drug

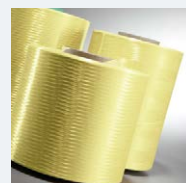


Development of oxygen concentrators for home use

### 1990s–2000s

#### Expanding Our Business into High-Value-Added Fields

In 1999, Teijin acquired an equity stake in Toho Rayon Co., Ltd. (also known as Toho Tenax Co., Ltd.) with the aim of entering into the carbon fibers business. Additionally, in 2000 the Company acquired the *Twaron* para-aramid business from Acordis B.V. of the Netherlands. In these ways, Teijin expanded its business into high-value-added fields. Furthermore, the Company established the Teijin Composites Innovation Center in 2008, thereby undertaking R&D activities geared toward composite materials.



Para-aramid fiber *Twaron*



Thermoplastic CFRP concept car

## Provide Solutions to Improve Quality of Life

### Ceaseless Portfolio Transformation Anticipating Changes in Society

- Establishment of a technological platform based on in-house R&D and the introduction of external advanced technologies
- Ceaseless portfolio transformation into higher value-added businesses from commoditized businesses
- Bold challenges toward new business models and value creation based on core technologies

#### Synthetic fibers

(Rayon fibers → Polyester fibers)

#### Chemicals

(Resins, films)

#### Healthcare

(Pharmaceuticals, home healthcare)

**Healthcare business derived from synthetic chemistry and engineering**

1918

1930

1940

1950

1960

1970

1980

► Changes in social needs  
(Improvement of Quality of Life)

Needs for sufficient goods and quantities  
Transition from natural ingredients to man-made ingredients

## 2010s

### Transforming Our Business Model to Become a Solutions Provider

At the start of the 2010s, Teijin began to undertake structural reforms centered on the polyester fiber business as profits began to deteriorate due to the commoditization of materials. Moreover, amid a sluggish business performance due to the deep economic recession caused by the global financial crisis, the Company formulated a revised medium-term management plan in fiscal 2014 following significant downward revisions to its targets, thus implementing further structural reforms.

Thereafter, in fiscal 2016 Teijin established its long-term vision with a view to 10 years in the future and commenced a business portfolio transformation centered on the combination of multi-materials, collaboration between businesses, and solution provision. As part of this transformation in the Material Business, Teijin acquired North America's largest Tier 1 supplier, Continental Structural Plastics Holdings Corporation (CSP), which provides automotive components that make use of composite materials, in January 2017. In addition, the Company bolstered its proposal-making capabilities in downstream domains and customer collaboration in an effort to expand its businesses in high-value-added fields. In the Healthcare Business, Teijin strived to go beyond existing businesses such as pharmaceuticals and home healthcare through initiatives aimed at establishing new businesses including pre-symptomatic and prevention treatment not covered by insurance at hospitals, as well as comprehensive community-based healthcare services.



Carbon fiber intermediate materials for aircraft



Automotive composites



Enhanced barley product BARLEYmax

■ Materials ■ Healthcare

#### Main Accomplishments (Fiscal 2015–Fiscal 2019)

##### Dramatic Reforms of Businesses with Issues

- Resin: Shutdown of the Singapore Factory
- Film: Transfer of business to Toyobo Co., Ltd.
- Home healthcare: Withdrawal from North American business

##### Strategic Investment in Portfolio Transformation

- Acquisition of CSP
- Acquisition of Inapal Plasticos SA (Portugal)
- Acquisition of Benet Automotive s.r.o. (Czech Republic)
- Establishment of Teijin Nakashima Medical Co., Ltd.

##### Strengthening of Core Profit Base in Existing Businesses

- Aramid and carbon fibers: Determination and execution of large-scale capital expenditures
- Pharmaceuticals and home healthcare: Commencement of organizational integration

#### Main Issues

- Improvement in profitability in the automotive composites business
- Development and expansion of new healthcare businesses
- Execution of large-scale M&As in the Healthcare Business Field

Focus on  
delivering the  
Three Solutions

Safety, Security, and Disaster Mitigation Solutions

Demographic Change and Increased Health Consciousness Solutions

Environmental Value Solutions

#### IT

IT business expanded from a systems provider to a service provider

#### High-performance fibers and composites

(Aramid fibers, carbon fibers, automotive components)

Multi-materials combined for higher value-added products

#### To Be a Company That Supports the Society of the Future

We will contribute to the resolution of social issues through our Three Solutions.



1990

2000

2010

2020

Needs for sophisticated functions and quality and longer life expectancies  
Improvement in material functions and quality of medical treatment

Needs for eco-friendly products, fulfilling emotional desires, and extended healthy life expectancies  
Diversification of information value and services, environmental contributions, and response to the aging society

## The Long-Cultivated Strengths of the Teijin Group

### Portfolio Transformation Abilities Focused on the Changing Times

Over its 100-year history, the Teijin Group has achieved growth by transforming its business portfolio with a focus on the changing times. Drawing on its technological foundation, which was built through internal research and the introduction of external technologies, the Group has been developing high-value-added products and reinforcing efforts to swiftly commercialize them. Through such means as integrating technologies in a manner that transcends the barriers of its business fields as well as collaborating with customers and joint-research partners to promptly develop products, the Group has created a unique business portfolio unlike that of any other company.



#### Leveraging Our Strengths to Achieve Our Long-Term Vision

##### Material Business

### Expanding the Composites Business

Teijin has led its generation by being the first company in Japan to establish technology for manufacturing semi-synthetic rayon fibers. Since doing so, we have promoted business development into high-value-added fields that have always been at the cutting edge, including everything from polyester to aramid fibers and carbon fibers.

In 2008, we established the Teijin Composites Innovation Center, becoming one of the first companies to focus on the commercialization of composite materials. By combining the characteristics of materials such as carbon fibers and resins, composite materials are used to enhance the strength and durability of automobiles and aircraft and help reduce weight. In January 2017, we acquired Continental Structural Plastics Holdings Corporation (CSP), thereby securing a Tier 1 position in North America for automotive composites. Additionally, we have been strengthening our businesses dedicated to carbon fiber intermediate materials for aircraft. In these ways, we have been working to establish a new business model that provides environmental value.



Head office of CSP (Michigan, United States)



##### Healthcare Business

### Providing Comprehensive Community-Based Healthcare Services

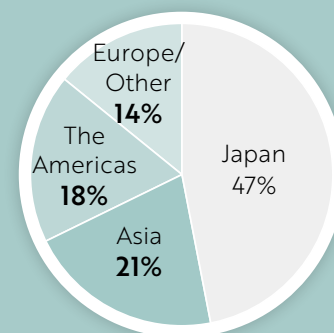
Our pharmaceutical and home healthcare businesses began in the 1970s with our transition from polymer chemistry to fine chemistry. We have established a business model for these businesses by discovering potential medical treatment needs and creating new business domains. At a time when the level of recognition toward osteoporosis and sleep apnea syndrome was low, we contributed to the expansion of medical treatment for these diseases by providing support for the development of diagnosis methods and the establishment of testing environments. Furthermore, we created the new drug *FEBURIC* (febuxostat) to treat hyperuricemia/gout, which was the first time in 40 years that such a drug was developed. *FEBURIC* has played a key role in disseminating medical treatment evidence for hyperuricemia. In the home healthcare business, we have been a pioneer in Japan in getting home healthcare services listed under the national health insurance. In addition to rental devices, we have established a community-based follow-up care system that is able to respond to patients on a 24-hour basis as well as a system for consistent follow-up care provided by dedicated medical specialists. Through these systems, we are providing services that directly meet the needs of medical institutions and patients. Going forward, not only will we deliver the value offered by our products, we will also create new value through the combination of a broad range of technologies, services, and human resources. In these ways, we will realize comprehensive community-based healthcare services.



## Embrace of Diversity among Human Resources

The Teijin Group operates businesses in over 20 countries around the globe. At our 174 Group companies, employees from diverse backgrounds are playing an active role. A large number of our major overseas Group companies, which now account for over 50% of the Group's personnel, have joined the Group through business acquisitions, meaning that they possess various histories and cultures. One of the Group's strengths is the ability to seamlessly integrate these companies into the Group by respecting their individual histories and cultures and embracing their diversity.

Percentage of Employees by Region  
(As of March 31, 2020)



Percentage of Overseas Employees **53%**

### Leveraging Our Strengths to Achieve Our Long-Term Vision

#### Promoting Diversity and Inclusion on a Global Level

Since 2001, we have been leading the way with efforts to promote the advancement of women, including realizing our target of 30% for new-graduate female hires as a company within the Japanese manufacturing industry, where the level of science and engineering personnel recruitment is high. In 2019, we appointed a German woman to the post of Chief Human Resources Officer (CHO), and under her leadership we have been further promoting diversity and inclusion on a global level. In these ways, we are aiming to become an organization that can spur innovation through the active participation of a diverse group of human resources.



#### Realizing Business Growth and Global Expansion through the Enhancement of Diversity

In the Material Business, we have enhanced diversity by welcoming local personnel and cultures, thereby expanding our business on a global basis. In 2000, we acquired the *Twaron* para-aramid fiber business from Acordis B.V. of the Netherlands, and this has grown into a business that currently underpins the Group's profits. In the automotive composites business, starting with the acquisition of CSP, the largest Tier 1 supplier in North America, we have enhanced our production capacity in Europe and China, thereby further promoting our global expansion. In the carbon fibers business, we have integrated our subsidiary Toho Tenax Co., Ltd. into the Company, helping us establish

a structure for this business that spans across the three regions of Japan, Europe, and the United States. Under this structure, we are aiming for business expansion centered on aircraft.

#### Promoting Collaboration between Human Resources of Different Regions, Races, Industries, and Occupations

In addition to the diverse group of global human resources we have in the Material Business, the human resources in our Healthcare and IT businesses possess a wide range of expertise and are working to spur innovation by inheriting the long-cultivated strengths of the Teijin Group. For example, through collaboration between personnel in our Material and Healthcare businesses, we launched a project for the development of medical materials to treat congenital diseases. Through collaboration between personnel in our Healthcare and IT businesses, we have been providing *VitalLink*, a multidisciplinary collaboration system that allows patient information to be shared efficiently between medical professionals and caretakers involved in community-based medical treatment. Going forward, we will draw on the perspectives of human resources in various professions, including researchers, medical representatives, visiting nurses, and IT engineers, in an effort to further demonstrate Groupwide synergies.



Global human resources meeting

▶ P. 58 Promotion of Diversity and Inclusion



### Reliable Quality and Strong Customer Relationships

The Teijin Group provides high-performance materials and other products and services with outstanding levels of quality, and this has enabled the Group to form strong trust-based relationships with customers in Japan and overseas. In addition to providing materials, the Group develops products and services in close collaboration with customers and local communities and is also working to offer new solutions. By doing so, the Group is moving forward with business development in high-value-added fields that are not easily impacted by market conditions, which in turn has helped establish a stable management base.



#### Leveraging Our Strengths to Achieve Our Long-Term Vision

##### Material Business/Fibers & Products Converting Business

### Developing Products in Collaboration with Customers

We specialize in high-performance materials and components and are engaging in product development together with our customers. Our engineers and sales representatives, who approach our customers with integrity, work to develop new ways to use our products and are striving to build trust-based relationships with customers by providing them with comprehensive support.

In the aramid and resin and plastic processing businesses, part of the strong relationships we have with our customers involves the extensive development of high-value-added uses for our products. *Twaron* para-aramid fiber is lightweight and possesses high strength and durability. Accordingly, *Twaron* is demonstrating its presence as a material used for tires, optical fibers, protective clothing, and other purposes on a global scale. For polycarbonate resin, we are moving forward with the development of high-value-added uses for this material that meet the needs of our customers, with the aim of extending its application to such areas as next-generation telecommunications (5G), automated vehicles, and electric vehicles.

In the automotive composites business, CSP has been deepening its relationships with major automobile manufacturers in North America as a trusted components supply partner equipped with outstanding design and planning capabilities. *Sereebo*, our carbon fiber-reinforced thermoplastic, has been selected by General Motors Company for use in its pickup box applications, and this helped earn CSP and Teijin the Innovation Award at General Motors' 27th annual Supplier of the Year awards ceremony.

Additionally, we have been pursuing increased levels of quality and performance for our carbon fiber intermediate materials for aircraft. In order to earn certification for structural components from major aircraft manufacturers, we are making concerted efforts to enhance our product lineup for these materials.

Also, the fact that we were able to establish a structure to supply a large quantity of medical gowns for healthcare professionals in a short period of time in response to COVID-19 is the result of the deep, trust-based relationships we have built with our suppliers on a daily basis.



##### Healthcare Business

### Forging Connections with Patients and Medical Professionals

In the Healthcare Business, we have cultivated trust-based relationships with patients and medical professionals through a two-pronged approach focusing on the pharmaceutical field, where we have established a leading share in Japan for hyperuricemia and gout treatment, and the home healthcare field, where we have been a trailblazer for home oxygen therapy (HOT) and for sleep apnea syndrome (SAS) treatment, for which we post a leading share in Japan. In terms of home healthcare, we provide comprehensive services through a follow-up care system that is able to respond to patients on a 24-hour basis. Additionally, our support structure that confirms the safety of patients during times of emergency has garnered high praise not only from patients and medical institutions but also the Japanese government.

Amid Japan's rapidly aging society, there is a need for community-based medical treatment and nursing care that helps maintain the quality of life of senior citizens accustomed to living in outlying areas. To meet this need, we must provide effective and efficient services in collaboration with medical institutions, medical professionals, rehabilitation specialists, nursing care providers, and other external partners. Accordingly, we aim to meet local medical treatment needs by providing comprehensive community-based healthcare services, including pre-symptomatic and prevention treatment not covered by insurance at hospitals as well as nursing care services.

## Effective and Transparent Governance

In 1999, the Teijin Group carried out governance reforms in an effort to quickly reinforce its corporate governance. One major feature of these reforms was the establishment of the Advisory Board, which includes globally active experts as its members, primarily outside directors with diverse backgrounds who have been selected by the shareholders. The Advisory Board provides advice on the Group's overall management, including its global strategies, and is in charge of functions concerning CEO nomination and compensation.



### Trailblazing Initiatives

#### 1999

##### Governance Reforms

- 1999
  - Changed number of directors from 24 to **10 or less**
  - Introduced the corporate officer system to accelerate decision-making and clarify the system of responsibility for business execution
  - Established the **Advisory Board**, comprising mainly external experts (including outside directors and outside non-Japanese advisors), to enhance management transparency
  - Established **outside statutory auditors as the majority** to ensure independence

#### 2002–

##### Diversity and Inclusion of Corporate Officers

- 2002
  - Appointed a **woman** as one of three outside statutory auditors
- 2003
  - Appointed a **female** corporate officer from inside the Company
- 2006
  - Appointed a **non-Japanese** corporate officer
- 2019
  - Appointed a **non-Japanese woman** as Chief Human Resources Officer

#### 2003–

##### Enhancement of the Board of Directors' Structure

- 2003
  - Introduced **three outside directors** to ensure independence
  - Established the Total Risk Management (TRM) Committee within the Board of Directors
- 2012
  - Established a **four-person** structure for independent outside directors
- 2015
  - Established the Nomination Advisory Committee and the Compensation Advisory Committee
- 2016
  - Transitioned to a system that, **as a general rule**, ensures we have **four or more** independent outside directors
- 2018
  - Appointed an **independent outside director** as chairman of the Board of Directors\*

\* As the position of Chairman of the Board was left vacant in 2013, an outside director served in that role for the entire year. Currently, in 2020, an independent outside director serves as chairman.

The Teijin Group's Board of Directors engages in highly open discussions between the directors and statutory auditors who participate in meetings, who are evenly split between seven inside members and seven outside members. Under this structure, the Group has established a culture for fostering effective and transparent governance. The Group's outside directors and statutory auditors, who come from diverse backgrounds, actively share their frank opinions with the inside directors and statutory auditors, serving not only as the "brakes" but, at times, also as the "accelerator" of the Group's management decision-making process. In these ways, the outside officers help enhance the effectiveness of the Board of Directors.

▶ P. 24 Dialogue on Corporate Governance  
▶ P. 48 Corporate Governance



## CFO Message



Supported by a sound financial structure that emphasizes *investment efficiency* and *earning power*, we will push forward with the transformation of our portfolio through appropriate investment allocation with a focus on 10 years in the future.

### Yoshihisa Sonobe

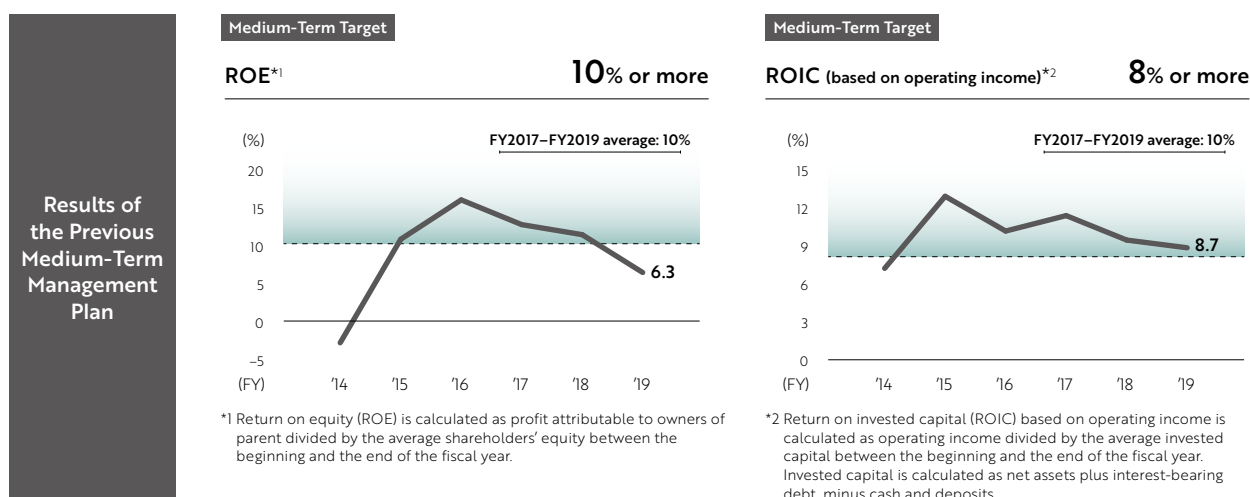
Senior Executive Officer, Representative Director of the Board  
Chief Financial Officer

## Key Management Indicators for the Teijin Group

The goal of our management is to increase corporate value on a continuous basis. I believe that corporate value represents the sum of all value attributable to our stakeholders. By exceeding the expectations of our various stakeholders through the enhancement of shareholder value, social value, customer value, and employee value, we are able to realize ongoing improvement in our overall corporate value. Based on this idea, we have established ROE, ROIC based on operating income, and EBITDA as three key management indicators under our new medium-term management plan, which commenced in fiscal 2020. We determined these key management indicators during the period of the previous medium-term management plan, which covered the last three years starting in fiscal 2017. Given that we are now at a stage where we must build a new portfolio focused on the next 10 years, I believe the decision to once again adopt them was appropriate based on the following background.

First, I believe that ROE is an important indicator from a

quantitative perspective. We collect capital from investors by listing our shares, and using ROE as an indicator keeps the shareholders in mind as it monitors our Groupwide returns to shareholders' equity. Meanwhile, as we operate a wide range of businesses that cover such fields as Materials, Healthcare, and IT, within our evaluations for each business we need to monitor profit efficiency with regard to the capital invested in our business activities. To do so, we are making use of ROIC based on operating income as an indicator, which will help us improve our individual business activities and enhance our Groupwide profitability. While ROE and ROIC based on operating income are useful indicators that monitor investment efficiency, EBITDA serves as our indicator for earning power as it measures our ability to grow. When we launch a new business, it takes a certain amount of time for that business to contribute to increased profits. Therefore, if we evaluate businesses based only on short-term profitability, we run the risk of giving up on businesses that have temporarily





become unprofitable or have potential for growth in the long term as they would not meet the hurdle rate (targeted ROIC) for such evaluations at that given point in time. In turn, we could fall into a diminishing equilibrium. At the Teijin Group, we operate businesses that have a long timeline for growth, including 10 to 20 years in the future, and we believe that we need to monitor growth based on

cash generation for businesses that need to be further developed. Based on this belief, we established EBITDA as a financial indicator as it is not impacted by the burden of depreciation and amortization costs following a large-scale investment. In this way, it is important to strike a balance by emphasizing both investment efficiency and earning power.

## Review of the Previous Medium-Term Management Plan

Under the previous medium-term management plan, ROIC based on operating income was the only management indicator among the three for which we were able to accomplish our targets in the plan's final year. While it is no doubt a good thing that we were able to achieve a certain degree of results in terms of realizing profit efficiency from the capital we invested, we unfortunately concluded the plan without reaching our targets for ROE and EBITDA. ROE declined to 6.3% in fiscal 2019 but performed steadily in fiscal 2017 and fiscal 2018, exceeding 10% in both years. Accordingly, we are continuing to aim for ROE of 10% or more under the new medium-term management plan. In addition, we secured a certain level of earning power as EBITDA reached ¥107.2 billion in fiscal 2019, up ¥11.3 billion compared with its level in fiscal 2016, the year before the start of the previous medium-term management plan. However, this result fell short of our EBITDA target of over ¥120.0 billion. Breaking this down in detail, we were unable to accomplish our target due to the mixed results we achieved with our businesses. While aramid, domestic pharmaceutical and home healthcare,

and IT businesses performed mostly in line with our plans and contributed significantly to profits, operating income in the Materials Business Field excluding aramid fell below our target. There were major disruptions to the supply-demand balance for materials overall due in part to the trade conflict between the United States and China. The market for polycarbonate resins, in particular, rapidly deteriorated midway through 2018. At the same time, in the composites business, although Continental Structural Plastics Holdings Corporation (CSP) saw a rise in sales due to a steady increase in orders received, the company was unable to reach its profit target as productivity declined due to worsening yield rates and soaring labor costs. All of these factors contributed to our inability to reach our target for EBITDA. For ROE, in addition to these factors, our result was impacted by an impairment loss on goodwill related to the subsidiary J.H. Ziegler GmbH, a supplier of automotive interior materials in Europe, as well as the recording of an extraordinary loss due to the temporary expenses that accompanied the transfer of subsidiaries that operate the film business.

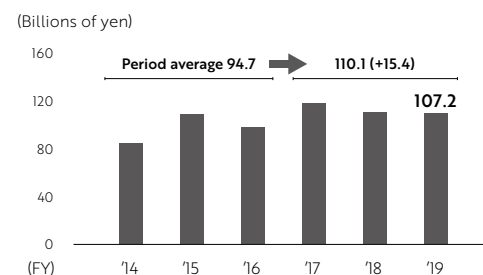
## Cash Allocation under the Previous Medium-Term Management Plan

Under the three-year period of the previous medium-term management plan, we planned for growth investments, including capital expenditures and M&As, totaling ¥300.0 billion. However, as we postponed large-scale M&As of new healthcare businesses, our total investment amount over this three-year period came to approximately ¥230.0 billion. Meanwhile, total cash flows from operating

activities over this period stood at ¥255.2 billion, which was largely in line with our plans. In addition, we generated ¥71.5 billion through such means as the sale of cross-shareholdings in KYORIN Holdings, Inc., with which we concluded our strategic capital alliance, and other companies and the sale of the headquarters building in Osaka and other assets. Of the unused portion of the ¥300.0

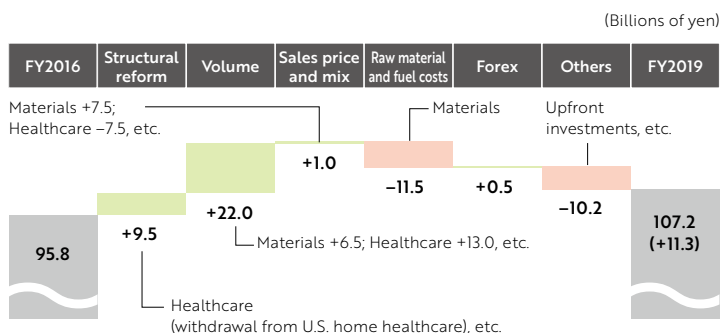
### Medium-Term Target

**EBITDA\*3 Over ¥120.0 billion in FY2019**



\*3 Earnings before interest, tax, depreciation and amortization (EBITDA) is calculated as operating income plus depreciation and amortization.

### Changes in EBITDA over the Period of the Previous Medium-Term Management Plan

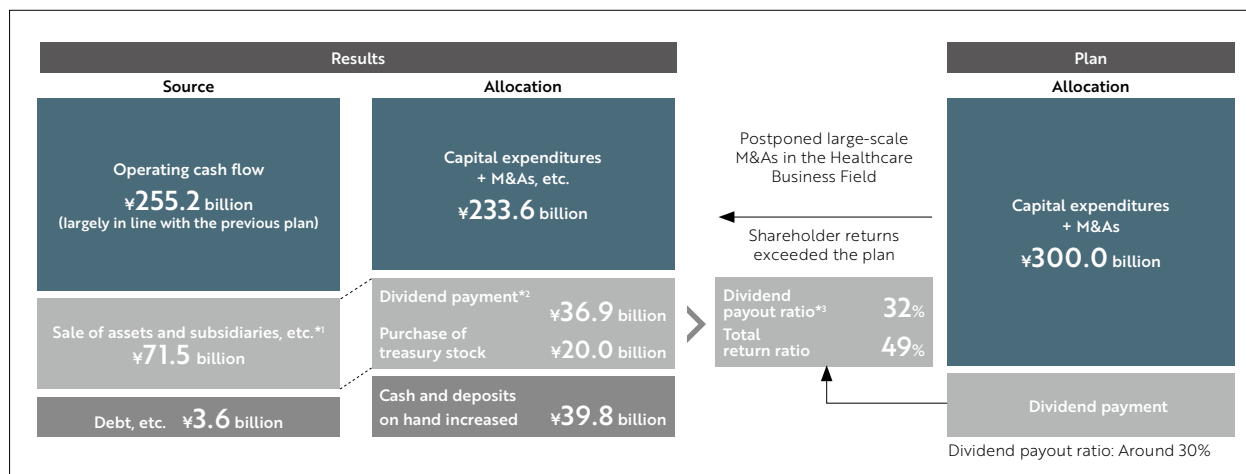


## CFO Message

billion set aside for growth investments under the previous plan, we allocated ¥56.9 billion to dividend payments based on our policy of issuing stable dividends and executed the purchase of treasury stock in accordance with our flexible capital policies. In these ways, we were able to exceed our target for shareholder returns. As a result of these efforts, cash and deposits on hand rose ¥39.8 billion. Combining this amount with the over ¥100.0 billion initially set aside for M&As, cash and deposits at the end of

fiscal 2019 totaled ¥156.5 billion.

Furthermore, we have kept adequate committed lines of credit from financial institutions and have secured liquidity for the foreseeable future, including our authorized limit for commercial paper issuance. While it is still uncertain just how long the impact from the spread of COVID-19 will last, we will be able to sufficiently withstand this impact from the perspective of funding, even if it continues for quite some time.



\*1 Sale of cross-shareholdings (KYORIN Holdings, Inc., etc.), transfer of subsidiaries in the film business, sale of headquarters building in Osaka, etc.

\*2 FY2017–FY2019 dividend amount increased approximately 1.7 times from FY2014–FY2016 (from ¥21.6 billion to ¥36.9 billion). Dividend payments by Teijin Limited only

\*3 Dividend payout ratio calculated based on the Board of Directors' decision-making instead of payment records

## A Sound Financial Structure and Initiatives Going Forward

Our ability to have established the stable financial base that we enjoy today comes from our thoughts and reflections following the global financial crisis. At the time, the impact on the Material Business was particularly high, as the business was easily affected by fluctuating marketing conditions, and cash flows declined significantly as demand plummeted. Before the global financial crisis occurred, the Material Business accounted for 77% of our overall EBITDA. Compared to what we are seeing today, the impact from the massive decline in this business during the global financial crisis was far worse. However, since Jun Suzuki was appointed as CEO in 2014, we have been pursuing structural reforms to enhance our core business profitability and portfolio transformation geared toward the future. Today, we have established a business foundation that is able to generate a certain level of operating income in a stable manner. In fiscal 2019, the Material Business accounted for 52% of our overall EBITDA, with the Healthcare and IT businesses making up the other 48%.\* In addition to enhancing the Material Business's resistance to fluctuating marketing conditions, we have also steadily grown the Healthcare and IT businesses, which are relatively unaffected by external factors. Although the Material Business will always be somewhat impacted by fluctuating market conditions, and currently the impact of COVID-19 is significantly reducing demand, we now have in place a means to generate cash and procure funds to compensate for this impact.

Under the current challenging conditions in the economic environment, we will carefully determine the timing and scale of investments based on the balance between interest-bearing debt and capital, the status of cash generation, the conditions in each business, and the application of each of our products and services. We will also work to secure the soundness of our financial structure. While doing so, we will remain on course with our aim of achieving our long-term vision. As we will prioritize investment during the three-year period of the new medium-term management plan, we will not necessarily see major growth in terms of our business performance. However, striving for returns over the medium to long term, we will remain vigilant in our pursuit of achieving our vision for the Group in the three years after the new plan, as well as in fiscal 2025 and fiscal 2030.

For the portion of the ¥350.0 billion allotted for capital expenditures and M&As that will be allocated to strategic investments under the new medium-term management plan, 60% of this portion will be used for Strategic Focus businesses, which represent key areas, while the remaining 40% will be used for Profitable Growth businesses, which support our overall profits and cash flows. We will work to cultivate our Strategic Focus businesses so that they can become pillars within our business portfolio by fiscal 2025 and fiscal 2030. While we will give the most consideration to ensuring the soundness of our financial structure and preparing ourselves for risks within the ever-changing

## Numerical Targets

Final year of the medium-term management plan (FY2022)		Three-year period of the medium-term management plan (FY2020–FY2022)	
ROE	10% or more	Capital expenditures + M&As	¥350.0 billion
ROIC based on operating income	8% or more	R&D expenses	¥110.0 billion
EBITDA	¥150.0 billion	D/E ratio	Around 0.9 times

### Strategic Investments

Strategic Focus	Profitable Growth
¥130.0 billion (60% of strategic investments)	¥100.0 billion (40% of strategic investments)
<b>Investments for Maintenance</b>	
¥120.0 billion	

economic environment, we will also strive to discover business opportunities and allocate appropriate resources to invest in such opportunities. I recognize that navigating the

way between these two approaches is my duty as the CFO.

\* Composition ratio when establishing the total of the Material Business (including Fibers & Products Converting), the Healthcare Business, and the IT Business as 100

## Management with an Awareness of Cost of Shareholders' Equity and Shareholder Return Policy

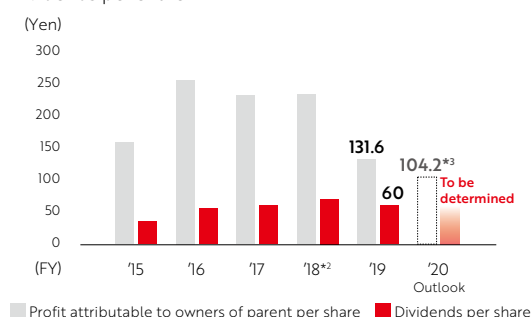
I believe one of the reasons why our share prices were stagnant in fiscal 2017 and fiscal 2018, despite realizing ROE of 10% or more in those years, was that the market demanded a better performance in terms of cost of shareholders' equity. Historically, the biggest factor boosting our risk premium has been the fact that the Material Business is relatively susceptible to market fluctuations and has high volatility in terms of profits. Additionally, in the Healthcare Business, which we have grown steadily, we have been approaching a period when the generic version of *FEBURIC* (febuxostat), our mainstay pharmaceutical, will enter into the market, while at the same time it has taken a certain amount of time for new healthcare businesses to contribute to profits. This has been another factor that has played into share price stagnation. Accordingly, in order to enhance shareholder value, it is crucial that we not only improve but also stabilize profitability so that we can lower our cost of shareholders' equity. The portfolio transformation we have been pursuing in recent years is a prime example of how we are aiming to realize stable returns over the medium to long term and, as I have mentioned before, we have been steadily producing results with these efforts. Although we are being temporarily impacted by COVID-19, we will strive to fully achieve the targets to which we have committed to ensure that we do not find ourselves in a situation like the past where our

profits were greatly impacted by market fluctuations.

Our policy for shareholder returns is based on profit distribution that is linked to consolidated business results, and the targeted consolidated dividend payout ratio over the medium term is set at around 30% of net income. Guided by this policy, we will prioritize the allocation of cash flows to strategic investments for the future while working to maintain a sound financial structure. In addition, giving consideration to stable and continuous dividend payments, we will examine flexible capital policies, such as the purchase of treasury stock at appropriate times, while monitoring the balance between shareholders' equity and debt. While taking into account the impact from COVID-19, we will constantly consider the best ways to allocate cash to ensure future growth. I believe that our current capital structure, in which we have been given an A- credit rating by Rating and Investment Information, Inc., has struck an appropriate balance between financial soundness and capital efficiency. Under this structure, we will continue our aim to boost strategic investments and shareholder returns and further enhance corporate value. I would like to ask our shareholders and other investors for their continued support of the Teijin Group's growth over the medium to long term and to look forward in anticipation of the initiatives we will pursue going forward.

## Trend and Plan for Shareholder Returns

Profit Attributable to Owners of Parent per Share<sup>\*1</sup>/  
Dividends per Share<sup>\*1</sup>



<sup>\*1</sup> Reflects the impact of changes in share numbers due to the consolidation of shares on October 1, 2016

<sup>\*2</sup> Dividends per share in fiscal 2018 included a commemorative dividend of ¥10 per share in honor of the centennial celebration of our founding.

<sup>\*3</sup> Announced on August 5, 2020

	Previous medium-term management plan (FY2017–FY2019)	Medium-term management plan (FY2020–FY2022)
Dividend payout ratio <sup>*</sup>	32%	Around 30%
Purchase of treasury stock	¥20.0 billion	Flexible purchases planned

<sup>\*</sup> Calculated based on the Board of Directors' decision-making instead of payment records

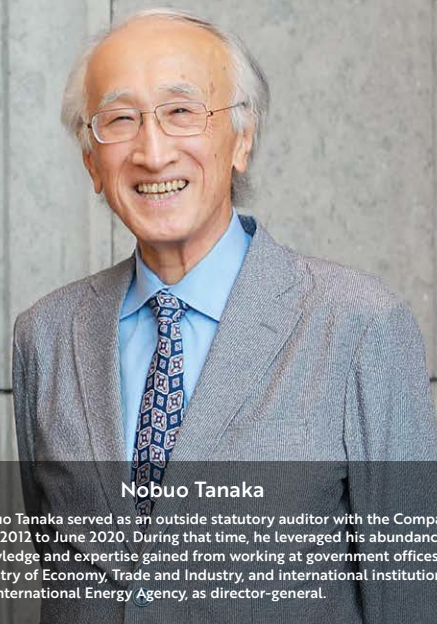


## Dialogue on Corporate Governance



**Masaru Onishi**

Outside Director (External Affairs Representative, Japan Airlines Co., Ltd.)  
Masaru Onishi has been serving as an outside director with the Company since June 2019, drawing on his wealth of experience and high level of insight gained through his time as president and chairman of the board of directors at Japan Airlines Co., Ltd.



**Nobuo Tanaka**

Nobuo Tanaka served as an outside statutory auditor with the Company from June 2012 to June 2020. During that time, he leveraged his abundance of knowledge and expertise gained from working at government offices such as the Ministry of Economy, Trade and Industry, and international institutions such as the International Energy Agency, as director-general.

## Corporate Governance for Supporting the Realization of the Long-Term Vision

For this dialogue, we welcomed back Nobuo Tanaka (resigned in June 2020)—who continuously provided keen instruction and advice to the Board of Directors for eight years as an outside statutory auditor—to exchange opinions with Masaru Onishi, who has been serving as an outside director since June 2019, regarding future issues for the Company's Board of Directors as well as for the Teijin Group itself.

### Frameworks for Enhancing the Effectiveness of Governance

**Tanaka** How do you evaluate Teijin's Board of Directors?

**Onishi** Teijin's Board of Directors engages in free and open discussion and functions extremely well. However, various issues have been pointed out in the survey on the Board's effectiveness, and the Company needs to take steps to gradually make improvements. To my knowledge, many companies evaluate effectiveness-related issues through a roughly five-step process, but such an evaluation makes it difficult to take the next step forward toward genuine improvement. However, Teijin adopts much more specific evaluations within its survey, such as issues that should be improved within a year and issues that should be improved within half a year. I therefore believe that Teijin is one of the better companies at effectively making use of evaluation results from these surveys to address issues. In addition, before Board of Directors' meetings, the outside directors and outside statutory auditors have the opportunity to speak with the CEO while having lunch. These lunch meetings have given someone such as myself, who has only been with the Company since last fiscal year, an excellent chance to gain an understanding of each Board member's area of expertise.

**Tanaka** The statutory auditors hold meetings among themselves before Board of Directors' meetings, where we receive explanations on the agenda items and main points of the Board meetings from the full-time statutory auditors. The full-time statutory auditors have a thorough

understanding of the issues facing the Company, and as such these preparatory meetings, so to speak, were very useful. For example, when it comes to issues that may be difficult for the full-time statutory auditors to discuss directly with the CEO, such as human resources and compensation, I was able to comment extremely openly on these issues from the perspective of an outside statutory auditor. In addition, the statutory auditors maintain a shared awareness of the need to thoroughly audit overseas subsidiaries, at the moment Continental Structural Plastics Holdings Corporation, in particular, and work in collaboration with the Corporate Audit Department and accounting auditors.

**Onishi** I was unaware the statutory auditors also meet beforehand to discuss the main points of Board meetings. I now understand why the outside statutory auditors are able to actively make comments at Board meetings. Having the outside statutory auditors fully participate in and drive discussions at Board of Directors' meetings is extremely effective in that it helps increase the number of outside opinions even among a small number of people. I also participate in meetings of the Advisory Board, which provides a framework for enhancing the transparency to Teijin's governance. One meeting of the Advisory Board can last up to two days for issues such as the performance evaluation and compensation of the CEO and CEO succession plans, as we discuss these topics extremely thoroughly. In addition to the outside directors, other outside

members include a professor from the University of Amsterdam and the CEO of the American Chemical Society. These two external experts broaden the horizon of discussions as they provide us with their opinions from a global perspective. At meetings of the Advisory Board, discussions are never dull or held simply for the sake of formality. When I served as chairman during the time an

agenda item was proposed regarding the advisory functions for nomination and compensation, Advisory Board members exchanged opinions in such a lively manner that we were almost unable to come to a conclusion, making my duties as chairman quite difficult. That is how deep the discussions can be on the Advisory Board.

## Discussions at Board of Directors' Meetings

**Onishi** At Board of Directors' meetings, general managers of each business have the opportunity to report on their respective business execution. These reports include not only information on the current status of the business but also its future outlook. The outside directors and statutory auditors are then able to actively ask questions regarding the details of these reports. Holding long discussions on not only business plans themselves but also on medium- to long-term perspectives in this manner is a unique characteristic of Teijin's Board meetings. Furthermore, in these discussions on medium- to long-term perspectives, particularly in the case of challenging projects, there are instances where opinions differ between directors. In these cases, the CEO passionately states his way of thinking and is often able to get the majority of Board members to reach a consensus. I have witnessed such cases numerous times during my year with the Company, and it is extremely positive to see the Board of Directors eventually come to an agreement when differences of opinion occur at meetings. When it comes to projects that are difficult to decide upon, while the rationality of the project is obviously important, the level of determination that the CEO has is another vital aspect. Accordingly, members of the Board monitor whether or not the CEO has the proper level of determination as he explains matters at Board meetings.

**Tanaka** One issue I spoke strongly about together with Outside Director Yukako Uchinaga was the gender gap. The Chief Human Resources Officer (CHO) collected data on this issue in fiscal 2019, and, based on this data, we held around three discussions on the gender gap at Board of

Directors' meetings. I hope to see Teijin continue to engage in these discussions because it will be impossible to bring about change regarding this issue if we do not disclose the information and take a genuine look at our actions to consider whether or not we are doing enough for the issue. Meanwhile, we are making relatively solid progress with disclosing information on environmental issues, and Teijin's prompt announcement of its support for the recommendation of the Task Force on Climate-related Financial Disclosures (TCFD) is an example of how my suggestion at a Board meeting turned into concrete action. Also, in our various discussions at meetings, I constantly observed whether all members maintained an awareness of ESG issues and whether the CEO considered ESG when making investment decisions. In fact, when the price of coal was cheap, there was a proposal to build coal-fired power stations. I voiced strong opposition to this proposal and my opinion led to the Board deciding against it. I am extremely glad we did not adopt this proposal as Japan was one of three countries to receive a satirical "Fossil of the Day" award from a group representing environmental NGOs around the world for its refusal to abandon coal-fired power.

**Onishi** I also pay particularly close attention to Teijin's environmental efforts. Under the new medium-term management plan, the Company has set out clear environmental targets for fiscal 2030 and fiscal 2050. These targets are extremely well thought out because, in addition to CO<sub>2</sub> emissions, they also cover water use.

## Future Issues from the Perspective of the Outside Directors

**Tanaka** The Teijin Group engages in a wide range of businesses, and as such there is the opinion that the Group should narrow this scope down to focus on key areas. However, the Group is now being supported heavily by its Healthcare and IT businesses amid the impact from the spread of COVID-19, and the Group's involvement in these businesses is the result of its decision to remain active in a broad range of businesses while also being sure to exit from unprofitable businesses and sell off certain businesses. I believe that staying determined to remain in these businesses and enabling them to grow has allowed Teijin to become the company that it is today.

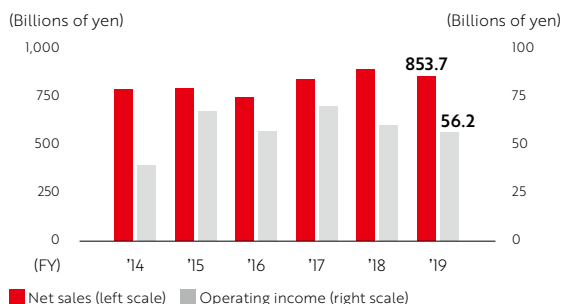
**Onishi** Without a doubt, the Group's efforts to genuinely pursue structural reforms and other matters from the 2010s on is what has enabled it to enjoy a relatively stable management structure that has not been significantly

disrupted by the impact from the spread of COVID-19. However, I feel that the stable nature of the Group's management also presents a risk. Companies that are on the verge of going under are making necessary changes and taking on bold new challenges to survive. Companies not facing such circumstances are approaching their operations with less of a sense of crisis. From the perspective of mentality, it is imperative that all employees consider whether they can continue to pursue challenges in the work they are currently engaging in, and within these relatively stable circumstances it can be difficult for employees to realize the importance of this idea. As encapsulated by the slogans "ALWAYS EVOLVING" and "Ceaseless Evolution and Ambition," Teijin has the spirit of taking on challenges engrained in its DNA, and I believe it is important for each employee to once again become aware of this fact going forward.

## Financial and Non-Financial Highlights

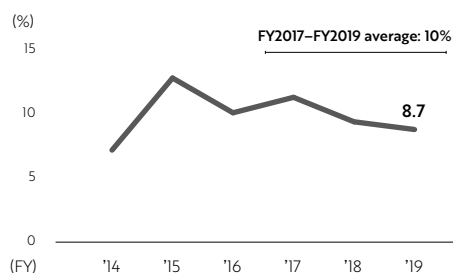
### Financial Highlights

#### Net Sales/Operating Income



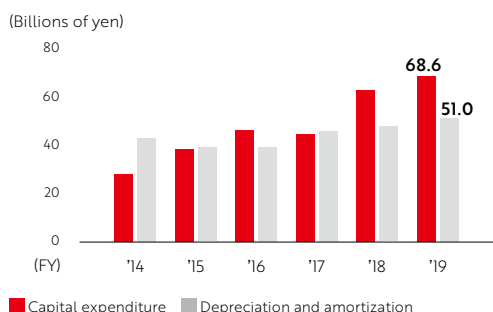
Despite a temporary decline due to restructuring, consolidated net sales have increased since fiscal 2016 due to growth in existing businesses and contributions from CSP, which was acquired in 2017, leading to a recovery in operating income. Since this recovery, profits have become stable.

#### ROIC (based on operating income)



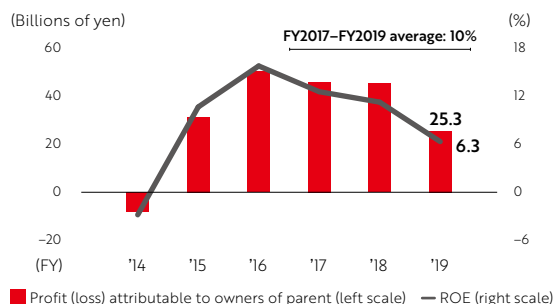
With operating income remaining stable, we achieved our goal under the previous medium-term management plan of maintaining a baseline ROIC based on operating income of 8% or more.

#### Capital Expenditure/Depreciation and Amortization



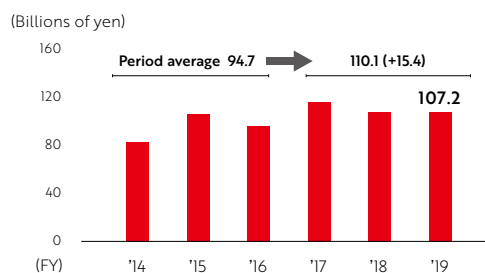
Cash generated through sales activities, sale of assets, and other measures was allocated to capital expenditures focused on mobility industries such as automobile and aerospace. Depreciation and amortization increased due in part to the rise in capital expenditures and the execution of M&As.

#### Profit (Loss) Attributable to Owners of Parent/ROE



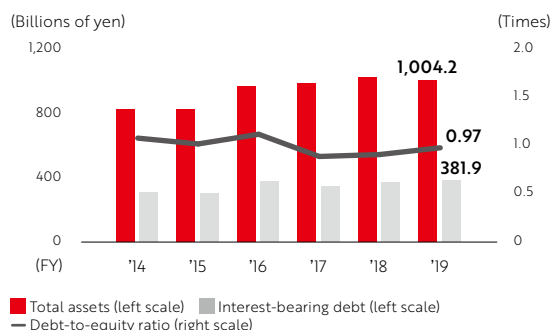
Profit attributable to owners of parent has recovered significantly since fiscal 2014, when numbers were in the red. However, this profit declined year on year in fiscal 2019, due in part to the recording of extraordinary losses. While we reached our target under the previous plan of ROE of 10% or more in fiscal 2017 and fiscal 2018, we did not reach this target in fiscal 2019 due to the decline in profit attributable to owners of parent.

#### EBITDA



Due to restructuring, the Teijin Group has improved its ability to generate cash and expanded its businesses through such means as M&As. As a result, the Company achieved steady growth in EBITDA under the previous medium-term management plan. Compared with the average increase over the period of the medium-term management plan from fiscal 2014 to fiscal 2016, the average increase in EBITDA was ¥15.4 billion higher over the three-year period of the previous medium-term management plan.

#### Total Assets/Interest-Bearing Debt/Debt-to-Equity Ratio



Total assets have been increasing, due mainly to M&As and growth in existing businesses. The debt-to-equity ratio has been kept at below 1.0.

\*1 Includes CO<sub>2</sub>, methane, and N<sub>2</sub>O \*2 Total CO<sub>2</sub> emissions from the Group and supply chain upstream \*3 Reduction impact on CO<sub>2</sub> emissions in the supply chain downstream through the use of the Company's products \*4 CO<sub>2</sub> emissions are calculated according to the coefficients specified in the Law Concerning the Promotion of the Measures to Cope with Global Warming (the emissions coefficient for electricity was 0.555 kg CO<sub>2</sub>/kWh up to fiscal 2014 and 0.579 kg CO<sub>2</sub>/kWh in fiscal 2015). Since fiscal 2016, adjusted emissions coefficients of individual electric power companies have been used for power purchased in Japan, and the latest available IEA country-specific emissions coefficients have been used for power purchased in other countries. However, for power purchased overseas, where known, power company-specific emissions coefficients are used for the calculations.



## Non-Financial Highlights

### Total CO<sub>2</sub>\*<sup>1</sup> Emissions\*<sup>2</sup>

Fiscal 2018

4.6 million tons-CO<sub>2</sub>



Fiscal 2019

4.4 million tons-CO<sub>2</sub>

### Avoided CO<sub>2</sub>\*<sup>1</sup> Emissions\*<sup>3</sup>

Fiscal 2018

3.5 million tons-CO<sub>2</sub>



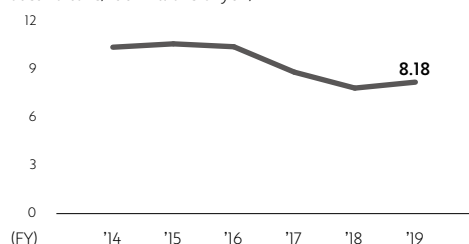
Fiscal 2019

3.3 million tons-CO<sub>2</sub>

By fiscal 2030 at the latest, we aim to make our avoided CO<sub>2</sub> emissions larger than our total Groupwide emissions and supply chain upstream emissions. In fiscal 2019, our avoided CO<sub>2</sub> emissions were 3.3 million tons-CO<sub>2</sub>, while our total CO<sub>2</sub> emissions were 4.4 million tons-CO<sub>2</sub>.

### Freshwater Intake Volume per Sales Unit

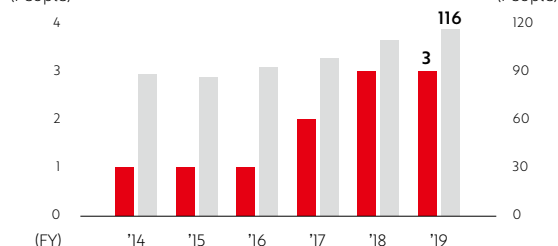
(Thousand tons/100 millions of yen)



We aim for a 30% improvement in freshwater intake volume per sales unit by fiscal 2030, compared with levels in fiscal 2018. In fiscal 2019, our freshwater intake volume was 69.9 million tons\*, essentially on a par with that of fiscal 2018. However, our freshwater intake volume per sales unit increased 5% over fiscal 2018.

### Number of Female Executives\*<sup>6</sup>/ Number of Female Managers (or Higher) (Japan)\*<sup>7</sup>

(People)



■ Number of female executives (left scale)  
■ Number of female managers (or higher) (Japan) (right scale)

We have established KPIs for diversity of executives and women's advancement targets. By fiscal 2030, we aim to increase the number of female executives to 10 or more and the number of female managers (or higher) in Japan to 300 or more. In fiscal 2019, the number of female executives was three, and the number of female managers (or higher) in Japan was 116\*.

### Group CO<sub>2</sub> Emissions\*<sup>4</sup>

(Millions of tons-CO<sub>2</sub>)

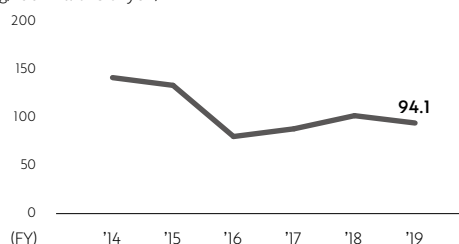


★ Independently assured indicators

By fiscal 2030, we aim to reduce our Group CO<sub>2</sub> emissions by 20% compared with levels in fiscal 2018. By fiscal 2050, we aim for net zero emissions. In fiscal 2019, our Group CO<sub>2</sub> emissions were down 3% year on year, to 1.43 million tons-CO<sub>2</sub>★, due to the transfer of the film business.

### Hazardous Chemical Substance Emissions\*<sup>5</sup> per Sales Unit

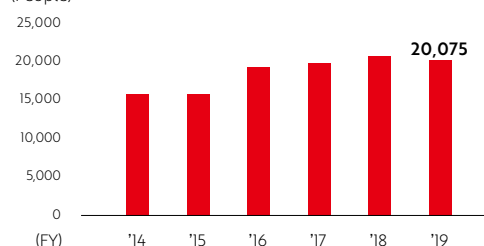
(kg/100 millions of yen)



By fiscal 2030, we aim to improve our hazardous chemical substance emissions per sales unit by 20% over levels in fiscal 2018. In fiscal 2019, our hazardous chemical substance emissions decreased 11% year on year, owing to the reinforcement of efforts to curb emissions. In addition, our hazardous chemical substance emissions per sales unit improved 7% compared with fiscal 2018.

### Number of Employees










(People)

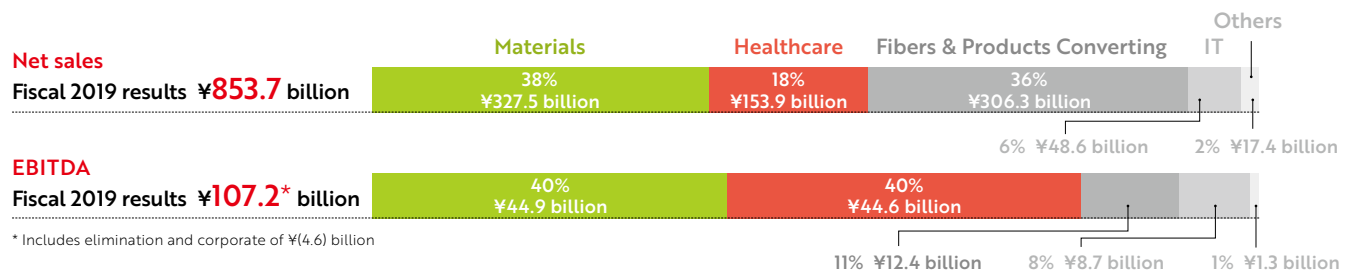


The number of Group employees as of March 31, 2020 was 20,075, down 596 compared with the previous fiscal year-end due in part to the transfer of the film business. Group employees at locations outside of Japan accounted for 53% of all employees.

We deduct an amount of CO<sub>2</sub> emissions equivalent to the amount of energy sold to other companies. \*<sup>5</sup> Among the class I designated chemical substances under the Law Concerning Reporting, etc. of Releases to the Environment of Specific Chemical Substances and Promoting Improvements in Their Management and chemical substances indicated by the Japan Chemical Industry Association, chemical substances harmful to aquatic environments and the ozone layer are subject to the calculation of atmospheric, water, and soil emissions. \*<sup>6</sup> Board of Directors, statutory auditors, Group executive officers, and Group corporate officers \*<sup>7</sup> Four core Group companies in Japan: Teijin Limited, Teijin Pharma Limited, Teijin Frontier Co., Ltd., and Infocom Corporation

## At a Glance

Businesses		Products and Services	Principal Applications
Materials	<b>Aramid</b> 	Aramid fibers	<b>Para-aramid fibers</b> Friction materials, tire and rubber reinforcements (hoses, belts), optical fiber reinforcements, ballistics protection and protective clothing <b>Meta-aramid fibers</b> Firefighting uniforms, heat-resistant filters, rubber reinforcements (hoses, belts)
	<b>Resin and plastic processing</b> 	Polycarbonate resins, PEN resins, PPS resins, flame retardants, polycarbonate films and sheets	<b>Polycarbonate resins</b> Electrical and electronic components, audiovisual (AV) and office automation (OA) equipment, personal computer casings, automotive components, smartphone camera lenses <b>Polycarbonate films and sheets</b> Organic electroluminescent display (OLED) anti-reflective films, automotive instrument panels
	<b>Carbon fibers</b> 	Carbon fibers, carbon fiber intermediate materials, oxidized PAN fibers	<b>Carbon fibers</b> Aircraft (structural and interior components), pressure vessels, compounds, sports and leisure goods
	<b>Composites</b> 	Glass fiber composites, carbon fiber composites	Automotive composites and materials
	<b>Healthcare</b> 	Pharmaceuticals	<b>Bone and joint disease:</b> Treatment for osteoporosis, etc. <b>Respiratory disease:</b> Expectorant and treatment for bronchial asthma, etc. <b>Cardiovascular and metabolic disease:</b> Treatments for hyperuricemia and gout, hyperlipidemia, etc. <b>Others:</b> Treatment for severe infectious diseases, laxatives, etc.
Healthcare	<b>Home healthcare</b> 	Home healthcare	<b>Respiratory disease:</b> Therapeutic oxygen concentrators, noninvasive positive pressure ventilator (NPPV), continuous positive airway pressure (CPAP) ventilators for the treatment of SAS <b>Bone and joint disease:</b> Sonic accelerated fracture healing system
	<b>New healthcare businesses</b> 	Orthopedic implantable devices, functional food ingredients, digital healthcare, new medical devices	
	<b>Fibers &amp; Products Converting</b> 	Fiber materials, fibers, textiles and apparel, industrial textiles, films and plastics, etc.	<b>Fiber materials and apparel</b> Threads, textiles, sports clothing, heavy clothing, fashion apparel, uniforms <b>Industrial textiles and materials</b> Tires and rubber reinforcements, car seat covers, infrastructure reinforcements, disaster prevention materials, tents, fishing nets, ropes, interior materials, hygienic materials, purification filters <b>New businesses</b> Wearable sensors
IT	<b>IT</b> 	Business solution	IT services for the healthcare field, GRANDIT (a fully web-based enterprise resource planning software package), IT services for enterprises
		Digital entertainment	E-comics, etc.



Major Subsidiaries	Characteristics
<ul style="list-style-type: none"> <li>Teijin Aramid B.V.</li> <li>Teijin Corporation (Thailand) Limited</li> </ul>	<ul style="list-style-type: none"> <li>Global share of para-aramid fibers <i>Twaron</i> and <i>Technora</i> <b>Among the approx. 50% (1st)</b></li> <li>Meta-aramid fiber <i>Teijinconex</i> for firefighting uniforms in Japan <b>Top share</b></li> </ul>
<ul style="list-style-type: none"> <li>Teijin Polycarbonate China Ltd.</li> <li>Teijin Chemicals Plastic Compounds Shanghai Ltd.</li> </ul>	<ul style="list-style-type: none"> <li>Polycarbonate resins <b>Among the top class in Asia</b></li> <li>Providing high added value through <b>Teijin's proprietary technologies</b></li> </ul>
<ul style="list-style-type: none"> <li>Teijin Carbon Europe GmbH</li> <li>Teijin Carbon America, Inc.</li> <li>Teijin Carbon Fibers, Inc.</li> <li>Renegade Materials Corporation</li> </ul>	<ul style="list-style-type: none"> <li>Global share of carbon fibers <b>Among the top class</b></li> <li>Leveraging the strengths of superior technologies related to carbon fiber-reinforced <b>thermoplastic</b> for aircraft</li> <li>Contributing to <b>energy conservation and CO<sub>2</sub> emissions cuts</b> through weight reduction</li> </ul>
<ul style="list-style-type: none"> <li>Continental Structural Plastics Holdings Corporation</li> <li>Inapal Plasticos SA</li> <li>Benet Automotive s.r.o.</li> <li>Teijin Automotive Center Europe GmbH</li> </ul>	<ul style="list-style-type: none"> <li>Automotive composites <b>North America's No. 1 Tier 1 supplier</b></li> </ul>
<ul style="list-style-type: none"> <li>Teijin Pharma Limited</li> <li>Teijin Healthcare Limited</li> <li>Teijin Nakashima Medical Co., Ltd.</li> <li>Teijin Medical Technologies Co., Ltd.</li> </ul>	<ul style="list-style-type: none"> <li>Hyperuricemia and gout treatments <b>Top share*<sup>1</sup> in Japan</b></li> <li>Countries or regions where the Teijin Group has business alliances <b>78</b></li> <li>Therapeutic oxygen concentrators for HOT, and CPAP ventilators for the treatment of SAS <b>Top level share*<sup>2</sup> in Japan</b></li> <li>Number of users in Japan and overseas <b>Approx. 450,000</b></li> <li>Providing Teijin's unique <b>community-based comprehensive healthcare services</b> throughout the entire care cycle, including rehabilitation, nursing care, preventative treatment, and health promotion</li> </ul>
<ul style="list-style-type: none"> <li>Teijin Frontier Co., Ltd.</li> <li>Nantong Teijin Co., Ltd.</li> <li>Teijin (Thailand) Limited</li> <li>Teijin Polyester (Thailand) Limited</li> </ul>	<ul style="list-style-type: none"> <li>Specialized textiles trading company <b>Among the top class in Japan</b></li> <li>Delivering innovative <b>solutions</b> by integrating manufacturing and trading functions</li> </ul>
<ul style="list-style-type: none"> <li>Infocom Corporation</li> </ul>	<ul style="list-style-type: none"> <li><i>Mecha Comic</i> e-comics for smartphone and mobile phone users <b>Surpassed 1 million paying subscribers</b></li> <li>Creating new services using <b>IoT</b> in nursing care</li> </ul>

\*1 Copyright©2020 IQVIA.

Source: In-house analysis based on IQVIA JPM, April 2019–March 2020

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\*2 Estimated from external reports and Teijin's rental volume





## Materials Business Field

We are promoting the provision of high-value-added solutions through the development of high-performance materials and their composites by utilizing these materials' features. In this way, we are responding to requests for lower fuel consumption and longer product lifetime value that reflect the changes in the global environment as well as the increased awareness of disaster prevention. We are also answering the need for infrastructure renewal solutions to enhance safe, secure, and comfortable lifestyles.

### Toshiya Koyama

Executive Officer, Member of the Board  
President, Material Business  
of Teijin Group



## Fiscal 2019 Performance

Amid a deteriorating business environment due to a decline in demand for automobiles in Europe and China, net sales in the Materials Business Field declined 5.6% year on year, to ¥633.8 billion, while operating income was down 9.3%, to ¥21.3 billion. These declines resulted from the impact of sluggish market conditions for polycarbonate resins, despite a firm earnings performance in the high-performance materials field. Also, as part of our efforts toward portfolio transformation, we transferred our subsidiaries engaged in the film business to Toyobo Co., Ltd. on October 1, 2019.

### Aramid

For aramid fibers, mainstay *Twaron* para-aramid fibers saw a slight decrease in sales volume for automotive applications, such as friction materials and rubber reinforcements, due to the impact of a decrease in demand for automobiles. However, product mix and pricing efforts contributed positively to profits.

### Resin and Plastic Processing

In resin and plastic processing, sales volume of our mainstay polycarbonate resins was mostly on a par with the previous fiscal year despite declining demand, mainly due to trade friction between the United States and China and the spread of COVID-19. However, sales and profits of general-purpose products were down overall due to the impact of falling sales prices.

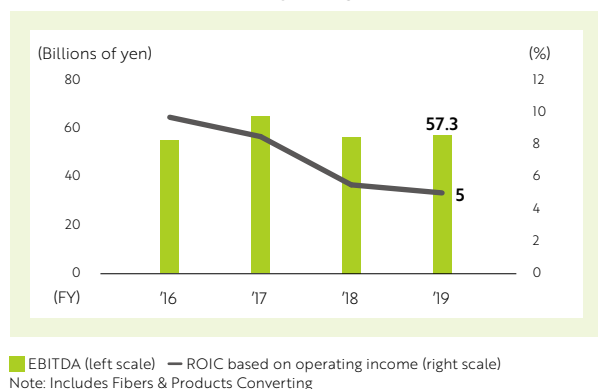
### Carbon Fibers

In carbon fibers, sales of *TENAX* carbon fibers were weak for use in aircraft, mainly reflecting inventory adjustments in the supply chain. In addition, sales volume of compound applications for automobiles and electronics decreased owing to continuous declines in demand since the final stretch of the previous fiscal year.

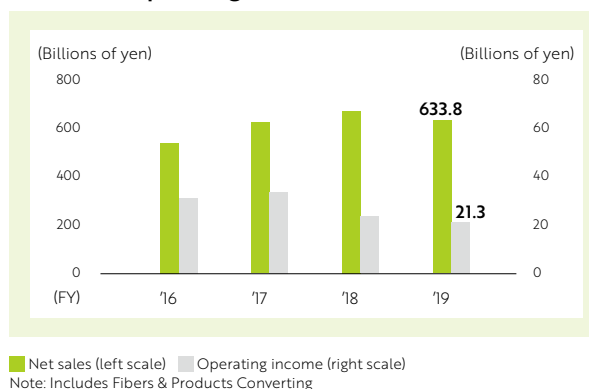
### Composites

In composites, we recorded mostly firm sales of mass-produced automotive components by Continental Structural Plastics Holdings Corporation (CSP), acquired in January 2017. These firm sales reflected increased demand for automobile categories such as pickup trucks and SUVs in North America. However, production and sales have been adversely affected by the spread of COVID-19 since March 2020.

## EBITDA/ROIC (based on operating income)



## Net Sales/Operating Income



## Efforts under the Previous Medium-Term Management Plan

Under the previous medium-term management plan, we steadily executed investment, starting with M&As, with a view to expanding the composites business. In addition, we decided on and implemented large-scale capital expenditures for aramid and carbon fibers. As a result, we were able to carry out

strategic investments practically in line with the plan, thereby clarifying prioritized business areas for the future. On the other hand, issues remained in terms of profitability, despite a steady expansion in sales for automotive composites.

FY2016	FY2017	FY2018	FY2019
<b>U.S.</b> Acquisition of CSP	<b>U.S.</b> Decision to build a carbon fiber manufacturing plant	<b>Portugal</b> Acquisition of Inapal Plasticos SA	<b>U.S.</b> Acquisition of Renegade Materials Corporation  <b>Czech Republic</b> Acquisition of Benet Automotive s.r.o.  <b>The Netherlands</b> Decision to increase production capacity of aramid fibers

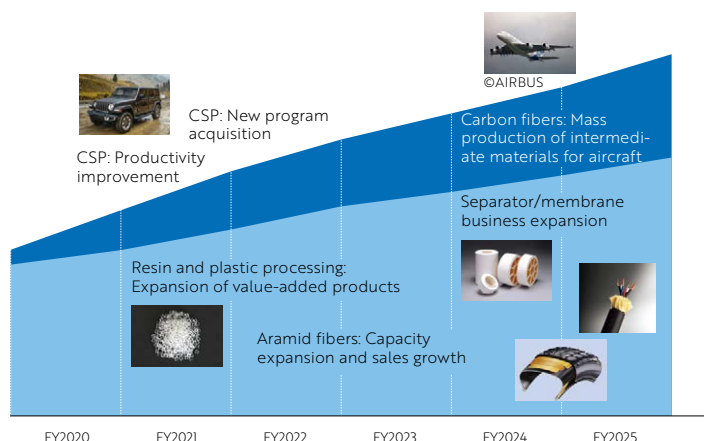
## Medium- to Long-Term Strategy

In the Material Business, we will further accelerate efforts to strengthen high-value-added product applications by increasing high-performance materials and pursuing the multi-materials strategy. For Strategic Focus fields, we will prioritize the development of automotive composites as well as carbon fiber intermediate materials for aircraft. At the same time, in Profitable Growth fields, we will aim to expand and promote high-value-added applications of our aramid fibers, resins, and carbon fibers. Specifically, we will work to steadily expand

profits through such efforts as enhancing productivity and boosting sales at CSP as well as bolstering production capacity and sales of aramid fibers. We are also proceeding with preparations for the prompt launch of our new North American carbon fiber manufacturing plant. Our aim is to have this plant commence the mass production of carbon fiber intermediate materials for aircraft from fiscal 2023, thereby contributing to profits.

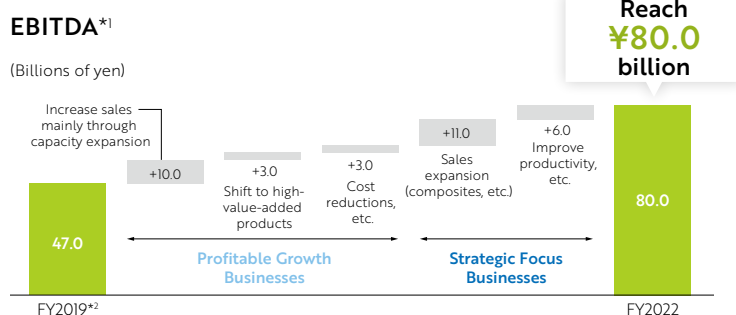
### Overview of Profit Growth (EBITDA)

<b>Strategic Focus Businesses</b>	<b>Development of high-value-added products; parts and intermediate materials, including multi-materials and modules</b> • Carbon fiber intermediate materials for aircraft • Automotive composites
<b>Profitable Growth Businesses</b>	<b>High-performance materials business expansion</b> • Aramid • Carbon fibers • Resin and plastic processing • Separators



### Changes in EBITDA during Medium-Term Management Plan 2020–2022

During the period of the current medium-term management plan, we forecast an increase in EBITDA as the expanded sales and improved profitability of automotive composites, as well as the increase in sales of aramid fibers, will likely cover a rise in costs associated with upfront investments (outlook as of February 5, 2020).



\*1 Does not include Fibers & Products Converting  
 \*2 Outlook as of February 5, 2020

## Business Strategy

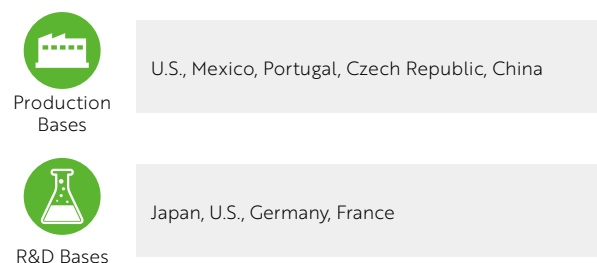
### Materials Business Field

▶▶ Strategic Focus Business		Automotive Composites	
Strengths	<ul style="list-style-type: none"> <li>Outstanding composites technology with stable quality</li> <li>Solid partnership with major automakers in North America, customer-oriented business model</li> <li>Global business base, including in Europe and Asia</li> </ul>	Weaknesses	<ul style="list-style-type: none"> <li>Securing profitability during a period of business expansion, controlling costs</li> </ul>
Opportunities	<ul style="list-style-type: none"> <li>Needs for reducing exhaust emissions and improving fuel efficiency by reducing automobile weight</li> <li>Advancement in information sharing with OEMs* due to digital transformation, thereby improving demand forecast accuracy</li> </ul>	Threats	<ul style="list-style-type: none"> <li>Decline in automobile demand</li> <li>Changes in material needs due to structural changes in the industry</li> <li>Intensifying competition from other industries</li> </ul>

\* In this section, OEMs refer to finished-car manufacturers to which the components of Tier 1 suppliers are supplied.

### Business Introduction

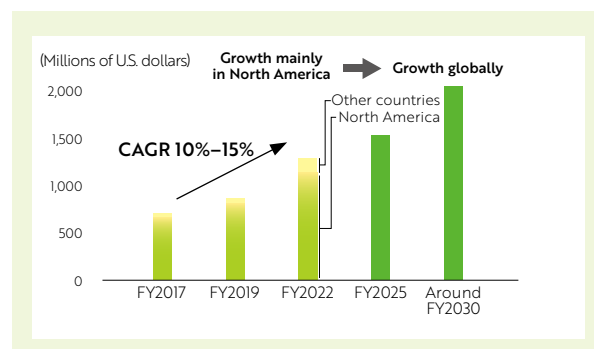
In the automotive composites business, the Teijin Group is engaging in the design of parts and provision of components to automakers centered on CSP, North America's largest Tier 1 automotive composites supplier, which it acquired in January 2017. In the automotive industry, there is a need for lightweight automotive parts that maintain strength and durability and can be mass-produced. To meet this need, the Group is strengthening its proposal-making capabilities in such ways as collaborating with its customers from the parts development stage. Furthermore, to comply with increasingly stringent environmental regulations from 2020 onward, the Group is expanding the materials it uses and collaborating with other manufacturers.



### Major Initiatives under the Medium-Term Management Plan

As the top Tier 1 supplier of automotive composites in the United States, the Group aims to expand its leading share in the market while establishing a stable supply structure across the globe, including bases in Europe and China. At CSP, the Group is working to gradually improve profitability and, going forward, will promote a broad range of measures to return operating income after amortization to the black by fiscal 2022.

### Sales Target



	Previous MTP 2017–2019	MTP 2020–2022
<b>North America</b>	<ul style="list-style-type: none"> <li>Continuously obtained new programs</li> <li>Started mass production of carbon fiber-reinforced composite <i>Sereebo</i></li> </ul>	<ul style="list-style-type: none"> <li>Start operations at the Texas plant</li> <li>Expand production and sales of <i>Sereebo</i></li> </ul>
<b>Europe</b>	<ul style="list-style-type: none"> <li>Acquired European operating companies</li> <li>Established application development base*</li> </ul>	<ul style="list-style-type: none"> <li>Expand in the European market through new production bases</li> <li>Promote multi-materials strategy</li> </ul>
<b>China</b>	<ul style="list-style-type: none"> <li>Made a decision to construct a second plant</li> </ul>	<ul style="list-style-type: none"> <li>Penetrate Chinese market through production at two plants</li> </ul>

\* Teijin Automotive Center Europe GmbH (Germany)



## FOCUS

# Aiming to Further Enhance Our Presence by Leveraging Our Advanced Technological Capabilities and Global Network

**Steve Rooney**

Chief Executive Officer,  
Continental Structural Plastics Holdings Corporation



## Q1. What initiatives need to be taken for Continental Structural Plastics Holdings Corporation to achieve further growth?

While it is difficult to predict the specific impacts of the global pandemic on the automotive industry at this time, it is safe to say that glass fiber composites will continue to be a mainstay for Continental Structural Plastics Holdings Corporation (CSP). According to the global glass and carbon fiber composite market forecast, which was published just before the global pandemic, the market will reach US\$3.3 billion by 2024, with glass fiber making up more than US\$3.0 billion of that amount. Amid this growth, lightweight applications such as decklids, fenders, and bumpers will likely drive demand, with low-density sheet molding compounds (SMCs) becoming a key driver for this growth overall. In terms of our future growth, I believe that hybrid and multi-material approaches, as well as our ability to develop entire systems such as battery enclosures for electric vehicles, will play a significant role.

To be able to fully support global OEMs,\* it is critical that we continue to develop and expand our global footprint. Many of the components we manufacture are large, requiring our facilities to be relatively close to our customers' facilities. We are making good progress in Europe, adding the ability to compound our own SMCs at our CSP Europe facility in France, where we also conduct significant R&D activities. Teijin's

acquisitions of Inapal Plasticos SA in Portugal and Benet Automotive s.r.o. in the Czech Republic have given us much needed manufacturing capabilities in Europe, although further expansion will likely be needed as our business there grows. We see significant opportunities in Europe to serve the European-headquartered OEMs with Class A and battery enclosure applications.

In addition, we continue to expand our footprint in China, as our joint venture company is constructing a second manufacturing facility near Shanghai to serve domestic OEMs located in that part of the country.

As the Teijin Group aggressively pursues long-term, global environmental initiatives, CSP is supporting the Company's goals. As part of our participation in these initiatives, we have been engaging in numerous projects to address environmental issues, including the development of Life Cycle Analysis (LCA) for CSP products. In the United States, CSP is engaged in multiple R&D projects aimed at developing recycling technologies for its products, raw materials, and waste streams.

\* In this section, OEMs refer to finished-car manufacturers to which the components of Tier 1 suppliers are supplied.

## Q2. Could you please comment on the main management issues you currently recognize and the efforts you are making to resolve these issues?

Manufacturing efficiency and productivity are key to our success. Our Plant Operations team is implementing an automation and process improvement strategy that will optimize labor hours and make CSP more efficient. Specifically, over the past year we have developed an automation strategy centered on our Class A facilities with the aim of improving profitability, reducing manpower requirements in saturated markets, and creating process consistency.

To attract top talent, we must offer competitive wages and benefits. To that end, we conduct annual, local wage surveys to ensure we are market competitive with wages and benefits. We also take the well-being of our employees very seriously and have not hesitated to take every action necessary to protect them from COVID-19.

## Business Strategy

### Materials Business Field

▶▶ Strategic Focus Business		Carbon Fiber Intermediate Materials for Aircraft	
Strengths	<ul style="list-style-type: none"> <li>Technological capabilities for intermediate materials for aircraft, which are expecting future growth (thermoplastic prepreg, non-crimp fabric)</li> </ul>	Weaknesses	<ul style="list-style-type: none"> <li>Limited track record for the supply of current mainstream intermediate materials (thermoset prepreg)</li> <li>Long timeframe from development to commercialization and profitability</li> </ul>
	<ul style="list-style-type: none"> <li>Needs to reduce exhaust emissions and improve fuel efficiency by reducing aircraft weight</li> <li>Need to reduce manufacturing costs</li> </ul>		<ul style="list-style-type: none"> <li>Decline in aircraft demand</li> <li>Intensifying competition, commoditization</li> </ul>

### Business Introduction

With 10 times the strength and only one-quarter of the weight of steel, carbon fiber is attracting interest as an environment-friendly material that will contribute to CO<sub>2</sub> emissions cuts and provide other benefits. This growing interest has driven expansion in demand particularly for aerospace and industrial applications. The Teijin Group's *TENAX* carbon fibers boast world-leading quality and high global market share, mainly in aircraft applications. Going forward, the Group will strengthen efforts toward the field of intermediate materials for aircraft.



Production Bases

Japan, Germany, U.S.



R&D Bases

Japan, Germany, U.S.

▶▶ Profitable Growth Business		Aramid	
Strengths	<ul style="list-style-type: none"> <li>Top share of para-aramid fibers</li> <li>Cost competitiveness (integrated production structure from raw materials) and high barrier of entry</li> <li>Process management capabilities, stable quality</li> <li>Robust client relationships</li> </ul>	Weaknesses	<ul style="list-style-type: none"> <li>High percentage of production in Europe</li> </ul>
	<ul style="list-style-type: none"> <li>Needs for improving automotive fuel efficiency and durability, demand for replacing materials</li> <li>Dissemination of next-generation communications (5G)</li> <li>Needs for protective clothing and equipment to ensure safety and security</li> <li>Improvement in productivity through the digital transformation of production and sales</li> </ul>		<ul style="list-style-type: none"> <li>Decline in automobile demand</li> <li>Emergence of competing manufacturers</li> </ul>

### Business Introduction

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 automotive 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% to 5%. Meta-aramid fibers have outstanding long-term heat resistance and flame-retardant properties and are therefore used in heat-resistant filters and special environment uniforms such as those worn by firefighters, as well as in other industrial materials. The Teijin Group boasts a global presence in terms of aramid fibers, thanks to its high levels of quality and competitive costs.



Production Bases

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



R&D Bases

The Netherlands, Japan, China

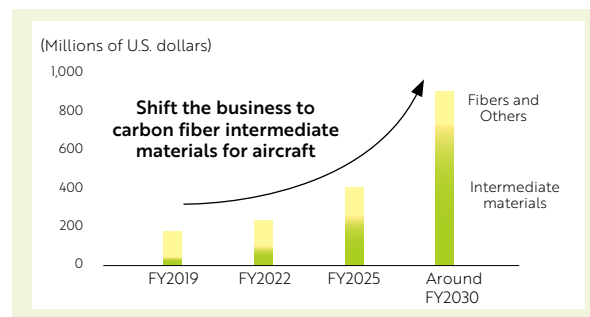
### Major Initiatives under the Medium-Term Management Plan

During the period of the previous medium-term management plan, the Group decided to increase its production capacity for para-aramid fibers, for which it boasts the top market share, at its two raw material and spinning factories in the Netherlands, with the aim of further expanding demand in Japan and overseas. Mass production of para-aramid fibers is slated to begin at these factories in fiscal 2022. Through this effort, the Group expects to increase production capacity by 25% or more compared with levels in fiscal 2017. This in turn should help the Group maintain an annual growth rate in net sales of 5% to 7%. In addition, the Group will further reinforce its application development, including through collaboration with customers, as it works to enhance environmental performance through lightweight materials and contribute to the realization of a circular economy.

## Major Initiatives under the Medium-Term Management Plan

In regard to intermediate materials for aircraft, there is a need for high levels of quality and competitive costs. For these materials, the Teijin Group will cultivate a competitive edge by accelerating the development of thermoplastic prepreg, non-crimp fabric and strive to expand sales. During the period of the current medium-term management plan, the Group will earn certification for structural components from major aircraft manufacturers at the carbon fiber manufacturing plant that it will newly establish in North America. At the same time, the Group will strive to expand sales of intermediate materials by focusing on the acquisition of several new large-scale aircraft programs.

## Sales Target



	Previous MTP 2017–2019	MTP 2020–2022
New North American carbon fiber manufacturing plant	• Made a decision to build the plant	• Start commercial production • Obtain certification for aircraft
Acquire new aircraft programs	• Obtained certification for next-generation primary structural materials for Boeing (thermoplastic prepreg)	• Acquire several new large-scale programs
Intermediate materials business expansion	• Acquired Renegade Materials Corporation of U.S. (high-temperature thermoset prepreg)	• Expand sales channels for state-of-the-art aircraft engine components

## ►► Profitable Growth Business

## Resin and Plastic Processing

<b>Strengths</b>	<ul style="list-style-type: none"> <li>Technologies (interfacial property control for resin products, special design, etc.)</li> <li>World-leading, high-quality polycarbonate resins</li> <li>Marketing, sales, and customer support capabilities for a wide range of applications</li> <li>High-value-added product development capabilities</li> </ul>	<b>Weaknesses</b>	<ul style="list-style-type: none"> <li>High percentage of production and sales in Japan, China, and ASEAN</li> </ul>
<b>Opportunities</b>	<ul style="list-style-type: none"> <li>Dissemination of next-generation communications (5G)</li> <li>Need for high-performance materials in the EV and automated driving market</li> <li>Improvement in productivity through the digital transformation of production and sales</li> </ul>	<b>Threats</b>	<ul style="list-style-type: none"> <li>Deteriorating supply–demand balance due to the emerging trend of increased facilities in China</li> </ul>

## Business Introduction

With an impact resistance 200 times greater than glass, and only half the weight, polycarbonate (PC) resins possess a wealth of outstanding features, including heat resistance, dimensional stability, electrical characteristics, and transparency. These resins are now widely used in electronics, automobiles, precision machinery, and medical treatment, and the market for these resins is expected to grow going forward. The Teijin Group enjoys leading-class production capacity for PC resins in Asia and is working to promote a shift with these resins to high-value-added products.



Production Bases

Japan, China, Thailand



R&D Bases

Japan, China, Thailand

## Major Initiatives under the Medium-Term Management Plan

By concentrating on the development of high-value-added products for growing industries such as next-generation communications (5G), automated driving, and EV, the Group aims to further enhance its ratio of high-value-added products. Furthermore, the Group will take steps to further expand the resin and plastic processing business through a wide range of efforts, including strengthening its proposal-making capabilities to customers for high-performance compounds and strengthening business development in ASEAN, utilizing the newly established compound plant and technical center in Thailand.





## Healthcare Business Field

We are providing unique products and services through the generation of synergies between the pharmaceutical business and the home healthcare business as well as collaboration with other businesses, while at the same time, developing new solutions that meet social needs throughout the entire care cycle, including preventative care, health promotion, rehabilitation, and nursing care.



**Akihisa Nabeshima**

Executive Officer, Member of the Board  
President, Healthcare Business  
of Teijin Group

- Strengths**
- Product creativity and market cultivation capabilities focused on unmet needs
  - Robust sales base established in the pharmaceutical and home healthcare businesses
  - High-quality services centered on patients
  - Unique products and services created through the use of technologies from the Material and IT businesses

- Opportunities**
- Needs for comprehensive community-based healthcare and home healthcare that require multidisciplinary collaboration
  - Personalized medical treatment
  - Needs for extending healthy life span, preventative care, and health promotion

**Weaknesses**

- Internal ability to expand in the global market

**Threats**

- Revisions to drug prices and medical service fees based on government policies to curtail medical costs in Japan
- Increase in R&D expenses related to new drugs

## Fiscal 2019 Performance

Despite a strong domestic performance of the mainstay drug *FEBURIC* (febuxostat) and the home healthcare business, net sales in the Healthcare Business declined 2.3%, to ¥153.9 billion, and operating income was down 8.2%, to ¥32.6 billion, due to the impact from the entry of generic products for febuxostat medication in Europe and the United States.

### Pharmaceuticals

In pharmaceuticals, sales of the hyperuricemia and gout treatment *FEBURIC* (febuxostat) and *Somatuline*,\* a treatment for acromegaly, pituitary gigantism, and neuroendocrine tumors, expanded steadily in the Japanese market. However, sales of febuxostat in Europe and the United States were impacted by the entry of generic products.

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

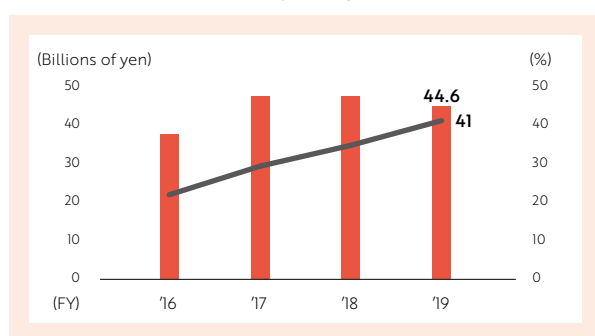
### Home Healthcare

In home healthcare, rental volume for continuous positive airway pressure (CPAP) units for the treatment of sleep apnea syndrome (SAS) increased favorably, owing to an increase in the number of contracted facilities as we focused on building a clinical treatment network for SAS. In addition, we maintained a high level of rental volume for therapeutic oxygen concentrators for home oxygen therapy (HOT), with proactive sales for portable oxygen concentrators and integrated oxygen concentrators *Hi-Sanso i*.

### New Healthcare Businesses

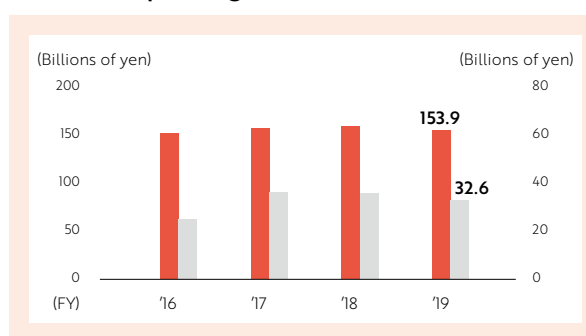
For new healthcare businesses, the orthopedic implantable devices business (artificial joints, absorbable osteosynthesis materials) posted a solid performance.

#### EBITDA/ROIC (based on operating income)



■ EBITDA (left scale) — ROIC based on operating income (right scale)

#### Net Sales/Operating Income



■ Net sales (left scale) ■ Operating income (right scale)

## Efforts under the Previous Medium-Term Management Plan

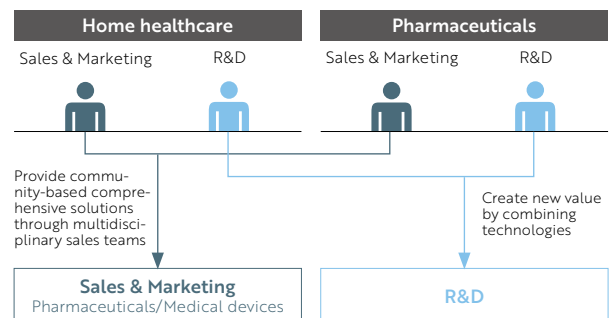
Under the previous medium-term management plan, we implemented numerous initiatives toward acquiring small to medium-sized companies and obtaining licenses with the aim of expanding the scope of our new business fields. However, one issue we had was clarifying where we need to focus resource allocation in order to further cultivate and expand our businesses. We did not implement large-scale M&As as, after holding careful examinations, we were unable to find a target that aligned with our goals. As a result, our performance fell significantly short of the net sales target for new businesses adopted under our initial plans.

In the pharmaceutical and home healthcare businesses, we aimed to provide comprehensive healthcare services in not only fields that are covered by medical insurance but also ones that are not. Guided by this aim, we integrated the organizations of these businesses in fiscal 2019 in order to strengthen our overall

business foundation. By integrating the sales and R&D functions possessed by both the pharmaceutical and home healthcare businesses, we commenced efforts to establish a unique sales model that leverages the respective strengths of these businesses and to optimize our R&D activities.

### Overview of the Organizational Integration (from October 2019)

Transitioning from a dual business unit structure to a functional structure



FY2017	FY2018	FY2019
<ul style="list-style-type: none"> <li>Withdrawal from the U.S. home healthcare business</li> <li>Licensing out of an investigational antibody drug candidate for the treatment of Alzheimer's disease</li> <li>Establishment of Teijin Medical Technologies Co., Ltd. (osteosynthesis materials, etc.)</li> <li>Acquisition of spinal implant business</li> </ul>	<ul style="list-style-type: none"> <li>Conclusion of contract for exclusive Inulin, a functional food ingredient, distributorship in Japan</li> </ul>	<ul style="list-style-type: none"> <li>Establishment of nutraceutical sales company</li> <li>Launch of depression treatment device <i>NeuroStar</i></li> <li>Start of clinical trial of cardiovascular and vascular repair patch</li> <li>Reorganization of the pharmaceutical and home healthcare businesses</li> </ul>

## Medium- to Long-Term Strategy

In the Healthcare Business, we will execute strategic investment aimed at acquiring services, technologies, and pipelines that will contribute to future profits. In terms of Strategic Focus fields, we will develop new businesses related to functional foods, comprehensive community-based healthcare, and new

medical devices, among others. Furthermore, for Profitable Growth fields, in the pharmaceutical and home healthcare businesses, we will steadily move forward with efforts to obtain approval for new products and maximize value of existing products and services.

### Overview of Profit Growth (EBITDA)

Strategic Focus Businesses	<ul style="list-style-type: none"> <li>Functional foods</li> <li>New business related to comprehensive community-based healthcare systems</li> <li>New medical devices</li> </ul>
Profitable Growth Businesses	<ul style="list-style-type: none"> <li>Medical devices</li> <li>Pharmaceuticals</li> </ul>

**Acquire products, services, and technologies**

- Functional foods
- Comprehensive community-based healthcare
- Orthopedic areas

### Profit contribution during the next medium-term management plan

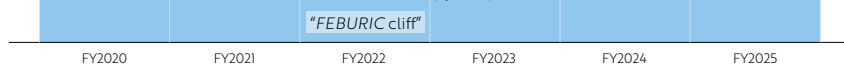
- Functional foods, nutraceuticals
- Services supporting health management and preventing the exacerbation of illnesses
- Artificial joints, absorbable osteosynthesis materials
- Depression treatment device *NeuroStar*
- Rehabilitation robot *ReoGo-J*

**Organizational integration**

Launch new drugs and maximize value of existing products

### Effects from organizational integration

- Contribution of new drugs to earnings
- Treatment for osteoporosis: ITM-058
- Treatments for upper limb/lower limb spasticity: NT 201/NT 201L



### Enrich business foundation for future profitability

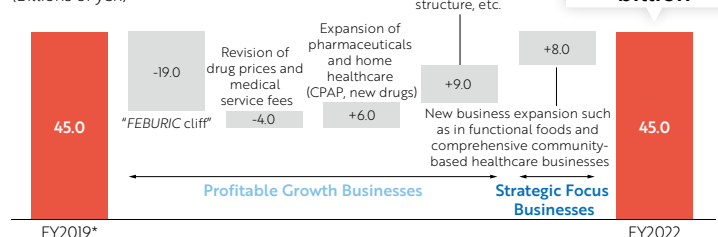
- Build a comprehensive community-based healthcare system platform (visiting nursing stations, contact centers, *VitalLink* [an information sharing system for team-based healthcare])
- Acquire pipelines and technologies (medical devices/pharmaceuticals)

### Changes in EBITDA during Medium-Term Management Plan 2020–2022

In fiscal 2022, we anticipate a “FEBURIC cliff,” which involves the risk from the emergence of generic drugs for our mainstay drug *FEBURIC*, in Japan as well. Accordingly, we will work to compensate for this “FEBURIC cliff” through such means as further expanding home healthcare devices, launching new drugs, reforming cost structures in existing businesses, and realizing growth in new businesses. By doing so, we aim to secure EBITDA in fiscal 2022 at around the same level as we achieved in fiscal 2019 (outlook as of February 5, 2020).

### EBITDA

(Billions of yen)



\* Outlook as of February 5, 2020

**Achieve  
¥45.0  
billion**

## Business Strategy

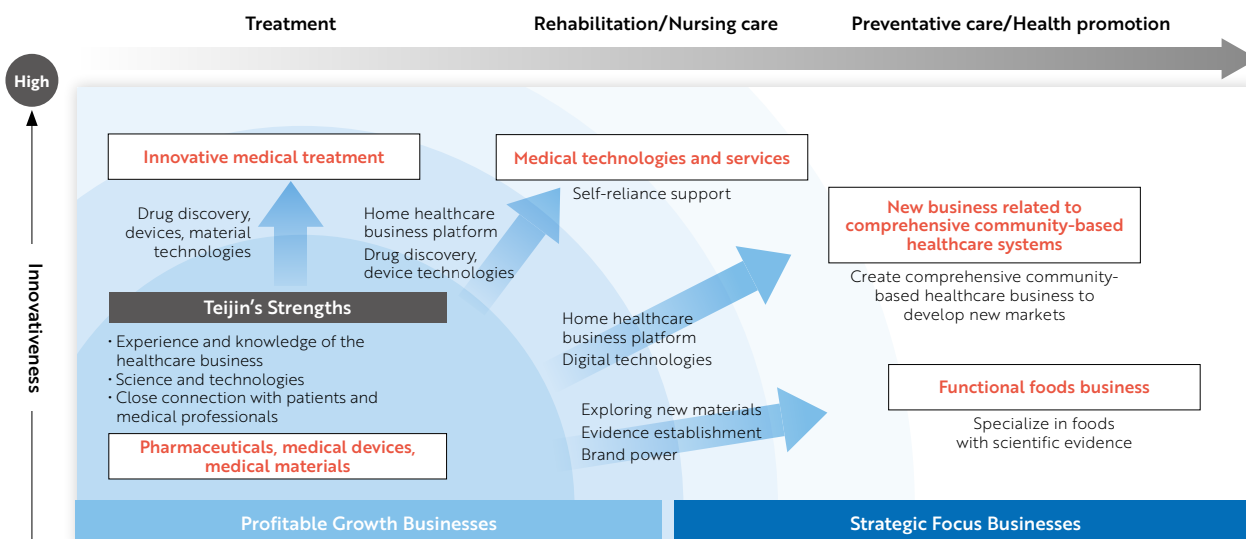
### Healthcare Business Field

#### ►► Strategic Focus Business

#### New Healthcare Businesses

The Teijin Group is striving to leverage the strong connections it has formed with patients and medical professionals through the pharmaceutical and home healthcare businesses, as well as its deep knowledge on the healthcare industry and technological capabilities, in order to develop new businesses. Going

beyond fields covered by medical insurance, the Group aims to develop comprehensive healthcare service businesses, including rehabilitation, nursing care, preventative care, and health promotion, that are deeply rooted in local communities.



### Innovative Medical Treatment

By rolling out *NeuroStar*, a transcranial magnetic stimulation device which was the first of its kind to be covered by Japan's national health insurance, the Teijin Group will provide a new option for the treatment of depression. In addition, the Group is focusing efforts on creating innovative medical treatment in such ways as conducting joint research with the Japan Agency for Medical Research and Development toward the development of preventative medicine and the treatment for frailty.\*1

### Medical Technologies and Services to Support Self-Reliance

To support the self-reliance of patients who need rehabilitation due to a stroke or other medical condition, the Teijin Group is offering *WalkAide*, a functional electrical stimulation device for rehabilitation, and *ReoGo-J*, a rehabilitation robot for upper limb paralysis. Offering these products together with NT 201/NT 201L, which are upper limb/lower limb spasticity treatments, the Group aims to provide comprehensive solutions that support patients from the onset of a stroke to treating its aftereffects.

### Functional Foods Business

The Teijin Group is focusing its attention on functional food ingredients, which have high future potential from the perspective of preventative care and health promotion. To that end, the Group is working to develop applications centered on prebiotic material\*2 and probiotic material\*3 and enhance its product lineup for these materials. At the same time, the Group is striving to expand its sales routes including through global expansion.

### New Business Related to Comprehensive Community-Based Healthcare Systems

To provide support to elderly people in provincial communities amid the rapidly aging society in Japan, sharing information between medical professionals involved in a broad range of professions, including medical treatment, nursing care, and lifestyle support, and establishing comprehensive community-based healthcare systems that enable seamless cooperation between such professionals, are indispensable support infrastructure. To that end, in 2015 the Teijin Group began offering *VitalLink*, an information sharing system for team-based healthcare used between medical professionals, as a tool for supporting comprehensive community-based healthcare. Furthermore, the Group has established extensive networks through home healthcare platforms comprising not only *VitalLink* but also a 24-hour call center, in-home nursing care stations, and a nationwide sales and service network. Drawing on these networks as its foundation, the Group will create new markets, including healthcare support services and services to prevent severe illnesses that utilize data platforms, as it aims to improve the quality of life for people and further contribute to local communities.

\*1 Frailty: Physical deterioration as a result of aging, decreased resilience from stress  
 \*2 Prebiotics are difficult-to-digest food components that offer useful benefits to the intestines and can help improve the intestinal environment by helping increase healthy bacteria in the large intestine and improving intestinal activity.  
 \*3 Probiotics are live microorganisms that can offer useful benefits when consumed in appropriate amounts.





## Business Introduction

In the pharmaceutical business, the mainstay drug *FEBURIC* (febuxostat), a treatment for hyperuricemia and gout, is a new drug that is the first of its kind in over 40 years globally and was generated internally by the Teijin Group. As of June 30, 2020, febuxostat was being sold in 78 countries and regions around the world and has the top market share in Japan as *FEBURIC*.

In the home healthcare business, the Group has been a pioneer in Japan in terms of home oxygen therapy (HOT), being the first company in the country to commercialize HOT. In addition, the Group boasts the strengths of a service structure that can provide support to patients on a 24-hour, 365-day basis, as well as a customer base that is the largest in the home healthcare industry. In Japan and overseas, the Group provides home healthcare services to approximately 450,000 patients. Moreover, the Group has secured a leading market share in Japan for therapeutic oxygen concentrators for HOT as well as for continuous positive airway pressure (CPAP) ventilators for the treatment of sleep apnea syndrome (SAS), which represents a market that has been rapidly growing in recent years.

## Major Initiatives under the Medium-Term Management Plan

To minimize the impact from the entry of generic products for *FEBURIC*, we will promote a broad range of efforts, including strengthening our community-based multidisciplinary sales teams through organizational reforms in the pharmaceutical and home healthcare businesses, as well as enhancing productivity and launching new drugs on the market. In terms of new drugs, during the period of the current medium-term management plan, we expect to acquire approval for and launch ITM-058, a treatment for osteoporosis, and NT 201/NT 201L, treatments for upper limb/lower limb spasticity. In the home healthcare business, we will enhance the added value of therapeutic oxygen concentrators for HOT and CPAP ventilators for the treatment of SAS, through the use of ICT and other technologies. We will also aim to further increase the number of rental devices.

## Pipeline

Area	Code no.	Target disease	Phase of clinical trials				
			Phase 1	Phase 2	Phase 3	Filed for approval	Approved/Launched*
Bone and joint disease	NT 201	Upper limb spasticity					
	ITM-058	Osteoporosis with a high risk of bone fracture					
	NT 201L	Lower limb spasticity					
	TCK-276	Rheumatoid arthritis					
Respiratory disease	PTR-36	Bronchial asthma					
Cardiovascular and metabolic disease	ITM-014T	Thyroid stimulating hormone-secreting pituitary tumors					
	TMX-049	Hyperuricemia and gout					
	TMX-049DN	Diabetic nephropathy in type 2 diabetes					
	TMX-67HK	Pediatric hyperuricemia and gout					
Others	GGS-CIDP	Chronic inflammatory demyelinating polyneuropathy					
	GGS-ON	Acute phase of optic neuritis					
	GGS-MPA	Microscopic polyangiitis					
	JTR-161	Acute cerebral infarction					

Note: As of June 30, 2020

\* The pharmaceuticals that have been approved/launched within the past year are listed.

## TOPIC

### D-MAP—Disaster Response and Support Map System for Home Healthcare

Since commercializing HOT, the Teijin Group has advocated for home healthcare service on a 24-hour, 365-day basis and accordingly has established a structure to support home healthcare in the event of a disaster or other emergency. As part of this structure, we have a disaster response and support map system called *D-MAP* (Disaster Mapping Assistance Partner). Oxygen concentrators used for HOT will cease operation in the event of a power outage.\* We have introduced portable oxygen cylinders to prepare for such an event. However, as these cylinders cannot be used for long periods of time, there is a need to promptly ascertain the whereabouts of patients and confirm their safety when a disaster occurs.

When the Great East Japan Earthquake occurred in 2011, within 10 minutes from when it struck, we had compiled a list

of approximately 25,000 patients. Immediately, our Tokyo disaster support headquarters began calling every one of these patients to check on their safety. After doing so, we made Groupwide efforts to provide patients with support, including distributing emergency oxygen cylinders and oxygen concentrators to patients from each of our offices. Going forward, through our trust-based relationships with patients and their families as well as medical institutions, we will draw on the experience we have cultivated thus far to continue to contribute to a society deeply rooted in local communities as a member of team-based healthcare.

\* The Teijin Group has also introduced battery-operated oxygen concentrators that can run for a certain amount of time even during power outages.

FOCUS

## Aiming to Be a Comprehensive Healthcare Service Provider

### Ichiro Watanabe

Teijin Group Executive Officer  
Management Coordinator for the President,  
Healthcare Business of Teijin Group  
President, Teijin Pharma Limited



#### Q1. In October 2019, Teijin Pharma transitioned from a dual business unit structure to a functional structure. What initiatives have you been implementing since then?

Our medical representatives (MRs) in the pharmaceutical business and the sales personnel in the home healthcare (HHC) business engage in different work. MRs conduct sales promotions geared toward doctors, whereas the HHC sales personnel not only promote sales to doctors but also provide support to other healthcare professionals and patients. With the introduction of this new structure, we first held classroom-based training programs to ensure a mutual understanding between MRs and HHC sales personnel. Through this training, our MRs aim to learn sales methods for medical devices while all our HHC sales personnel aim to obtain certification as MRs

themselves. Before starting on-the-job training, we have commenced efforts to enhance operational efficiency at certain offices. We are now identifying job areas where both MR and HHC operations can be done simultaneously, and areas where they should be done separately, in addition to work that can be comprehensively managed by our head office. After doing so, we will expand successful approaches to other locations. We are also examining the reorganization of our sales office structure to establish offices centered on secondary medical areas\* and deeply rooted in local communities.

\* Areas established through the combination of multiple municipalities that provide general medical care

#### Q2. What are the main points to achieve the targets of the medium-term management plan?

One strength we possess over major pharmaceutical companies and rival HHC companies is our ability to contribute to community-based medical treatment through a multi-disciplinary team with MRs, HHC sales personnel, HHC technicians, visiting nurses, clinical laboratory technologists, and physical therapists. Going forward, the location where people receive medical treatment will gradually transition from hospitals to local communities. Progress will be made with comprehensive community-based healthcare where local healthcare professionals, such as family doctors, primarily provide support to patients. Utilizing our ICT business foundation in terms of monitoring and data analysis, our multi-disciplinary team, which Teijin has long cultivated, understands the issues and needs in each region and establishes a seamless cooperative path from prevention and medical treatment to supporting care for self-reliance.

As for R&D activities, we are working to enhance our expertise to create innovative medical treatment and generate synergies between healthcare-related technologies. We are striving toward venture-type drug discovery for unmet medical

needs, and to seek early stage alliance/collaborative partnership with other companies, in order to maximize the value of R&D projects globally. Also, regarding R&D on medical devices, we established a corporate venture capital in the United States in April 2020, and newly started initiatives to discover innovative medical treatment at an early stage.

Not only relying on projects from our own R&D division, we will also collaborate with external partners inside/outside Japan to obtain clinical evidence and to make use of in-house platforms for production technologies. Through such efforts, we will aim for extensive business development. We must integrate knowledge and technologies from different business fields to create unique treatment methods. We will create innovative medical treatments by combining the physiological chemistry technologies and know-how on establishing clinical evidence of the pharmaceutical business with the bio-engineering technologies (including physical stimulation technologies) of the HHC business. We will pursue collaboration with the Material Business and the IT Business as well.

#### Q3. Could you please tell us your vision for the Healthcare Business in 2025 and 2030?

Due to the impact from the spread of COVID-19, we are seeing the rapid acceleration of remote medical treatment, such as online examinations and online medication instruction. In this digital world, a key issue will be to leverage the strengths of our sales capabilities and products/services to capture business opportunities. For example, digital healthcare services, such as those that help encourage changes in patient behavior based on data on their daily lives, will become more widespread in the future. When that happens, there will be a need for our multi-disciplinary sales team, underpinned by ICT, to

provide backup support to patients as well as doctors and other healthcare professionals. Going forward, we will strive to reliably ascertain the changes occurring in the external business environment. We will also enhance the quality of life for patients based on the spirit of putting the patient first. At the same time, we will help prevent people from contracting an illness, and contribute to improving their overall health status. In these ways, we will become a comprehensive healthcare service provider with deep roots in local communities.



## Fibers & Products Converting Business/IT Business

### ▶▶ Profitable Growth Business

### Fibers & Products Converting Business

#### Strengths

- Diversified customer base through various application development
- Strategic product allocation between parent factory (development and production of cutting-edge materials) and OEMs (optimized cost and production efficiency) for realizing a speedy and efficient supply system
- Active development of eco-friendly businesses

#### Opportunities

- Expanding automotive market, mainly in emerging countries
- Growing needs for fuel efficiency, compactness, and safety in mobility
- Increasing seriousness of environmental issues, disaster response, and infrastructure degradation

#### Weaknesses

- Basic profitability and prompt contribution to profits by new businesses

#### Threats

- Greater uncertainty regarding world affairs due to COVID-19 and the deteriorating relationship between the United States and China
- Decline in automobile demand
- Stagnation in the clothing market due to unfavorable weather

### Business Introduction

Teijin Frontier Co., Ltd., the Teijin Group's core company for the Fibers & Products Converting Business, is a one-of-a-kind hybrid company in the industry, possessing the functions of both a manufacturer and a general trading company. Teijin Frontier possesses an extensive supply chain, involving itself in everything from the analysis of market needs and R&D activities on materials to production, processing, and sales. In addition, the company rolls out an extensive lineup of products and services, spanning from clothing to industrial materials, on a global basis.

### Fiscal 2019 Performance

In fiber materials and apparel, domestic production of sports textiles and sales of men's heavy clothing struggled due to market stagnation both inside and outside Japan following the trade friction between the United States and China as well as unfavorable weather. In the industrial textiles and materials field, sales of automotive materials were adversely impacted by sluggish automobile sales in Europe and China. On the other hand, sales remained favorable of infrastructure reinforcement materials and polyester staple fiber for water treatment filter applications and synthetic leather.

### Major Initiatives under the Medium-Term Management Plan

In the Fibers & Products Converting Business, we will step up efforts toward business expansion in growth fields, such as mobility, the environment, infrastructure, and healthcare, as well as the cultivation of new businesses, including the development of wearable materials centered on sensing technologies. Meanwhile, we will strive to enhance the business's basic profitability, which has become an issue, with a focus on unprofitable business areas.

### ▶▶ Profitable Growth Business

### IT Business

### Business Introduction

Our IT Business centers on Infocom Corporation and comprises two business fields: business solution and digital entertainment. For business solution, Infocom possesses know-how and developmental technologies cultivated in the medical industry and leverages these strengths to provide high-value-added services, such as system and packaged products for corporate, medical, and public institutions. With digital entertainment, Infocom provides customers with such services as the *Mecha Comic* e-comics distribution service, leveraging its know-how and track record built from the early days of the mobile phone business. In the e-comics market, *Mecha Comic* has grown to become one of Japan's largest stores for digital comics.

### Fiscal 2019 Performance

In the IT Business, we actively pursued M&As centered on the core businesses of e-comics and healthcare. At the same time, we worked to expand the IT Business through the utilization of AI and IoT. For business solution, the performance of services for hospitals and corporations was solid following the response to the changing of the era name in Japan, the consumption tax hike, and workstyle reforms. Also, in digital entertainment, we achieved significant growth with its e-comics distribution service through not only the optimization of advertisements based on data analysis but also the contributions of free serial publications and original comics.

### Major Initiatives under the Medium-Term Management Plan

For business solution, we will roll out new services in the nursing care and health domains and expand its system services for hospitals in Southeast Asia. By doing so, we will strengthen its services in the healthcare business. For digital entertainment, we will aim to secure an even more robust position as an e-comics brand by promoting the use of AI, data, and other technologies.



# The Teijin Group's Innovations

## Frameworks for Creating Continuous and Genuine Business Opportunities and Accelerating Market Development

Envisioning tomorrow, the Teijin Group has continued to take on the challenge of creating products and services that will support the society of the future. As society undergoes a transformation at unprecedented speeds due to the evolution of technology, we will leverage the distinctive characteristics found in our diverse business fields of Materials, Healthcare, and IT. We will also tackle social issues head-on through our three solutions of "Environmental Value," "Safety, Security, and Disaster Mitigation," and "Demographic Change and Increased Health Consciousness." In these ways, we will support the society of the future.

The Teijin Group views innovation as a series of activities involved in building a business, ranging from product and service creation to profit making. In order to address social needs and issues from a global perspective, we aim to leverage the unique comprehensive strengths and agility of the Teijin Group. Drawing on our research and development (R&D) network, which comprises 12 R&D laboratories overseas and 12 in Japan, we are invigorating our organization by strengthening collaboration between Group companies. At the same time, we are incorporating frameworks to accelerate innovations by respecting the diverse backgrounds of all employees and enabling them to exercise their individual abilities while

fostering a sense of Groupwide unity. Additionally, we are striving to reinforce our R&D capabilities through the utilization of IoT monitoring technologies, AI technologies, and materials informatics (MI). We are also actively leveraging collaboration not just within the Group but also with external organizations. Through these means, we are working to spur innovation at a greater pace than ever before.

Under the Group's intellectual property (IP) strategy, we identify core areas that have the potential to become the competency of each business based on the results of our detailed analysis of the external business environment and strategically acquire intellectual properties accordingly. By doing so, we have established a robust intellectual property portfolio that helps us secure our competitive edge. For our analysis of intellectual property information pertaining to the creation of business strategies, we incorporate IP landscapes and other methods and actively make use of ICT tools to conduct an analysis on technological trends and overall competitiveness based on both patent and non-patent information. We then make efforts to ensure that the results of this analysis are used to facilitate business-related decision-making.

## Developing Technologies and Markets to Support the Society of the Future

### ● Environmental Value Solutions

The Teijin Group is striving to tackle various issues with a view to realizing a sustainable world. To that end, we are working to reduce CO<sub>2</sub> emissions by developing high-performance lightweight materials and components geared toward aircraft and automobiles that help lower fuel consumption. For example, we develop lightweight fiber-reinforced plastic components with high tenacity as well as tire cords with high tenacity and high rigidity. We also develop such materials as high-performance fibers used as friction materials in the braking systems of automobiles. For promoting the development of lightweight materials related to next-generation automobiles, we established Teijin Automotive

Center Europe GmbH (TACE), which handles such functions as the design of automotive composites as well as the planning and prototyping of multi-materials, in Europe, an environmentally advanced area. As for efforts toward clean energy, we are engaged in the development of lightweight hydrogen pressure vessels and pipelines, in addition to materials and components for next-generation batteries. Also, we are working to address technological issues related to the recycling of chemicals and composites. As part of these efforts, during fiscal 2020 we plan on establishing a development base in Europe focused on eco-friendly fields. In this way, we will further aim to contribute to the development of a circular economy.

### ● Safety, Security, and Disaster Mitigation Solutions

We are taking steps to ensure the safety and peace of mind of people and local communities. In terms of technology related to earthquake countermeasures, we are promoting the development of high-tenacity, highly flexible aramid fibers and carbon fibers for use as reinforcements to enhance the earthquake resistance of concrete structures. In addition, we engage in the

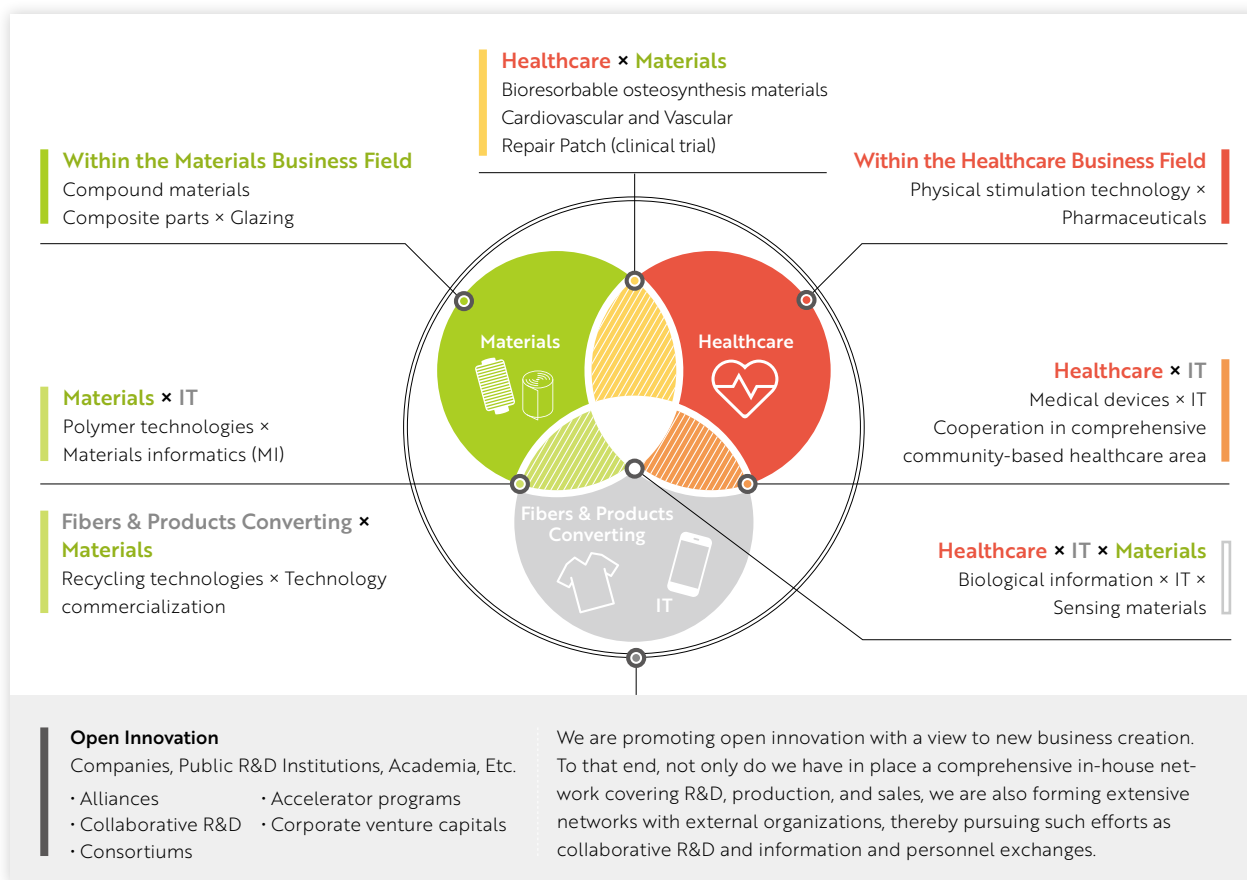
manufacture and sale of aramid fibers with outstanding flame resistance, which are used in fireproof clothing to protect firefighters. At the same time, we leverage IT technologies and sensing technologies to develop firefighting uniforms that help avoid the risk of heatstroke. Through such efforts, we are further pursuing the shift toward high-performance materials.

### ● Demographic Change and Increased Health Consciousness Solutions

To support healthy and comfortable lifestyles, not only do we promote R&D activities on pharmaceuticals, home healthcare devices, and artificial joints, we also put our long-cultivated technologies and know-how into practice to develop functional food ingredients, which are not covered by medical insurance. Furthermore, with the aim of building community-based healthcare platforms, we have established a 24-hour call center, in-home nursing care stations, and *VitalLink* (an information sharing system for team-based healthcare). Through such efforts, we are evolving our highly unique home healthcare platforms. By expanding these platforms to cover areas ranging from

pre-symptomatic care to healthcare, rehabilitation, and nursing care, we are striving to develop a lineup of products and services that corresponds to the health conditions of various people. Moreover, as the value of healthcare solutions rises around the world through the combination of products and services and digital technologies, in April 2020 we decided to launch and invest up to approximately US\$90 million in Medtech Convergence Fund, a U.S.-based healthcare venture capital fund, in order to strengthen long-term partnerships aimed at expanding the Healthcare Business in the global market. Through this investment, we will promote joint incubation activities and aim to further revitalize R&D functions for creating innovative healthcare products and services.

## Enhancing Unique, Innovative Products and Services through Collaboration Within and Outside the Teijin Group



### Materials × IT Polymer Technologies × Materials Informatics (MI)

Amid changes within the social environment, such as the evolution of mobility and the advancement of next-generation telecommunications, we are promoting a digital transformation even in our R&D activities so that we can accurately grasp the need for new materials and components that respond to these social changes and provide them accordingly. For example, we are promoting the development of materials and components that incorporate MI and other forms of information science. Also, to address the issues pertaining to the shift to lightweight and high-performance materials, we are leveraging not only the data we have accumulated in-house but also an abundance of external data as we strive to create new value while collaborating with external organizations.

### Healthcare × IT Medical Devices × IT

In the field of comprehensive community-based healthcare, we are integrating IT technologies within our home healthcare platforms\*1 to reinforce community-based healthcare platforms that support healthy and comfortable lifestyles by forming connections between people and products and people themselves. Also, in addition to connections between people and products, we are aiming for the Internet of Customers, which forms connections with customers. With this goal, we are leveraging data pertaining to health and illnesses to promote the development of products and services that predict the onset of an illness and help prevent that illness from becoming severe. Furthermore, we are offering *Sleep Styles*, a sleep

quality improvement program that utilizes online apps, to support corporate health management.

### Healthcare × Materials Cardiovascular and Vascular Repair Patch (Clinical Trial)

We are working to develop a Cardiovascular and Vascular Repair Patch\*2 in collaboration with Osaka Medical College and Fukui Tateami Co., Ltd. This patch represents an innovative medical device that integrates our long-cultivated orthopedic implantable device technologies with advanced fiber technologies and biocompatible polymer technologies. Through implantation of the Cardiovascular and Vascular Repair Patch into the affected area of a patient's heart or vascular wall, the absorbable portion is replaced with the patient's own tissue. Furthermore, as the patch has a structure that is able to grow naturally, it is expected to help reduce the risk of reoperation.











### Healthcare × IT × Materials Biological Information × IT × Sensing Materials

We are rolling out the *MATOUS* brand as a comprehensive wearable solution that enables the highly accurate sensing of the heart's electrical signals, heartbeat, and amount of physical movement on a continuous basis through the integration of high-performance fibers and sensing technologies. We are utilizing this effort to promote rehabilitation in medical and health fields, improve health through exercise, and implement sports training. Also, in labor-related fields, we are working to make use of this effort in the reduction of labor burden and the acquisition of technical skills.

\*1 Nationwide sales and service network comprising 2,000 personnel, a 24-hour call center, in-house nursing care stations, and *VitalLink* (an information sharing system for team-based healthcare), etc.  
\*2 Clinical trial launched in 2019

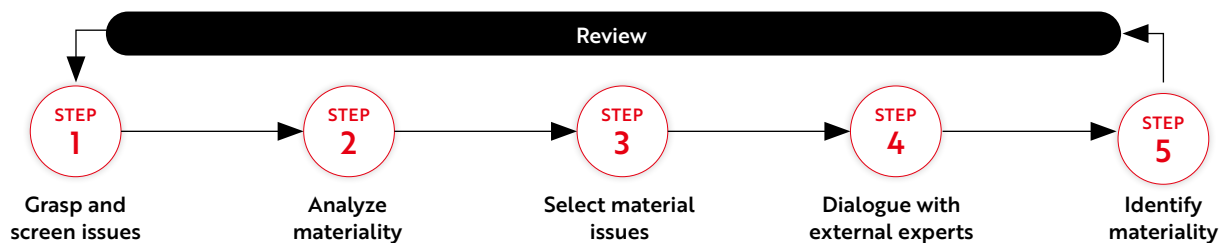
## The Teijin Group's Materiality

The Teijin Group's materiality represents important social issues toward which we are prioritizing our efforts in order to achieve our long-term vision to be "a company that supports the society of the future." Under Medium-Term Management Plan 2020-2022, we have organized the risks and opportunities we face as a company and identified five material issues we need to tackle as management issues, taking into account global social issues and the goals adopted in the SDGs.

Materiality	Major initiatives	Relevant SDGs
Climate change mitigation and adaptation	■ Environmental Value Solutions (mitigation of climate change through weight reduction and other measures) P. 42	 
	■ Safety, Security, and Disaster Mitigation Solutions (adaptation to climate change) P. 42	
	■ Reduction of greenhouse gas emissions from operations P. 46	
Achievement of a circular economy	■ Environmental Value Solutions (such as recycling) P. 42	
	■ Effective use of resources and reduction of waste P. 46	
Safety and security of people and local communities	■ Safety, Security, and Disaster Mitigation Solutions P. 42	 
	■ Environmental pollution prevention and chemical substance management P. 46	
Realization of healthy and comfortable living for people	■ Demographic Change and Increased Health Consciousness Solutions P. 42	
	■ Improvement of employee health and satisfaction P. 59	
Further strengthening of our sustainable management base	■ Corporate governance P. 48	   
	■ Corporate ethics and compliance P. 55	
	■ Diversity and inclusion P. 58	
	■ Information security and personal information protection P. 60	
	■ Security, disaster prevention, and occupational safety activities P. 60	
	■ Product liability and quality assurance P. 61	
	■ Supply chain sustainability (CSR procurement) P. 61	

### Process for Identifying Materiality

We extensively confirmed and organized social issues in an effort to analyze and identify important issues from the perspectives of the level of importance to the Teijin Group and the level of impact on our stakeholders. In addition, the Chief Social Responsibility Officer (CSRO) held dialogues with various external experts regarding the issues identified. Taking these dialogues into account, the Teijin Group's materiality was ultimately identified at a meeting held by members of our top management.



In regard to the group of social issues examined, we analyzed the level of importance to the Teijin Group and the level of impact on our stakeholders. These issues were then mapped out on a plane using these two criteria as the two axes.



From the issues analyzed in Step 2, we identified issues with a particularly high level of importance and impact as material issues.



Materiality and KPIs  
[https://www.teijin.com/csr/vision/value\\_creation\\_2020/](https://www.teijin.com/csr/vision/value_creation_2020/)

STEP  
4

► Dialogue with external experts

In October 2019, we held a dialogue with external experts regarding our process for identifying important social issues (materiality) and the identified issues themselves. These experts provided us with their opinions based on a wide range of perspectives.



**Hidemi Tomita**

Director,  
Lloyd's Register Japan K.K.

**Connecting Business Fields with Solutions Helps Improve Corporate Value**

When organizing its materiality with a focus on the SDGs, I believe Teijin can establish a greater sense of a narrative by showing how its three solutions, which are created as a result of its business activities, contribute to society.

In addition, Teijin should be able to enhance its corporate value to an even greater extent by extending a particular material or business across multiple solutions. I also think it is important for each employee to gain an understanding on the kind of business opportunities that are created by responding to the SDGs.



**Ken Shibusawa**

Founding Partner & Chairman of the Board,  
Commons Asset Management, Inc.

**Backcasting from the Future with a View to the Next 100 Years Is Important**

From the viewpoint of a long-term investor, the purpose of a corporation's efforts toward ESG and the SDGs is to achieve sustainable value creation over the long term. To that end, it is important to accumulate existing businesses and make commitments to the future and then think backwards on how to accomplish them. In addition to considering "what" actions it should undertake, Teijin should think about "why" they are pursuing a particular action. I therefore would like to see Teijin promote backcasting with a focus on the next 100 years. Going forward, the extent to which Teijin can ascertain changes in the business environment and consider aspects outside the perspective of its past successes will become increasingly more important.



**Toshihiko Goto**

Chief Executive Officer, Sustainability Forum Japan  
Board Member, Global Compact Network Japan

**Looking Forward to Long-Term Value Creation Related to Climate Change**

From a short-term perspective too, Teijin deserves praise for supporting the Task Force on Climate-related Financial Disclosures (TCFD). I think the Company could benefit from adopting a more long-term perspective with its vision and strategies. I would like to see Teijin establish goals for 2030 through a backcasting approach that considers the kind of company Teijin aims to be by its 150-year anniversary. If Teijin's management is able to indicate the direction toward which the Company is heading, I believe that knowledge of this path will spur various ideas from employees on how to reduce CO<sub>2</sub> emissions and other matters. To survive as a company going forward, it is crucial to pursue efforts from the perspective of value creation related to climate change.

**Message from the Chief Social Responsibility Officer**



**Yasuhiro Hayakawa**

Teijin Group  
Senior Executive Officer  
Chief Social Responsibility Officer

**Aiming to Achieve Our Vision for the Future**

In order for us to become a company that supports the society of the future, we identified important social issues (materiality) when determining our new medium-term management plan, giving consideration to these issues based on the aims of the SDGs. Throughout this process, we analyzed

the kinds of social needs the Group can contribute to as well as the risks and opportunities facing the Group's businesses. Based on this analysis, we integrated our policy for initiatives and KPIs into our business strategies while also incorporating the opinions of external experts.

To address each material issue, not only will we strive to create value and resolve issues through our business activities, we will also remain committed to eliminating or minimizing any negative impact our business activities have on society. As a chemical manufacturer, our existence itself has an impact on the environment. For that reason, reducing our environmental burden helps strengthen the social significance of our existence. In addition, by reinforcing the management base that allows our businesses to continue to operate, we aim to realize growth together with society.

Going forward, it is essential that our employees gain a greater understanding of the significance of our current efforts and maintain a sense of pride in their work. To that end, we will focus on efforts to instill a Groupwide awareness of CSR as we come together to achieve our Long-Term Vision.



## Reduction of Environmental Impact



### Basic Stance

Given that the Teijin Group is globally expanding its wide range of businesses, including materials, healthcare, and IT, we understand that the environmental impact of our business activities is not small. Mindful of this, we recognize this impact and are working to provide solutions to social issues and reduce environmental risks. In these ways, we are striving toward the sustainable development of both society and the Company.

### Environmental Management and Reduction of Environmental Impact

We believe that environmental management refers to the management for reducing environmental impact over the entire life cycle of products, including all processes from material procurement through to production, use, and disposal. Not only do we adhere to laws and regulations and agreements with local governments, we also focus on ascertaining the environmental impact over the entire product life cycle, reducing CO<sub>2</sub>\*<sup>1</sup> emissions, minimizing emissions of chemical substances, and managing and reducing waste materials.

### Environmental Impact during Manufacturing in Fiscal 2019 by Input/Output ★

Input	Energy* <sup>2</sup>	24.9 x 10 <sup>6</sup> GJ	Output	CO <sub>2</sub> * <sup>1</sup>	1.43 million tons-CO <sub>2</sub>
	Chemical substances handled	488 thousand tons		Hazardous chemical substances	803 tons
	Freshwater intake	69.9 million tons		Landfill waste	16.3 thousand tons
				Water discharged	61.7 million tons

\*1 Includes CO<sub>2</sub>, methane, and N<sub>2</sub>O. We deduct the amount of CO<sub>2</sub> emissions equivalent to the amount of energy sold to other companies.

\*2 Energy is calculated according to the calorific values per unit as specified in the Act on the Rational Use of Energy. We deduct the amount of energy sold to other companies.

### Climate Change Initiatives

The Teijin Group understands that climate change is a significant issue that directly affects the continuity of its business foundation but also provides opportunities for value creation. To that end, the Group announced its support for the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) in March 2019. Under the new medium-term management plan, the Group has designated “climate change mitigation and adaptation” as an important social issue (materiality) and will further reinforce efforts toward addressing this issue going forward.

#### Governance

We view “climate change mitigation and adaptation” as a material issue, and it has been adopted as such by the Board of Directors. Executive functions on climate change are under the control of the Chief Social Responsibility Officer (CSRO), and the direction, planning, and progress of relevant efforts are deliberated by the organizations mentioned on the right. The Board of Directors provides instruction on these efforts.

- Deliberations on basic plans and reports of their progress take place at the Total Risk Management (TRM) Committee. The details of these discussions are then reported to the Board of Directors (twice a year).
- Reports on executive functions are provided to the Board of Directors by the CSRO (once a year).

▶ P. 53 Total Risk Management (TRM)

#### Strategies

##### Risks and Opportunities Related to Climate Change

When formulating the new medium-term management plan, we analyzed opportunities and risks by referencing the SDGs and considering our vision for the Group in 2030 and then thinking backwards on how to achieve that vision. Within this analysis, we evaluated the impact of climate change risks on our operations from the three perspectives listed on the right. In addition, we have been identifying climate change-related opportunities for each business and incorporating them into our business strategies. Taking into account the above actions, we have decided to allocate resources (capital expenditures and other investments) to the Environmental Value Solutions fields under the new plan as we aim for business expansion.

At the same time, we have established long-term environmental targets and are working to reduce our CO<sub>2</sub> emissions.

Risks
<ul style="list-style-type: none"> <li>• Physical risks (typhoons, floods, etc.)</li> <li>• Transitional risks (carbon tax, EU Emissions Trading Scheme, etc.)</li> <li>• Group CO<sub>2</sub> emissions</li> </ul>
Opportunities
<ul style="list-style-type: none"> <li>• Provision of solutions that contribute to “climate change mitigation and adaptation”</li> </ul>

▶ P. 44 The Teijin Group's Materiality

##### Scenario Analysis Related to Climate Change

The aviation and automotive industries have the potential to be significantly impacted by climate change, and our carbon fibers business and composites business serve customers in

these industries. Accordingly, in fiscal 2019 we carried out an analysis of the trends in these industries based on the 2°C scenario and the 4°C scenario. Under both scenarios, the

changes in industrial trends had either a minimum impact on demand or ended up having their positive and negative impacts to our business offset each other. Accordingly, we confirmed that these changes would have no major impact on

our business strategies and profits. Going forward, we will continue to closely monitor trends as we examine appropriate investment timing and resource allocation.

## Risk Management

### Groupwide Management Methods for Climate Change Risks

Physical risks and transitional risks are managed within our TRM framework and analyzed along with other risks through TRM risk assessment. In this way, we identify important risks. In addition to formulating BCPs to respond to physical risks, we are monitoring the status of CO<sub>2</sub> emissions both in Japan and overseas, including at affiliated companies.

### Risk Management Structure

1. Implementation of risk management in accordance with the frontline operations of each business
2. Confirmation and instruction by the CSRO on the risk management status of each business via the CSR Committee and the CSRO review
3. Reports and proposals related to Groupwide risk management by the CSRO at the TRM Committee, followed by discussions and instruction
4. Reporting of the contents of discussions at the TRM Committee to the Board of Directors by the CSRO; deliberation on basic TRM plans

## Indicators

### Avoided CO<sub>2</sub> Emissions

The Teijin Group aims to reduce CO<sub>2</sub> emissions throughout the entire supply chain by using its long-cultivated technologies for reducing weight and increasing efficiency. Also, we calculate the impact of using our products on reducing CO<sub>2</sub> emissions in the downstream supply chain as "avoided emissions." By fiscal 2030, we aim to make the amount of our avoided emissions larger than our total emissions, which comprise our Groupwide CO<sub>2</sub> emissions and CO<sub>2</sub> emissions from the upstream supply chain.

### Results: Fiscal 2019

**Total CO<sub>2</sub> emissions:**  
4.4 million tons-CO<sub>2</sub>

**Avoided CO<sub>2</sub> emissions:**  
3.3 million tons-CO<sub>2</sub>

### Target:

**Achieve goal of making the amount of avoided CO<sub>2</sub> emissions larger than total CO<sub>2</sub> emissions by fiscal 2030**



### Group CO<sub>2</sub> Emissions

The Teijin Group is working to abolish all in-house power facilities that use coal-fired thermal power as early as possible and gradually replace our current source of electricity with renewable energy sources. By doing so, we are working to decouple our business growth with greenhouse gas emissions.

### Results: Fiscal 2019

**1.43 million tons-CO<sub>2</sub>\* ★**

### Target : Fiscal 2030

**20% reduction**  
(vs. 1.48 million\* tons-CO<sub>2</sub> in fiscal 2018)

### : Fiscal 2050

**Net zero emissions**

\* Includes CO<sub>2</sub>, methane, and N<sub>2</sub>O. CO<sub>2</sub> emissions are calculated according to the coefficients specified in the Law Concerning the Promotion of the Measures to Cope with Global Warming. (Adjusted emissions coefficients of individual electric power companies are used for power purchased in Japan, and the latest available IEA country-specific emissions coefficients are used for power purchased in other countries.) However, for power purchased overseas, where known, power company-specific emissions coefficients are used for the calculations. We deduct an amount of CO<sub>2</sub> emissions equivalent to the amount of energy sold to other companies.

## Other KPIs

### Freshwater Intake Volume per Sales Unit

We are expanding the number of products that use less water during the production process and making efficient use of water in our business activities. We are also reducing water risks in regions where such risks are high.

### Results: Fiscal 2019

**8.18 thousand tons/¥100 million**  
(Freshwater intake: 69.9 million tons ★)

### Target:

**Fiscal 2030 30% improvement**  
vs. fiscal 2018 (7.81 thousand tons/¥100 million)

### Hazardous Chemical Substance Emissions\* per Sales Unit

In addition to steadily responding to various regulations, we are striving to improve yield rate within processes that use hazardous chemical substances.

### Results: Fiscal 2019

**94.1 kg/¥100 million**  
(Hazardous chemical substances: 803 tons ★)

### Target:

**Fiscal 2030 20% improvement**  
vs. fiscal 2018 (101.6 kg/¥100 million)

### Landfill Waste Volume per Sales Unit

We are taking steps to reduce waste through the effective use of resources with a view to the achievement of a circular economy.

### Results: Fiscal 2019

**1.91 tons/¥100 million**  
(Landfill waste: 16.3 thousand tons ★)

### Target:

**Fiscal 2030 10% improvement**  
vs. fiscal 2018 (1.96 tons/¥100 million)

\* Among the class 1 designated chemical substances under the Law Concerning Reporting, etc. of Releases to the Environment of Specific Chemical Substances and Promoting Improvements in Their Management and chemical substances indicated by the Japan Chemical Industry Association, chemical substances harmful to aquatic environments and the ozone layer are subject to the calculation of atmospheric, water, and soil emissions.



Initiatives for Reduction of Environmental Impact  
<https://www.teijin.com/csr/environment/preservation/>

Climate Change Mitigation and Adaptation  
<https://www.teijin.com/csr/environment/preservation/?open=tab-02&move=tab-02>



## Corporate Governance

### Basic Concept

Based on the basic mission of the sustainable improvement of shareholder value, the Teijin Group has been strengthening its governance to fulfill its responsibilities to various stakeholders. The basics of corporate governance are “improving transparency,” “ensuring fairness,” “accelerating decision-making,” and “ensuring the independence of monitoring and supervision,” and we are working to establish and strengthen an effective corporate governance system through items such as an “Advisory Board,” a “Board of Directors including Independent Outside Directors and a Corporate Officer System,” and a “Board of Statutory Auditors System including Independent Outside Statutory Auditors.” Furthermore, the Group has established and published the Teijin Group Corporate Governance Guide, which serves as its corporate governance guidelines.

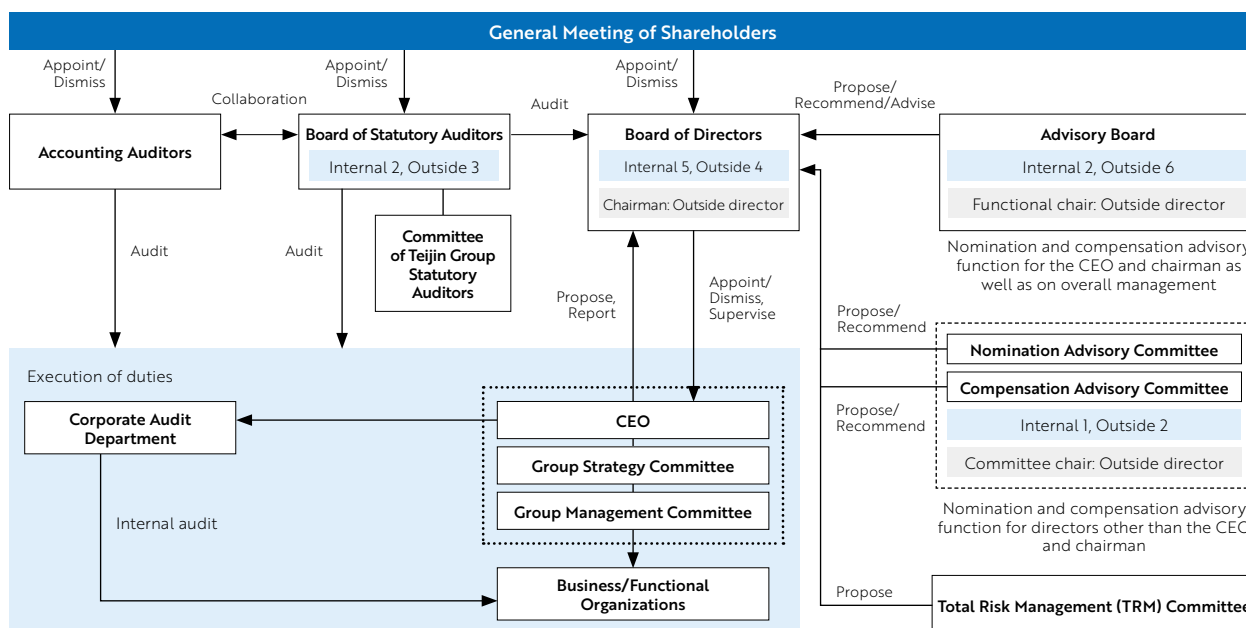
### Initiatives for Strengthening Governance

		1999	2003	2012	2018
Separation of management and execution	24 directors	1999: 9 directors	2009: 10 directors		2018: 9 directors
Advisory committees		1999: Introduced the corporate officer system (thereby accelerating decision-making for execution of business and clarifying system of responsibility)		2015: Established Nomination Advisory Committee and Compensation Advisory Committee	
Outside directors and statutory auditors			2003: Introduced 3 outside directors	2012: 4 outside directors	
		1999: 3 outside statutory auditors (comprising the majority of the Board of Statutory Auditors)			
Corporate philosophy	Formulated in 1993				
Code of Conduct	1993: Formulated Corporate Code of Conduct and Standards of Conduct	1998: Formulated Corporate Standards of Conduct			2018: Revised the Code of Conduct

### Corporate Governance System (As of June 2020)

#### Organization structure Company with Board of Statutory Auditors

The Company deems that a corporate governance system based on two core functions—(1) the execution of business led by the Company's inside directors (limited executive directors) and (2) management oversight and supervision focused on by outside directors and carried out by statutory auditors and the Board of Statutory Auditors—is appropriate. Therefore, the Company has decided to continue to be a company with a Board of Statutory Auditors for the time being.



## Expected Role and Status of Activities of Directors, Statutory Auditors, and Non-Japanese Experts

	Name	Expected role	Advisory Board	Nomination Advisory Committee/ Compensation Advisory Committee	Attendance at meetings of the Board of Directors and Board of Statutory Auditors in fiscal 2019
Directors	Jun Suzuki	Promote strategies to enhance corporate value in the future based on the medium-term management plan formulated in February 2020	✓	✓	Attended 12 out of 12 Board of Directors' meetings
	Yoshihisa Sonobe	Promote management strategies alongside efforts to maintain a sound financial base by leveraging his knowledge and insight cultivated in the finance and accounting fields and the management strategies field			Attended 12 out of 12 Board of Directors' meetings
	Akihisa Nabeshima	Increase profitability of the Healthcare Business and grow new healthcare businesses by leveraging his knowledge and insight cultivated in the Healthcare Business Field			Attended 9 out of 9 Board of Directors' meetings
	Toshiya Koyama	Increase profitability of the Material Business and promote future development in prioritized business areas by leveraging his experience and insight cultivated in the Materials Business Field			Assumed the post in June 2020
	Eiji Ogawa	Formulate strategies as Chief Officer (Corporate Strategy) to achieve the important tasks of business portfolio transformation and strengthening of management base for creating growth platforms			Assumed the post in June 2020
Independent Outside Directors	Fumio Ohtsubo	Provide advice and suggestions on business management based on his experience as president and chairman of a listed company as well as his abundance of business experience and high level of insight	✓	✓	Attended 12 out of 12 Board of Directors' meetings
	Yukako Uchinaga	Provide advice and suggestions on business management based on her experience as vice president of a listed company as well as her abundance of business experience and deep knowledge of diversity	✓		Attended 12 out of 12 Board of Directors' meetings
	Yoichi Suzuki	Provide advice and suggestions on business management based on his experience as a diplomat, which includes a background in negotiations and international economic and trade issues, as well as his wealth of knowledge and high level of insight from a global perspective	✓		Attended 12 out of 12 Board of Directors' meetings
	Masaru Onishi	Provide advice and suggestions on business management based on his experience as president and chairman of a listed company as well as his abundance of business experience and high level of insight	✓	✓	Attended 9 out of 9 Board of Directors' meetings
Statutory Auditors	Masanori Shimai	Monitor overall management and provide effective advice based on his experience in the administration and accounting departments, his considerable knowledge of accounting and finance, and his familiarity with the Company's business			Attended 9 out of 9 Board of Directors' meetings Attended 9 out of 9 Board of Statutory Auditors' meetings
	Akio Nakaishi	Monitor overall management and provide effective advice by leveraging his knowledge regarding technology in the Material Business and wealth of practical experience			Assumed the post in June 2020
Independent Outside Statutory Auditors	Gen Ikegami	Contribute to maintaining and improving the Company's compliance, monitor overall management, and provide effective advice based on his deep insight and extensive experience as a certified public accountant			Attended 12 out of 12 Board of Directors' meetings Attended 12 out of 12 Board of Statutory Auditors' meetings
	Hitomi Nakayama	Contribute to maintaining and improving the Company's compliance, monitor overall management, and provide effective advice based on her deep insight and wealth of experience as a lawyer			Attended 12 out of 12 Board of Directors' meetings Attended 12 out of 12 Board of Statutory Auditors' meetings
	Jun Arima	Contribute to maintaining and improving the Company's compliance, provide monitoring and effective advice for overall management, and offer advice and suggestions regarding environmental management and other matters based on his wealth of knowledge and experience related to global environmental and economic issues			Assumed the post in June 2020
Non-Japanese Experts	Alexander H.G. Rinnooy Kan <sup>*1</sup>	Provide advice and suggestions regarding corporate management and governance based on his wealth of knowledge related to the economies and businesses of the Netherlands and other countries in Europe as well as his high level of insight from a global perspective	✓		—
	Thomas M. Connelly, Jr. <sup>*2</sup>	Provide advice and suggestions that help enhance corporate value based on his experience as vice president of a major U.S. chemical company, as well as his abundance of experience in corporate and business management and high level of insight from a global perspective	✓		—

<sup>\*1</sup> Professor, University of Amsterdam, the Netherlands <sup>\*2</sup> Executive Director and CEO, American Chemical Society



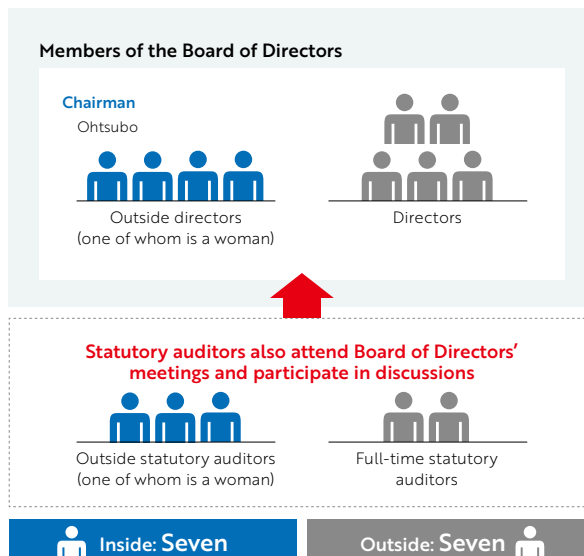
## Corporate Governance

### Board of Directors

The main goal of the Board of Directors is to maximize shareholder value each fiscal year and over the medium to long term. At the same time, the Board pays close attention to the position of stakeholders other than shareholders. The Board of Directors also deliberates, determines, and approves Groupwide management policies and plans as well as any other items required by law. Furthermore, the Board of Directors is responsible for ensuring accountability. It must also clarify policies on compliance and risk management related to the external environment surrounding the Teijin Group and oversee the implementation of such policies.

#### Overview of the Board of Directors

- No. of directors stipulated in Articles of Incorporation: Up to 10
- Term: One year
- Chairman of the Board of Directors: Outside director (Fumio Ohtsubo)



#### Evaluation of Board of Directors' Effectiveness

In order to further ensure the effectiveness and enhance the functions of the Board of Directors, the Company conducts an analysis and evaluation of the effectiveness of the entire Board of Directors once a year. The method of the Board of Directors' effectiveness evaluation for fiscal 2019 and an overview of the results are as follows.

#### Analysis and Evaluation Method

A self-evaluation questionnaire was conducted for the nine directors and five statutory auditors. The evaluation points in the questionnaire were compiled from eight fields. Respondents evaluated the questionnaire's 35 questions based on a five-step scale and made comments. Based on the results of the questionnaire, deliberations were held by the Board of Directors regarding the Board's effectiveness as well as issues to be addressed and improvement measures.

- |   |  |
|---|--|
| 1. Strategy and execution thereof                               | 6. Management team evaluation, compensation, and succession planning |
| 2. Risk and crisis management                                   | 7. Stakeholder dialogue  |
| 3. Corporate ethics   | 8. Composition and operation of the Board of Directors               |
| 4. Performance monitoring                                       |  |
| 5. Organization and business restructuring-related transactions |  |

#### Evaluation Results

The results of the Board of Directors' effectiveness evaluation conducted via the above process found that there was no issue with the current corporate governance system and its implementation, and that the Company's Board of Directors was generally functioning properly and its effectiveness was verified. In addition, the questionnaire results indicated that there was a high ratio of positive evaluations for all items.

- Status of Response to Issues to Be Addressed Continuously  
In regard to the issues that have been recognized as needed to be addressed continuously in the Board of Directors' effectiveness evaluations to date, we are carrying out the following response and working to make improvements on an ongoing basis.

#### Stakeholder Dialogue

Continuously report to the Board of Directors the analysis of stakeholder dialogues and the content of disseminated information

#### Risk Management System Enhancement

Hold discussions at Board of Directors' meetings on the content of proposals from the TRM Committee, which is conducting comprehensive risk management for the Group, and continuously report to the Board of Directors at regular intervals the results of major business partner surveys and the status of BCP countermeasures

#### Issues Recognized in the Fiscal 2019 Evaluation

The following issues were recognized for enabling the Company's Board of Directors to perform its original function with greater effectiveness.

- Deepening discussion regarding new business creation
- Deepening discussion regarding the rationality of public listing of parent and subsidiary companies
- Deepening discussion regarding the position of advisory bodies

#### Initiatives Going Forward

In fiscal 2020, the Company will continue its initiatives from fiscal 2019. At the same time, the Company will strengthen efforts with a focus on addressing the newly recognized issues in the fiscal 2019 effectiveness evaluation.

## Advisory Board (Consultative Body for Management)

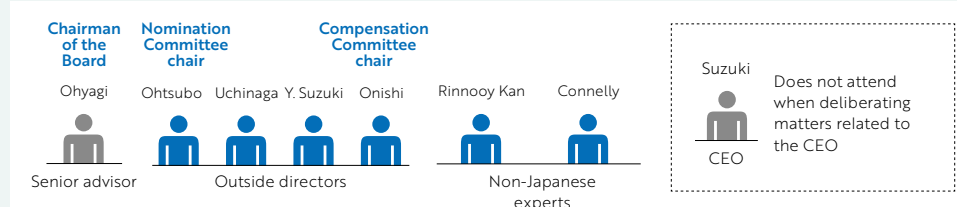
The Advisory Board serves as a consultative body to the Board of Directors. The Advisory Board provides advice and recommendations on the Company's overall management. In addition, the Nomination Committee and the Compensation Committee, which have been established within the Advisory Board, oversee the changing of the CEO and recommend successors. These committees also discuss compensation systems and levels for the CEO and chairman and evaluate the performance of the CEO. As a whole, the Advisory Board comprises five to seven outside advisors (currently comprising four outside directors and two non-Japanese experts), as well as the chairman of the Board (or the senior advisor in the case of a vacancy in the Chairman of the Board post) and the CEO.

The Advisory Board is chaired by the chairman of the Board (or the senior advisor in the case of a vacancy in the Chairman of the Board post), with the Nomination Committee and the Compensation Committee chaired by outside directors. For matters related to the CEO, the CEO shall be absent from the meeting. Also, for matters related to the chairman, the chairman shall be absent from the meeting.



Advisory Board meeting held on November 8, 2019, at the Palace Hotel Tokyo (Meeting in May 2020 was held online)

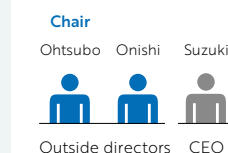
### Advisory Board Members



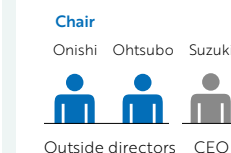
## Nomination Advisory Committee and Compensation Advisory Committee

The Nomination Advisory Committee and the Compensation Advisory Committee are operated to further improve the transparency of executive personnel. Two outside directors, the chairman of the Board (in the case of a vacancy in the Chairman of the Board post, this post is left vacant), and the CEO participate as members, and the chairs of both committees are outside directors. Both committees serve as advisory bodies to the Board of Directors. They also possess functions for making proposals to the Board of Directors with regard to the nomination, evaluation, and compensation of directors other than the chairman and the CEO, and management executives, as well as to the nomination of statutory auditors.

### Nomination Advisory Committee Members



### Compensation Advisory Committee Members

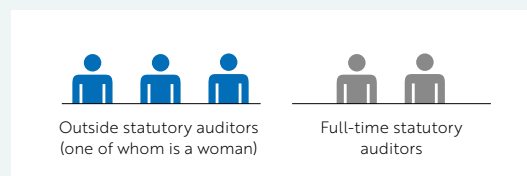


## Board of Statutory Auditors and Committee of Teijin Group Statutory Auditors

Each statutory auditor attends meetings of the Board of Directors and other important meetings to express their opinions and offer advice on the legality and validity of the Company's business execution and accounting practices. By doing so, the statutory auditors fulfill their role regarding the supervision and auditing of management. As for collaboration with the accounting auditors and Corporate Audit Department, the statutory auditors receive explanations on accounting and internal control issues from the accounting auditors and Corporate Audit Department and hold discussions with them concerning important points in the auditing process. Furthermore, the Committee of Teijin Group Statutory Auditors, which comprises statutory auditors of Group companies and other members, shares auditing policies and audit-related information while working to gain a shared awareness

of risk response cases in each workplace. In these ways, the Committee provides a structure that enhances the effectiveness of Groupwide supervision and audits and enables fair audits.

### Board of Statutory Auditors Members



## Corporate Governance

### Director Compensation

The compensation of inside directors consists of basic compensation, which is a fixed amount; performance-linked compensation, which is variable compensation (short-term incentive compensation); and stock compensation-type stock options (medium- to long-term incentive compensation). These compensation components provide an incentive toward working to achieve short-term results and improve medium- to long-term corporate value. Three items adopted as management indicators for the new medium-term management plan have been selected as key performance indicators (KPIs) for variable compensation: ROE, which is a profitability indicator; EBITDA, which is a growth indicator; and ROIC based on operating income, which is an indicator of efficiency of generating profits relative to capital invested. Their selection as indicators

helps motivate each director to improve these key management indicators. The payment ratio of performance-based compensation varies depending on the achievement level of ROE, the results versus the forecasts for EBITDA and ROIC based on operating income, and the individual performance evaluation of the director. In addition, the number of stock options allocated in the compensation-type stock option plan varies depending on the achievement level of ROE and the result versus the forecast for EBITDA. The allocated stock options have a condition that allows the recipient to exercise the options within a five-year period after retiring as a director.

Compensation for outside directors and statutory auditors is only a fixed amount that is not linked to company performance.

### Basic Policy on Compensation Systems

- The system should enhance awareness of contributions to the medium- to long-term increase in earnings and corporate value.
- The system should be closely linked to performance of the Company and be highly transparent and objective.
- The system should be primarily focused on enhancing shared awareness of interests with shareholders and shareholder-focused management awareness.
- The system should maintain sufficient compensation levels to secure outstanding managerial personnel.

### Officer Compensation Amounts (Fiscal 2019)

Position	Total compensation amount (millions of yen)	Total compensation amount by type (millions of yen)			Number of officers receiving compensation
		Basic compensation	Performance-linked compensation	Stock compensation-type stock options	
Directors (excluding outside directors)	350	266	65	19	6
Statutory auditors (excluding outside statutory auditors)	69	69	—	—	3
Outside directors	66	66	—	—	5
Outside statutory auditors	36	36	—	—	3

Notes: 1. The maximum annual compensation for directors is ¥700 million (as resolved by the 140th Ordinary General Meeting of Shareholders, held on June 23, 2006).

2. The maximum monthly compensation for statutory auditors is ¥12 million (as resolved by the 133rd Ordinary General Meeting of Shareholders, held on June 25, 1999).

### Change in Compensation Composition Ratio as of Fiscal 2020

Following the commencement of Medium-Term Management Plan 2020–2022, we changed the compensation composition ratio for inside directors in an effort to enhance corporate value continuously from a more medium- to long-term perspective.

### Compensation Composition Ratio for Inside Directors

		FY2019	FY2020
Fixed compensation	Basic compensation	65%	60%
	Performance-linked compensation	25%	25%
Variable compensation	Stock compensation-type stock options	10%	15%
	Subtotal	35%	40%
Total		100%	100%

Note: This ratio is based on the assumption that the achievement level of performance-linked compensation and stock compensation-type stock options is 100%.

Performance-linked compensation for fiscal 2020 is calculated from the total of (1) and (2) below.

(1) Companywide performance =

$$\text{Standard amount by position} \times \text{Achievement level of Companywide performance}^*1 \times 50\%$$

(2) Companywide/Individual performance =

$$\text{Standard amount by position} \times \text{Achievement level of Companywide performance}^*1 \times 50\% \times \text{Achievement level of individual performance}^*2$$

\*1 Achievement level of ROE × 50% + Result versus the forecast for EBITDA × 50%

\*2 Result versus the forecast for ROIC based on operating income × 30% + Result versus the forecast for EBITDA × 30% + Achievement level of individual performance × 40%

## Total Risk Management

The Teijin Group has in place a Total Risk Management (TRM) system targeting both strategic and operational risks, as a preventative measure against the uncertainty that the Company may face, and the TRM Committee has been conducting total risk management. Established in fiscal 2003, the TRM Committee, chaired by the CEO, serves under the Board of Directors. The Board of Directors deliberates and decides the basic policy and annual plan related to TRM proposed by the TRM Committee. At the same time, the Board formulates our stance on managing important risks and ensuring business continuity. Also, the statutory auditors conduct audits to

check whether the Board of Directors is appropriately conducting policy decisions, supervising, and monitoring regarding TRM.

The CEO is in charge of assessing strategic risk and provides this assessment as materials valuable to the decision-making process to the Board of Directors and other bodies. The Chief Social Responsibility Officer (CSRO) is in charge of establishing a cross-sectional risk management system regarding operational risk, and shall identify and deal with problems and respond to crises when they occur.

## Risk Recognition

The details on the recognition of strategic risk and operational risk that the Group manages under the TRM Committee are as follows.

### Strategic Risk

Strategic risks are primarily identified from factors that have the potential to significantly impact our business performance and financial position, and these risks are assessed based on the assumption of such impact. For risks related to market and competitive environment fluctuations, in particular, we create contingency plans in advance. At the same time, we conduct monitoring of these risks on an ongoing basis, including signs of potential risk occurrence, and prepare ourselves so that we can swiftly adapt our management strategies and other policies should such risks occur. Amid the current slowdown in the global economy and the decline in demand for automobiles and aircraft, two key markets, due to the impact of COVID-19, we are putting our contingency plans into action and implementing response measures with a focus on the medium to long term.

		Details on risks that impact business performance and financial position	Business primarily impacted by risk
Macroenvironment risk	Economic trends	• Fluctuations in sales due to the economic trends and conditions in each country and region of operation as well as the trends in the automotive and aircraft markets, which are major markets where the Group supplies products and services	Materials/ Fibers & Products Converting
	Fuel prices	• Fluctuations in costs due to changes in the prices of raw materials used for products and fuel used in the production process	
	Foreign exchange rates	• Fluctuations in the exchange rates needed to reflect transactions in foreign currencies in the financial statements and convert the foreign currencies in the financial statements of overseas consolidated subsidiaries into yen (e.g., if the yen appreciates by ¥1 against the US\$, over the year it will push down operating income by approximately ¥0.4 billion)	
	Interest rates	• Fluctuations in interest rates for interest-bearing debt	Overall
Market and competitive environment fluctuation risk	Competitive environment	• Fluctuations in supply-demand structure due to changes in the competitive environment	Overall
	Impact on demand in the supply chain	• Inventory adjustments that exceed the real economy in each stage of the supply chain caused by changes in end-user demand within the materials, intermediate materials, and components supply businesses	Materials/ Fibers & Products Converting
Resource investment risk		• Forgo of or delay in the execution of capital expenditures or M&As due to the inability to find projects compatible with strategies • Major divergence of R&D results from targets against the R&D expenses invested	Overall
Policy change risk		• Tightening of GHG emissions regulations, plastic product regulations, and other regulations to a greater extent than expected • Emergence of global protectionism including the recurrence of trade conflicts between the U.S. and China • Acceleration of domestic drug price revisions and other government policies to curtail medical costs	Overall
Financial soundness risk	Impairment loss on non-current assets	• Occurrence of an impairment loss on non-current assets owned by the Group, owing to such factors as a decline in profitability from an extreme worsening of the economic environment, among other factors	Overall
	Reversal of deferred tax assets	• Occurrence of loss on deferred tax assets in the event some or all deferred tax assets are deemed unrecoverable due to changes in estimated future taxable income	Overall



## Corporate Governance

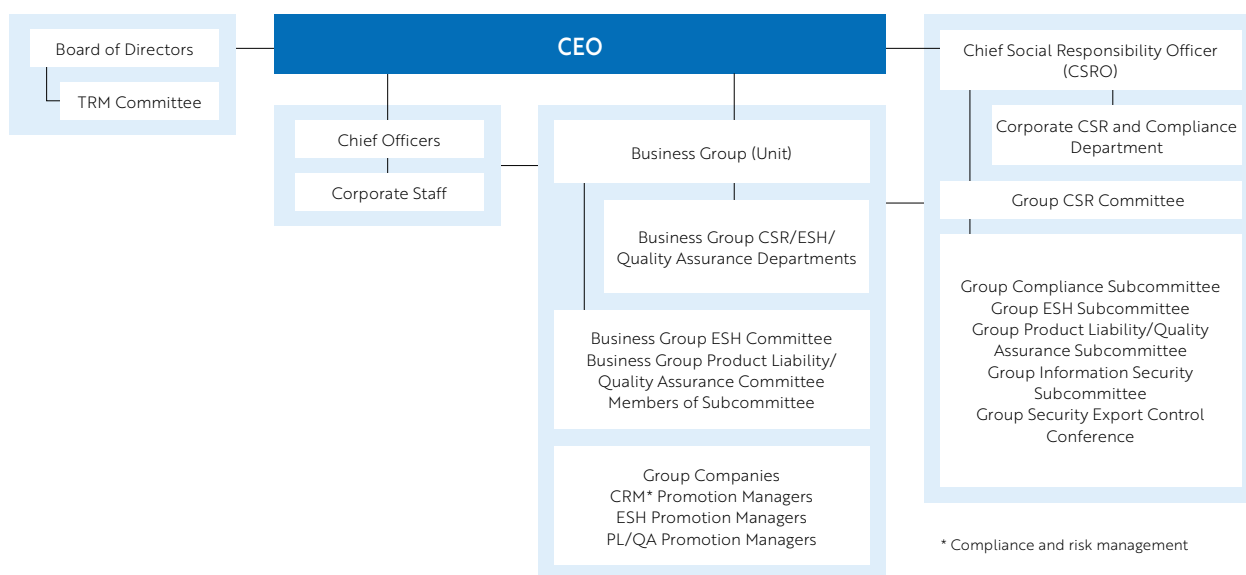
### Operational Risk

For operational risk that negatively affects the Company, we plot each specific risk item on a two-axis risk map by the annual occurrence frequency and the estimated amount of damage to identify the major risk items that have a large impact and manage them accordingly. Through this risk identification process, risk trends for the Group and each business group are summarized, and comparisons and analyses are conducted over the years. The risk extraction and evaluation methods are reviewed according to the changes in the business environment and the evolution of risk management methods in society.

	Details on risk that impacts business operations	Main countermeasures
Natural disaster risk	<ul style="list-style-type: none"> <li>Storm and flood damage and landslide damage due to typhoons, heavy rains, etc., stemming from climate change</li> <li>Occurrence of large-scale earthquakes, tsunamis, etc.</li> <li>Rapid spread of infectious diseases</li> </ul>	Aim to minimize damages and promptly recover when a disaster occurs through revisions of BCPs as needed and the implementation of various disaster training programs
Manufacturing risk	<ul style="list-style-type: none"> <li>Burden on the environment from the inappropriate handling of hazardous chemical substances, industrial waste, etc.</li> <li>Explosions, fires, or other major accidents at chemical plants owned by the Group</li> </ul>	Set KPIs and work to manage and reduce hazardous chemical substances and landfill waste. Also, carry out various measures such as disaster-prevention examinations and educational activities and training based on disaster-prevention guidelines
Product and quality risk	<ul style="list-style-type: none"> <li>Occurrence of major quality issues such as product and service defects</li> </ul>	Establish independent divisions dedicated to secure quality and reliability at Teijin Limited and major subsidiaries such as Teijin Pharma Limited, thereby setting up a system to ensure quality assurance across all business activities based on strict quality management standards
Legal and ethical risk	<ul style="list-style-type: none"> <li>Occurrence of scandals such as violations of various laws/regulations, sexual harassment, power harassment, etc.</li> <li>Occurrence of human rights issues within the supply chain</li> </ul>	Amid increasing diversity of employees through M&As and other business activities, utilize Corporate Ethics Handbook to reinforce corporate ethics and the Code of Conduct on a global scale and thoroughly promote compliance. Also, strengthen efforts such as human rights due diligence and CSR procurement
Information security risk	<ul style="list-style-type: none"> <li>External leakage of information due to disasters, cyberattacks, unauthorized access, etc.</li> </ul>	Implement information security measures from both hard and soft perspectives in the handling of important information related to R&D, manufacturing, and sales as well as personal information in the Healthcare Business

### Groupwide System for Operational Risk Management

We conduct Groupwide operational risk management including overseas subsidiaries based on the system below. The CSRO and the Corporate CSR and Compliance Department strengthens the risk management system for the entire Group by grasping and confirming the individual risk management conducted by each business group and Group company across the entire Group, and by establishing unified risk response guidelines.



### Impact from the Spread of COVID-19

The impact from the spread of COVID-19 on profits in the Healthcare and IT businesses is minimal. However, profits in the Material Business and the Fibers & Products Converting Business have been impacted, mostly in the automotive and aircraft fields. While focusing on minimizing financial risk and maintaining our supply chain, we are placing the utmost importance on ensuring the health and safety of our stakeholders and carrying out business operations that thoroughly reinforce the prevention of spreading the virus.

## Basic Stance

In addition to complying with laws and regulations and respecting human rights, it is imperative that we engage in actions that are honest and based on a high level of ethics, as doing so also helps us increase shareholder value. To maintain and enhance each employee's awareness of compliance, we are fostering and preserving a vibrant, sound corporate culture through such means as communicating compliance-related information and implementing training on a global basis as well as operating a counseling and reporting system (hotline).

## Major Initiatives

In 2018, we established a new Code of Conduct. This was done in order to clarify the Teijin Group's response to the United Nations Sustainable Development Goals (SDGs), the Global Compact, and other initiatives in accordance with changes in the social environment, as well as to share values among Group employees to bring about a transformation in awareness and conduct. In fiscal 2019, we created the Teijin Group Corporate Ethics Handbook, which summarizes the key points for putting the Code of Conduct into practice from the perspective of sharing with all our employees around the world. In addition, we have been carrying out the Employee Awareness Survey to gauge employee understanding and behavioral awareness of our philosophy, including the Code of Conduct.

Furthermore, in the case that a legal or ethical problem occurs within the Group, we operate an internal and external counseling and reporting system with the aim of facilitating a resolution on our own within the organization. Among the consultations and reports received, the Chief Social Responsibility Officer (CSRO) determines the ones that could possibly become major risk issues and reports them to the Total Risk Management (TRM) Committee. They are then handled by our top management. In fiscal 2019, we formulated the new Rules

for the Teijin Group's Whistle-Blowing, which determines responsibility, authority, and specific measures for consultations/reports. We also introduced the Internal Leniency System, which lessens the punishment for employees who make reports regarding their own wrongdoings. In addition, we put in place a system where information on inappropriate conduct by members of our top management can be reported to the full-time statutory auditors. In fiscal 2019, there were a total of 116 consultations/reports from within the Group.

Moreover, as a measure aimed at the prevention of bribery, in fiscal 2018 we established the Rules on Anti-bribery of Public Officials, etc., based on the understanding that hospitality toward public servants presents the highest risk of bribery. In fiscal 2019, we carried out an assessment of bribery and other risks of corruption in the sales divisions of all Group businesses. Through such efforts, we are working to prevent our employees from participating in bribery. In fiscal 2019, there were no significant cases pertaining to the violation of laws and regulations, including bribery, nor were there any significant accidents or other incidents.

## TOPIC

### Efforts toward Respecting Human Rights

In its corporate philosophy, the Teijin Group pledges to "enhance the quality of life through a deep insight into human nature and needs, together with the application of our creative abilities." In order to achieve this, it is essential to respect the rights and dignity of all human beings. To that end, the Company's Board of Directors passed a resolution to establish the Teijin Group Human Rights Policy in March 2019.

To address human rights issues, we are taking initiatives in accordance with the United Nations Guiding Principles on Business and Human Rights and with the general principles established by the International Labour Organization. In terms of our human rights due diligence activities, we have been establishing a framework for such activities since fiscal 2018. We have evaluated human rights violation risks by business and by region and are conducting monitoring activities to prevent human rights violations as a means to survey the actual situations at Group companies and major suppliers. In fiscal 2019, we carried out a human rights due diligence risk assessment in collaboration with the external organization Caux Round Table

Japan, in order to ensure objectivity.

In regard to the human rights issues identified through this risk assessment, we held a dialogue with external experts on the global front lines of human rights issues, where we received objective evaluations and advice on how to improve these issues. Going forward, we will strive to improve the issues pointed out to us by these experts within this dialogue.

▶ P. 61 Supply Chain Sustainability (CSR Procurement)



Dialogue on human rights held with external experts (October 11, 2019)

(From the left)  
Paulina Murphy, Engagement Director, World Benchmarking Alliance  
Puvan J Selvanathan, CEO, Bluenumber Foundation  
Camille Le Pors, CHRB and Senior Researcher, World Benchmarking Alliance  
Rishi Sher Singh, Specialist, Global Supply Chain (India)



## Board of Directors, Statutory Auditors, and Other Members of Management (As of July 2020)

### Board of Directors



#### 1 President and CEO, Representative Director of the Board Jun Suzuki

1983	Joined Teijin Limited	2013	Executive Officer, Director, Teijin Limited, General Manager, Advanced Fibers and Composites Business Group
2011	President, Teijin Holdings Netherlands B.V.	2014	President and CEO (Chief Executive Officer) (incumbent) Representative Director (incumbent)
2012	Corporate Officer, Teijin Limited Chief Marketing Officer, Director of BRICs Business		

#### 2 Senior Executive Officer, Representative Director of the Board Yoshihisa Sonobe

1980	Joined Teijin Limited	2017	Chief Officer (Corporate Strategy), Chief Officer (Global Business Strategy), Chief Officer (Legal, Intellectual Property)
2009	Corporate Officer, Teijin Limited	2019	Senior Executive Officer, Director, Teijin Limited Chief Financial Officer (incumbent)
2011	Chief Financial Officer (CFO), General Manager, Accounting and Finance Division	2020	Senior Executive Officer, Representative Director, Teijin Limited (incumbent)
2014	Corporate Officer, Director, Teijin Limited General Manager, Corporate Strategy Office		
2016	Executive Officer, Director, Teijin Limited		

#### 3 Executive Officer, Member of the Board Akihisa Nabeshima

1982	Joined Teijin Limited	2019	President, Healthcare Business of Teijin Group (incumbent) Executive Officer, Director, Teijin Limited (incumbent)
2015	Corporate Officer, Teijin Group		
2017	Executive Officer, Teijin Group General Manager, Healthcare Business Group President, Teijin Pharma Limited		

#### 4 Executive Officer, Member of the Board Toshiya Koyama

1986	Joined Teijin Limited	2015	Corporate Officer, Teijin Group
2013	Corporate Officer (Riji), Teijin Group General Manager, New Materials Business Development Department Chief Representative, Teijin Electronics Korea Co., Ltd.	2017	Executive Officer, Teijin Group General Manager, Material Business Group
		2020	President, Material Business of Teijin Group (incumbent) Executive Officer, Director, Teijin Limited (incumbent)

#### 5 Corporate Officer, Member of the Board Eiji Ogawa

1985	Joined Teijin Limited	2019	Chief Officer (Corporate Strategy) (incumbent)
2016	Corporate Officer, Teijin Group General Manager, Resin and Plastic Processing Business Unit	2020	Corporate Officer, Director, Teijin Limited (incumbent)



#### 1 Independent Outside Director Fumio Ohtsubo

1971	Joined Matsushita Electric Works, Ltd. (currently, Panasonic Corporation)	2013	Special Advisor, Panasonic Corporation (incumbent)
2006	President, Representative Director of Matsushita Electric Works, Ltd.	2016	Director, Teijin Limited (incumbent) Member of the Advisory Board, Teijin Limited (incumbent)
2012	Chairman of the Board, Representative Director, Panasonic Corporation		

#### 2 Independent Outside Director Yukako Uchinaga

1971	Joined IBM Japan, Ltd.	2013	President & CEO, Globalization Research Institute Co., Ltd. (incumbent)
2004	Senior Executive Officer, Director, IBM Japan, Ltd.	2018	Director, Teijin Limited Member of the Advisory Board, Teijin Limited (incumbent)
2007	Board Chair, Japan Women's Innovative Network (NPO) (incumbent)		
2009	Executive Vice President, Director, Benesse Holdings, Inc.		

#### 3 Independent Outside Director Yoichi Suzuki

1975	Joined Ministry of Foreign Affairs of Japan (MFA)	2017	Ambassador for International Economic Affairs and Chief Negotiator for the Japan EU EPA
2008	Director-General for Economic Affairs of MFA	2018	Director, Teijin Limited (incumbent) Member of the Advisory Board, Teijin Limited (incumbent)
2010	Ambassador to Singapore		
2013	Ambassador to France		
2016	Government Representative and Ambassador in charge of the Kansai region		

#### 4 Independent Outside Director Masaru Onishi

1978	Joined Japan Airlines Co., Ltd.	2018	External Affairs Representative, Japan Airlines Co., Ltd. (incumbent)
2011	President, Representative Director, Japan Airlines Co., Ltd.	2019	Director, Teijin Limited Member of the Advisory Board, Teijin Limited (incumbent)
2012	Chairman, Representative Director, Japan Airlines Co., Ltd.		
2014	Chairman, Director, Japan Airlines Co., Ltd.		

## Statutory Auditors



1

### 1 Full-Time Statutory Auditor Masanori Shimai

1987 Joined Teijin Limited  
2010 General Manager, Business Strategy Office  
2016 General Manager, Accounting Department



2

### 2 Full-Time Statutory Auditor Akio Nakaishi

1987 Joined Teijin Limited  
2016 Corporate Officer, Teijin Group General Manager, Carbon Fibers & Composites Business Unit President, Toho Tenax Co., Ltd.



3

### 3 Independent Outside Statutory Auditor Gen Ikegami

1983 Registered as a Certified Public Accountant  
1992 Registered as CPA in the state of California, USA  
2000 Representative Partner, Audit Corporation Ota Showa Century  
2010 Vice President, The Japanese Institute of Certified Public Accountants  
2015 Representative of Gen Ikegami CPA Office (incumbent) Statutory Auditor, Teijin Limited (incumbent)  
2016 Advisor, The Japanese Institute of Certified Public Accountants



4

### 4 Independent Outside Statutory Auditor Hitomi Nakayama

1991 Admitted to the Bar (Daini Tokyo Bar Association)  
2011 Vice President, Daini Tokyo Bar Association  
2013 Executive Governor, Japan Federation of Bar Associations  
2017 Statutory Auditor, Teijin Limited (incumbent)



5

### 5 Independent Outside Statutory Auditor Jun Arima

1982 Joined Ministry of International Trade and Industry (MITI); currently, Ministry of Economy, Trade and Industry (METI)  
1996 Counsellor, Permanent Delegation of Japan to the OECD (Energy Advisor)  
2002 Head, Country Studies Division, International Energy Agency (IEA)  
2006 Director, International Affairs Division, Agency of Natural Resources and Energy (ANRE)/METI  
2007 Counsellor, International Energy Negotiation; ANRE/METI  
2008 Deputy Director General for Global Environmental Affairs, METI  
2011 Director General, Japan External Trade Organization (JETRO), London  
Special Advisor on Global Environmental Issues, METI  
2015 Professor, Graduate School of Public Policy, University of Tokyo (incumbent)  
2018 METI, retired  
2020 Statutory Auditor, Teijin Limited (incumbent)

## Chief Officers

Chief Officer (Corporate Strategy)	Eiji Ogawa
Chief Financial Officer	Yoshihisa Sonobe
Chief Social Responsibility Officer	Yasuhiro Hayakawa
Chief Human Resources Officer	Karola Japke
Chief Officer (Engineering)	Taizo Makari
Chief Information and Innovation Officer	Tsutomu Morioka
Chief Officer (Global Business Strategy)	Tsutomu Igawa
Chief Officer (Legal, Intellectual Property)	Hiroyuki Umetani
President, Material Business of Teijin Group	Toshiya Koyama
President, Healthcare Business of Teijin Group	Akihisa Nabeshima

## Business Group General Managers

Material Technology Center	Hiroyuki Umetani
Aramid Business Unit	Peter ter Horst
Resin and Plastic Processing Business Unit	Noboru Yamanishi
Carbon Fibers Business Unit	Shukei Inui
Composites Business Unit	Akimoto Uchikawa
Management Coordinator for the President, Healthcare Business of Teijin Group	Ichiro Watanabe
Fibers & Products Converting Business Group	Shinji Nikko
IT Business Group	Norihiro Takehara





## Promotion of Diversity and Inclusion

### 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 race, religion, gender, cultural background, or other attributes. To invigorate the Teijin Group's organization and accelerate innovation, we will further promote diverse workstyles, the advancement of women, and diverse human resources. Through these efforts, we aim to be an organization that can leverage the capabilities of human resources with various values and experience, to the greatest extent possible, and that can spur diverse collaborations.

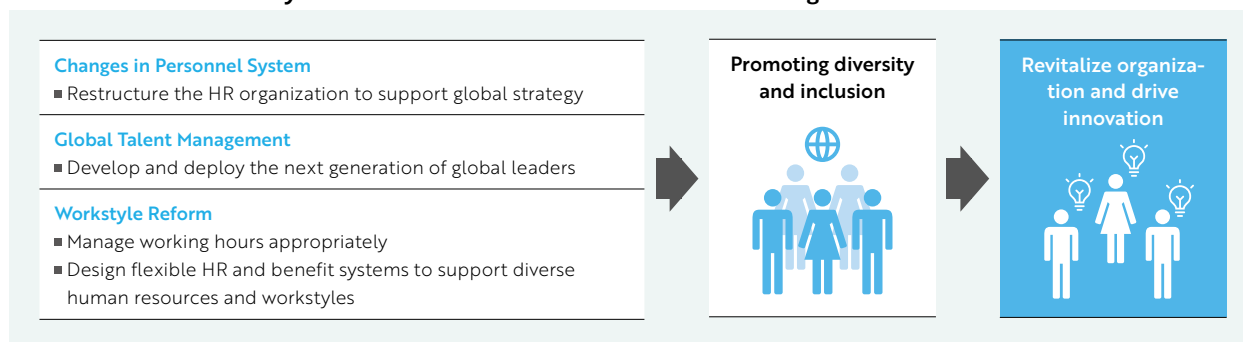
### Initiatives toward Diversity and Inclusion

The Teijin Group has maintained the belief that making full use of the abilities of diverse human resources helps enhance our creativity and promote innovation. Since establishing the Diversity Office in 2001, we have been actively engaging in such efforts as recruiting global personnel and promoting the advancement of women. To foster female leaders, we have been implementing Groupwide training for selected female employees on an ongoing basis since fiscal 2012. Additionally, we have been dispatching female employees to external

training sessions with the aim of promoting their development through interaction with women working in other industries.

Although our initiatives toward diversity and inclusion have thus far focused on Japan, in light of the globalization of our businesses, we will expand these efforts on a worldwide basis. Under our new medium-term management plan, we have created regional strategies that address the issues in each region of operation and established Groupwide diversity and inclusion KPIs.

### Main Actions for Diversity and Inclusion under the Medium-Term Management Plan



KPIs			FY2019	FY2022 Milestone	FY2030 <sup>(People)</sup>
Diversity of executives* <sup>1</sup>	Female executives		3	6 or more	10 or more
	Non-Japanese executives		3	6 or more	12 or more
Key goals for women's advancements* <sup>2</sup>	Japan	Managers (or higher)	116★	174	300 or more
	U.S.	Senior managers* <sup>3</sup>	2	4	10
	EU	Global core talent* <sup>4</sup>	0	3	10

\*<sup>1</sup> Board of Directors, statutory auditors, Group executive officers, and Group corporate officers

\*<sup>2</sup> Key goals are set based on regional situations (Targets in Asia to be set)

\*<sup>3</sup> President or his/her direct report in a Group company

\*<sup>4</sup> Human resources of female senior managers selected and certified as executive candidates

### VOICE

#### Jacqueline Quadflieg

HR Manager  
Teijin Carbon Europe GmbH

A diverse group of people work at Teijin Carbon Europe GmbH, all of whom have different values and needs. Meeting these values and needs is not an easy task, but as HR Manager I strive to quickly grasp the day-to-day situations in each workplace and with each employee and respond flexibly to any issues. I am proud of the fact that, through my HR work, I can help the company achieve its targets and that I am blessed with the opportunity to take on new challenges. These aspects make my work truly rewarding.



Diversity and Inclusion  
[https://www.teijin.com/csr/social/human\\_resource.html](https://www.teijin.com/csr/social/human_resource.html)

## CHO Message

### Accelerating innovation through diversity & inclusion

**Karola Japke**

Teijin Group Corporate Officer  
Chief Human Resources Officer



1992 Joined Hoechst AG  
2001 Joined Teijin Monofilament  
Germany GmbH  
2009 Global HR Manager, Teijin Creative  
Staff Ltd.  
2012 HR Manager, Teijin Aramid B.V.  
2014 Corporate Officer, Deputy CHO  
(Global HR), Teijin Group  
2019 Corporate Officer, CHO,  
Teijin Group

## New Medium-Term Management Plan

Fiscal 2019 was the year in which Teijin worked very hard to create a new medium-term management plan that realizes our ambition to become a company that supports the society of the future.

Based on our belief that D&I will accelerate innovation, we positioned D&I as one element of our management base. As you can see on the left, we set ourselves ambitious global D&I targets regarding the number of female and non-Japanese leaders. And for the first time, we broke these targets down into regional ones. With the regional targets, we express our firm conviction that our global targets can only be achieved when all regions and Group companies are aligned together and accountable for the achievement of these targets.

In addition, the D&I strategy is now backed by a completely new and agile Corporate HR organization. Beginning with the new fiscal year, we transformed our traditional Corporate HR Department into a lean, agile, and high-impact organization in which small flexible teams focus on strategic HR issues like workstyle reform and enterprise (global) talent management.

## First Achievements

I am happy to say that we have been able to almost double the number of non-Japanese corporate officers and increase the number of female executives by 30% since my promotion to CHO in April, 2019. To accelerate our D&I activities further, we established a global D&I Department that leads global initiatives and coordinates regional D&I projects. This new department reports directly to the CHO and is strongly supported by Teijin's CEO, Board of Directors, and top management.

## Challenges under the Plan

Under mature D&I management, the "I" (Inclusion) in D&I becomes the main focus of our activities because only with inclusion can we activate our diverse workforce and

let our personnel thrive.

For us, inclusion means to build a culture where all employees feel that they can bring their whole selves to work and create a strong sense of belonging. Inclusion is a long-term process and we are still at the very beginning of this process. As such, we are now preparing several initiatives that will affect all areas of HR, from recruitment to retirement, and I am confident that we will be able to create an environment where all employees feel safe psychologically and have the opportunity to use their full potential.

## The Impact of COVID-19

The impact of COVID-19 has been twofold. On one hand, it has slowed down the execution of our strategy, and unfortunately has forced us to postpone some projects until 2021. On the other hand, however, it has provided us with a lot of opportunities. For example, given the urgency of the situation new ways of working were implemented in a short period of time. We were also able to experience new ways of communicating and managing personnel. Importantly too, many of these changes will be permanent.

Last but not least, it gave us the chance to revisit our strategy and tailor it to the "new normal," making it even more inclusive.

## Outlook

At the moment, we are working on the revision of our leadership programs with the goal of adjusting them to the new requirements and creating a system that allows us to identify, select, and develop diverse employees with high potential so that they can continue to grow throughout their career, and to train future leaders under the guidance of our inclusive leadership programs.

In the second half of fiscal 2020, we will start preparing our global engagement survey that will be conducted in the first half of fiscal 2021. In addition, we will continue with the workstyle reform project and our efforts to provide family-friendly solutions.



## Information Security and Personal Information Protection

### Basic Stance

The Teijin Group clearly understands the kind of important information that needs to be protected within its business operations. Based on that understanding, the Group has enacted measures to prevent information leaks from both hard and soft perspectives.\*<sup>1</sup> At the same time, the Group is promoting an appropriate response to personal information protection laws, which are diversifying on a global basis.\*<sup>2</sup>

### Major Initiatives

In each of the Company's divisions, we decide upon the person responsible for IT, the person responsible for personal information protection, and the person responsible for the management of trade secrets. Every year, these persons check the management status of information assets such as information systems, networks, facilities, personal information, and trade secrets. Moreover, the Corporate Audit Department conducts yearly audits of information security and personal information protection at all Group companies.

In fiscal 2019, we worked to enhance our security servers and more thoroughly enforce trade secret management in Japan based on the Trade Secret Protection Handbook. At overseas Group companies, we commenced efforts to survey the status of trade secret management, paying close attention to the laws and

regulations related to trade secret management in each country.

In addition, we implemented multiple training sessions Groupwide based on the assumption of a targeted e-mail attack. This training aimed to have our employees experience what a targeted e-mail attack was like and improve their awareness of such attacks. We also reconfirmed the process for enacting countermeasures in the event of an emergency so that our employees can appropriately handle and report any issue. Furthermore, we established the months of July, August, and September as information security awareness months, and during this time we held group learning sessions at each office. In fiscal 2019, there were no substantial leaks of information due to external cyberattacks or other threats.

\*<sup>1</sup> From a hard perspective, we are promoting physical measures such as establishing security systems to protect against cyberattacks and enhancing our office security. From a soft perspective, we are establishing rules through guidelines and handbooks and implementing educational activities and other types of training regarding these rules.

\*<sup>2</sup> In addition to the General Data Protection Regulation (GDPR) in the EU, similar regulations are becoming widespread in the United States, China, and Southeast Asia. In light of these developments, the Group is responding to the various regulations in each country using the response to the GDPR in Europe as a guideline on how to do so.



Information Security and Personal Information Protection  
<https://www.teijin.com/csr/social/compliance/#anc-05>



## Security, Disaster Prevention, and Occupational Safety Activities

### Basic Stance

The Teijin Group prioritizes safety above all else. To that end, the Group is ensuring safety based on three initiatives: (1) recognize and specify risks to the organization and take swift action to prevent them from materializing; (2) take appropriate countermeasures for accidents and disasters that occurred, thoroughly investigate their causes, and steadily implement measures to prevent a recurrence; and (3) continuously improve safety management within the PMI\* of acquired companies and new business development.

### Major Initiatives

We have established Groupwide Disaster-Prevention Guidelines. Based on these guidelines, we design plans relating to preventive measures, such as disaster-prevention assessment, earthquake countermeasures, and fire prevention. In addition, we plan and implement initiatives such as the strengthening of disaster-prevention training and drills and the upgrading of fire-prevention equipment. Each business group and manufacturing site manages the implementation status and achievements of these disaster-prevention activities and gives guidance to improve any areas of noncompliance. Additionally, in order to prevent

occupational accidents, we carry out safety promotion activities including the "5S" initiatives (referring to the five Japanese words *seiri, seiton, seiso, seiketsu, and shitsuke*, which correspond to organization, tidiness, cleanliness, hygiene, and discipline). We also strive to improve the safety of machinery and equipment, raise the level of individual sensitivity to dangers, and enhance communication in the workplace. In these ways, we aim to eliminate occupational accidents within the Group. The results of these initiatives are audited at the end of each fiscal year.

\* Post-merger integration



Security and Disaster Prevention  
<https://www.teijin.com/csr/environment/disaster.html>

Occupational Safety Activities  
<https://www.teijin.com/csr/environment/safety.html>

### VOICE

#### Mark Klemmer

Manufacturing, ESH Manager  
 Teijin Carbon America, Inc.

My staff members and I have studied Japan's 5S initiatives, and are engaging in 6S activities that add "safety" to these initiatives. By doing so, we have been receiving high praise from customers who visit our worksite. Pursuing safety and quality is precisely what our business is all about, and going forward, I would like to establish environments in which all employees can work in a sustainable manner.



## Product Liability and Quality Assurance



### Basic Stance

Based on the approach of working to provide safe and reliable products and services to its customers, the Teijin Group rigorously complies with laws and regulations and customer contract stipulations pertaining to quality. At the same time, the Group is taking steps to establish a quality assurance structure that responds to its global development.

### Major Initiatives

We have established the Teijin Group Product Liability/Quality Assurance Regulations, which apply to all our products and services and form the basis for our product liability and quality assurance activities. In accordance with these regulations, the Group CSR Committee and the Group Product Liability/Quality Assurance Subcommittee formulate the basic policies and associated targets for all product liability and quality assurance issues of the Teijin Group, and reflect them in relevant activities conducted by the business groups.

We have also created an original unit-based management system for product liability and quality assurance that is applied to the products of each business group. This management system aims to enhance customer satisfaction, prevent product defects, and ensure appropriate responses in the

event that defects occur. The system not only covers the whole scope of the ISO standards for quality management systems but also incorporates other perspectives of product liability and quality assurance, such as the response to customers and product safety. The Corporate CSR and Compliance Department, which is in charge of supervising Groupwide quality, audits the activities of each product liability/quality assurance unit and verifies that all relevant mechanisms are operated appropriately. In fiscal 2019, we conducted regular audits of 11 business units and six directly managed companies to verify their operational status. Based on the feedback from the audit results, we have been working to continuously enhance our product liability and quality assurance systems and processes.



Product Liability and Quality Assurance  
[https://www.teijin.com/csr/social/quality\\_assurance.html](https://www.teijin.com/csr/social/quality_assurance.html)

## Supply Chain Sustainability (CSR Procurement)



### Basic Stance

To ensure that CSR initiatives within the supply chain are reinforced on a global basis, the Teijin Group is promoting CSR activities in each business group based on the CSR Procurement Guidelines. The Group also requests that its suppliers engage in efforts in accordance with these guidelines and is conducting supplier audits.

### Major Initiatives

We revised the CSR Procurement Guidelines in fiscal 2017 and have been stepping up efforts to confirm the status of human rights initiatives in our supply chain through CSR surveys of our suppliers. In fiscal 2018, we asked 821 companies to take part in these CSR surveys. Of the 622 companies that participated in these surveys, eight companies did not verify the status of

issues related to child labor and young employees working nighttime hours. However, we confirmed through direct dialogue with these companies that no such issues were present. In fiscal 2019, we expanded the scope of these surveys to include 1,909 companies and received responses from 1,146 of them, covering approximately 75% of our purchases.



Supply Chain Sustainability (CSR Procurement)  
[https://www.teijin.com/csr/social/purchase\\_procurement/procurement.html](https://www.teijin.com/csr/social/purchase_procurement/procurement.html)

### VOICE

#### Toshihide Ono

CSR Audit Section, Environment,  
Safety & Quality Assurance  
Department  
Teijin Frontier Co., Ltd.

At Teijin Frontier, we carry out CSR surveys of suppliers in both Japan and overseas. We also work to ascertain the status of CSR activities at our suppliers and share CSR information with them. In addition, we conduct on-site surveys of our major suppliers to further deepen their understanding of CSR. Going forward, we will strive to grasp the utilization status of the Technical Intern Training Program in Japan, one of our issues, to identify problems. We will then work to improve and resolve these problems.



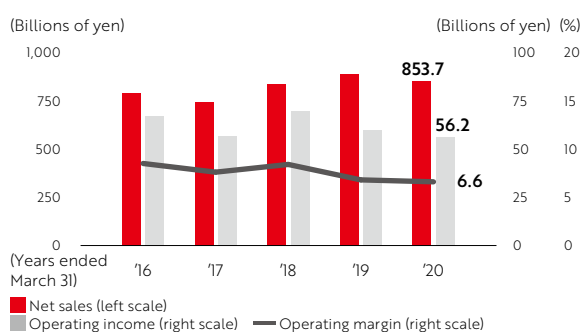


## Eleven-Year Consolidated Financial Summary

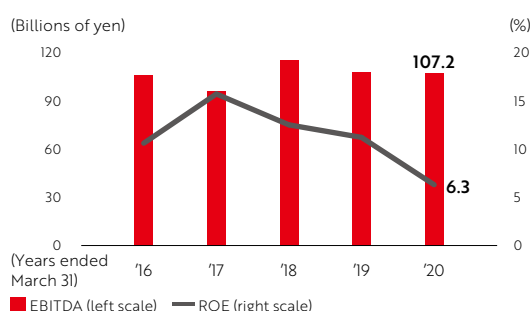
Years ended/As of March 31	2010	2011	2012	2013	2014
<b>Operating Results</b>					
Net sales	¥765,840	¥815,656	¥854,371	¥745,713	¥784,425
Operating income	13,436	48,560	34,044	12,358	18,078
Profit (loss) attributable to owners of parent	(35,684)	25,182	11,979	(29,131)	8,356
<b>Financial Position</b>					
Total assets	¥823,071	¥761,535	¥762,118	¥762,399	¥768,411
Interest-bearing debt	320,285	267,400	261,034	270,765	281,524
Shareholders' equity	271,306	284,236	292,030	271,252	281,680
<b>Cash Flows</b>					
Cash flows from operating activities	¥ 80,433	¥ 77,132	¥ 53,669	¥ 64,305	¥ 38,587
Cash flows from investing activities	(33,437)	(27,745)	(35,165)	(37,868)	(47,279)
Free cash flow	46,996	49,387	18,504	26,437	(8,692)
Cash flows from financing activities	(42,949)	(42,063)	(14,123)	(12,606)	(7,902)
<b>Management Indicators</b>					
ROE (%)	(12.4)	9.1	4.2	(10.3)	3.0
ROIC (based on operating income) (%)	2.1	8.5	6.3	2.3	3.4
EBITDA	¥ 75,315	¥104,971	¥ 86,348	¥ 59,234	¥ 63,742
<b>Per Share Data</b>					
Profit (loss) attributable to owners of parent	¥ (181.3)	¥ 128.0	¥ 60.9	¥ (148.1)	¥ 42.5
Shareholders' equity	1,381.2	1,444.0	1,483.5	1,380.0	1,433.1
Cash dividends	10.0	25.0	30.0	20.0	20.0
<b>Other Data</b>					
Capital expenditure	¥ 36,314	¥ 29,249	¥ 32,294	¥ 36,261	¥ 30,182
Depreciation and amortization	61,879	56,410	52,304	46,877	45,664
R&D expenses	33,356	31,483	31,845	33,184	32,234
Number of employees	18,778	17,542	16,819	16,637	15,756

Notes: 1. The U.S. dollar amounts represent translations of Japanese yen, for convenience only, at the rate of ¥108.83 to US\$1.00, the prevailing exchange rate at March 31, 2020.  
2. Throughout this integrated report, return on equity (ROE) is calculated as profit attributable to owners of parent divided by the average shareholders' equity between the beginning and the end of the fiscal year. 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.

### Net Sales/Operating Income/Operating Margin



### EBITDA/ROE

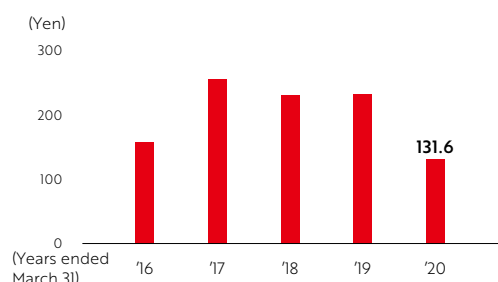


					Millions of yen	Percentage change	Thousands of U.S. dollars
2015	2016	2017	2018	2019	2020	2020/2019	2020
¥786,171	¥790,748	¥741,292	¥834,986	¥ 888,589	¥ 853,746	-3.9%	\$7,844,767
39,086	67,130	56,512	69,823	60,000	56,205	-6.3%	516,448
(8,086)	31,090	50,133	45,556	45,057	25,252	-44.0%	232,032
¥823,695	¥823,429	¥964,053	¥981,967	¥1,020,654	¥1,004,223	-1.6%	\$9,227,446
308,246	303,298	376,218	344,242	369,195	381,928	3.4%	3,509,400
287,074	300,113	338,384	392,925	410,727	394,162	-4.0%	3,621,814
¥ 76,030	¥ 80,641	¥ 79,040	¥ 80,092	¥ 80,899	¥ 94,214		\$ 865,699
(49,624)	(40,323)	(127,650)	(51,307)	(41,288)	(67,922)		(624,111)
26,406	40,318	(48,610)	28,784	39,611	26,291		241,579
10,394	(8,317)	63,765	(31,485)	(15,353)	(8,059)		(74,051)
(2.8)	10.6	15.7	12.5	11.2	6.3		
7.1	12.7	10.0	11.2	9.3	8.7		
¥ 82,116	¥106,024	¥ 95,843	¥115,478	¥ 107,551	¥ 107,156		\$ 984,618
					Yen		U.S. dollars
¥ (41.1)	¥ 158.2	¥ 254.9	¥ 231.3	¥ 232.4	¥ 131.6		\$ 1.21
1,460.4	1,526.2	1,720.1	1,986.3	2,141.3	2,053.6		18.87
20.0	35.0	55.0	60.0	70.0	60.0		0.55
					Millions of yen		Thousands of U.S. dollars
¥ 28,098	¥ 38,341	¥ 46,224	¥ 44,610	¥ 62,828	¥ 68,622		\$ 630,543
43,030	38,894	39,331	45,655	47,551	50,950		468,161
32,366	33,285	35,417	35,926	36,423	34,482		316,843
15,780	15,756	19,292	19,711	20,671	20,075		

3. Return on invested capital (ROIC) based on operating income is calculated as operating income divided by the average invested capital between the beginning and the end of the fiscal year, 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.

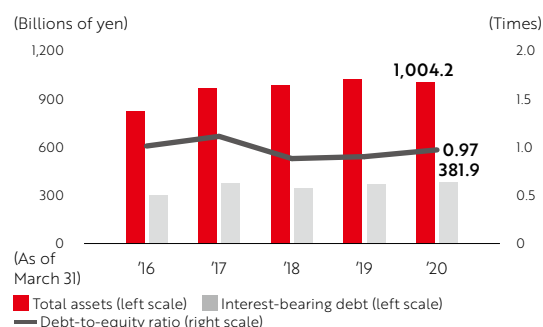
4. The Company has applied the "Partial Amendments to Accounting Standard for Tax Effect Accounting (ASBJ Statement No. 28, February 16, 2018)" from fiscal 2018, and the posted figures for total assets in fiscal 2017 have had these accounting standards retroactively applied.

### Profit Attributable to Owners of Parent per Share\*



\* Reflects the impact of changes in share numbers due to the consolidation of shares on October 1, 2016

### Total Assets/Interest-Bearing Debt/Debt-to-Equity Ratio



## Consolidated Balance Sheets

As of March 31	Millions of yen		Thousands of U.S. dollars*
	2019	2020	2020
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash and time deposits	¥ 100,592	¥ 113,500	\$ 1,042,911
Receivables:			
Notes and accounts receivable—trade:			
Unconsolidated subsidiaries and affiliates	403	414	3,804
Other	193,839	166,780	1,532,482
Short-term loans receivable:			
Unconsolidated subsidiaries and affiliates	13,898	12,120	111,366
Other	310	8	74
Other	13,373	12,389	113,838
Securities	33,000	36,000	330,791
Inventories	145,880	143,099	1,314,886
Other current assets	23,141	21,537	197,896
Allowance for doubtful accounts	(582)	(523)	(4,806)
Total current assets	523,854	505,323	4,643,233
<b>Property, plant and equipment:</b>			
Land	43,334	43,174	396,710
Buildings and structures	187,805	184,425	1,694,615
Machinery, equipment and vehicles	572,988	547,279	5,028,751
Tools	103,086	105,171	966,379
Construction in progress	30,827	42,226	388,000
Other	2,471	14,530	133,511
Subtotal	940,511	936,805	8,607,967
Accumulated depreciation	(672,624)	(640,724)	(5,887,384)
Total property, plant and equipment	267,887	296,081	2,720,583
<b>Intangible assets:</b>			
Goodwill	32,845	23,813	218,809
Other	36,665	36,574	336,065
Total intangible assets	69,510	60,387	554,875
<b>Investments and other assets:</b>			
Investment securities:			
Unconsolidated subsidiaries and affiliates	26,771	24,321	223,477
Other	69,408	52,312	480,676
Long-term loans receivable:			
Unconsolidated subsidiaries and affiliates	413	1,428	13,121
Other	859	634	5,826
Net defined benefit assets	31,382	31,388	288,413
Deferred tax assets	7,521	9,578	88,009
Other	24,719	24,373	223,955
Allowance for doubtful accounts	(1,670)	(1,604)	(14,739)
Total investments and other assets	159,403	142,432	1,308,757
Total assets	¥1,020,654	¥1,004,223	\$9,227,446

\* The U.S. dollar amounts represent translations of Japanese yen, for convenience only, at the rate of ¥108.83 to US\$1.00, the prevailing exchange rate at March 31, 2020.

As of March 31	Millions of yen		Thousands of U.S. dollars*
	2019	2020	2020
<b>LIABILITIES AND NET ASSETS</b>			
<b>Current liabilities:</b>			
Short-term loans payable	¥ 104,265	¥ 98,372	\$ 903,905
Current portion of long-term debt	22,662	34,268	314,876
Payables:			
Notes and accounts payable—trade:			
Unconsolidated subsidiaries and affiliates	877	838	7,700
Other	92,622	79,230	728,016
Other	35,817	29,828	274,079
Income taxes payable	6,879	5,464	50,207
Provision for business structure improvement	81	1,089	10,006
Accrued expenses	23,542	21,912	201,342
Other current liabilities	13,460	16,639	152,890
Total current liabilities	300,205	287,640	2,643,021
<b>Long-term liabilities:</b>			
Long-term debt	240,622	237,037	2,178,048
Net defined benefit liabilities	37,553	39,464	362,621
Asset retirement obligations	2,645	2,228	20,472
Deferred tax liabilities	3,539	2,929	26,914
Provision for business structure improvement	—	2,325	21,364
Other long-term liabilities	8,878	21,191	194,717
Total long-term liabilities	293,237	305,174	2,804,135
<b>Contingent liabilities</b>			
<b>Net assets</b>			
<b>Shareholders' equity:</b>			
Common stock			
Authorized—600,000,000 shares in 2019 600,000,000 shares in 2020			
Issued—197,953,707 shares in 2019 197,953,707 shares in 2020	71,833	71,833	660,048
Capital surplus	104,256	103,692	952,789
Retained earnings	235,324	247,055	2,270,100
Treasury stock, at cost: 6,141,576 shares in 2019 6,013,284 shares in 2020	(13,413)	(13,131)	(120,656)
Total shareholders' equity	398,000	409,449	3,762,281
<b>Accumulated other comprehensive income</b>			
Valuation difference on available-for-sale securities	26,720	12,403	113,967
Deferred gains or losses on hedges	(52)	(1,020)	(9,372)
Foreign currency translation adjustments	(11,402)	(23,217)	(213,333)
Remeasurements of defined benefit plans	(2,538)	(3,452)	(31,719)
Total accumulated other comprehensive income	12,728	(15,286)	(140,458)
<b>Subscription rights to shares</b>	889	772	7,094
<b>Non-controlling interests</b>	15,595	16,475	151,383
Total net assets	427,212	411,409	3,780,290
Total liabilities and net assets	¥1,020,654	¥1,004,223	\$9,227,446



## Consolidated Statements of Income

Years ended March 31	Millions of yen		Thousands of U.S. dollars*
	2019	2020	2020
<b>Net sales</b>	¥888,589	¥853,746	\$7,844,767
<b>Costs and expenses:</b>			
Cost of sales	620,715	590,321	5,424,249
Selling, general and administrative expenses	171,451	172,737	1,587,219
Research and development expenses	36,423	34,482	316,843
<b>Operating income</b>	60,000	56,205	516,448
<b>Other income (expenses):</b>			
Interest and dividend income	3,293	2,372	21,795
Interest expenses	(3,499)	(3,717)	(34,154)
Gain on sales of investment securities	4,849	5,998	55,113
Gain on sales of non-current assets	300	160	1,470
Foreign exchange gains (losses)	(846)	1,145	10,521
Contribution	(494)	(408)	(3,749)
Gain (loss) on valuation of derivatives	2,424	(2,161)	(19,857)
Settlement received	4,500	—	—
Loss on sales and retirement of non-current assets	(2,325)	(2,677)	(24,598)
Loss on valuation of investment securities	(246)	(114)	(1,048)
Impairment loss	(5,990)	(11,030)	(101,351)
Equity in earnings of unconsolidated subsidiaries and affiliates	434	1,997	18,350
Business structure improvement expenses	(29)	(4,232)	(38,886)
Reversal of provision for business structure improvement	34	—	—
Other, net	(2,045)	(1,981)	(18,203)
<b>Total other income (expenses)</b>	360	(14,648)	(134,595)
<b>Income before income taxes</b>	60,360	41,557	381,852
<b>Income taxes:</b>			
Current	13,834	12,306	113,075
Deferred	(271)	2,272	20,877
<b>Total income taxes</b>	13,563	14,578	133,952
<b>Net income</b>	46,797	26,980	247,910
Profit attributable to non-controlling interests	1,740	1,727	15,869
<b>Profit attributable to owners of parent</b>	¥ 45,057	¥ 25,252	\$ 232,032
	Yen		U.S. dollars*
<b>Profit attributable to owners of parent per share</b>	¥232.39	¥131.63	\$1.21
<b>Profit attributable to owners of parent per share—diluted</b>	214.35	124.43	1.14
<b>Cash dividends applicable to the year</b>	70.00	60.00	0.55

\* The U.S. dollar amounts represent translations of Japanese yen, for convenience only, at the rate of ¥108.83 to US\$1.00, the prevailing exchange rate at March 31, 2020.

## Consolidated Statements of Comprehensive Income

Years ended March 31	Millions of yen		Thousands of U.S. dollars*
	2019	2020	2020
<b>Net income</b>	¥46,797	¥ 26,980	\$ 247,910
<b>Other comprehensive income:</b>			
Valuation difference on available-for-sale securities	(1,412)	(14,656)	(134,669)
Deferred gains or losses on hedges	(956)	(967)	(8,885)
Foreign currency translation adjustments	4,382	(11,764)	(108,095)
Remeasurements of defined benefit plans, net of tax	(2,275)	(1,019)	(9,363)
Share of other comprehensive income of associates accounted for using the equity method	(913)	(11)	(101)
Total	(1,174)	(28,416)	(261,104)
Comprehensive income	¥45,623	¥ (1,436)	\$ (13,195)
Breakdown of comprehensive income:			
Comprehensive income attributable to owners of the parent	¥43,624	¥ (2,762)	\$ (25,379)
Comprehensive income attributable to non-controlling interests	1,999	1,325	12,175

\* The U.S. dollar amounts represent translations of Japanese yen, for convenience only, at the rate of ¥108.83 to US\$1.00, the prevailing exchange rate at March 31, 2020.

## 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
<b>Balance at March 31, 2018</b>	197,953,707	¥71,833	¥104,685	¥202,414	¥ (167)	¥378,765
Changes of items during the period:						
Dividends from surplus				(11,688)		(11,688)
Net income				45,057		45,057
Purchase of treasury stock					(20,039)	(20,039)
Disposal of treasury stock			(624)		6,793	6,169
Transfer of loss on disposal of treasury stock			459	(459)		—
Change in ownership interest of parent due to transactions with non-controlling interests			(264)			(264)
Net changes of items other than shareholders' equity						
Total		—	(429)	32,910	(13,246)	19,235
<b>Balance at March 31, 2019</b>	197,953,707	¥71,833	¥104,256	¥235,324	¥(13,413)	¥398,000
Changes of items during the period:						
Dividends from surplus				(13,427)		(13,427)
Net income				25,252		25,252
Purchase of treasury stock					(12)	(12)
Disposal of treasury stock			(94)		293	199
Transfer of loss on disposal of treasury stock			94	(94)		—
Change in ownership interest of parent due to transactions with non-controlling interests			(564)			(564)
Net changes of items other than shareholders' equity						
Total		—	(564)	11,731	282	11,449
<b>Balance at March 31, 2020</b>	197,953,707	¥71,833	¥103,692	¥247,055	¥(13,131)	¥409,449

	Thousands of U.S. dollars*				
	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance at March 31, 2019	\$660,048	\$957,971	\$2,162,308	\$(123,238)	\$3,657,089
Changes of items during the period:					
Dividends from surplus			(123,376)		(123,376)
Net income			232,032		232,032
Purchase of treasury stock				(110)	(110)
Disposal of treasury stock		(864)		2,692	1,829
Transfer of loss on disposal of treasury stock		864	(864)		—
Change in ownership interest of parent due to transactions with non-controlling interests		(5,182)			(5,182)
Net changes of items other than shareholders' equity					
Total	—	(5,182)	107,792	2,591	105,201
Balance at March 31, 2020	\$660,048	\$952,789	\$2,270,100	\$(120,656)	\$3,762,281

\* The U.S. dollar amounts represent translations of Japanese yen, for convenience only, at the rate of ¥108.83 to US\$1.00, the prevailing exchange rate at March 31, 2020.

Millions of yen

	Accumulated other comprehensive income							Total net assets
	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	
<b>Balance at March 31, 2018</b>	¥28,377	¥ 903	¥(14,815)	¥ (305)	¥ 14,160	¥ 860	¥14,453	¥408,238
Changes of items during the period:								
Dividends from surplus								(11,688)
Net income								45,057
Purchase of treasury stock								(20,039)
Disposal of treasury stock								6,169
Transfer of loss on disposal of treasury stock								—
Change in ownership interest of parent due to transactions with non-controlling interests								(264)
Net changes of items other than shareholders' equity	(1,657)	(955)	3,413	(2,233)	(1,432)	29	1,142	(261)
<b>Total</b>	<b>(1,657)</b>	<b>(955)</b>	<b>3,413</b>	<b>(2,233)</b>	<b>(1,432)</b>	<b>29</b>	<b>1,142</b>	<b>18,974</b>
<b>Balance at March 31, 2019</b>	¥ 26,720	¥ (52)	¥(11,402)	¥(2,538)	¥12,728	¥ 889	¥15,595	¥427,212
Changes of items during the period:								
Dividends from surplus								(13,427)
Net income								25,252
Purchase of treasury stock								(12)
Disposal of treasury stock								199
Transfer of loss on disposal of treasury stock								—
Change in ownership interest of parent due to transactions with non-controlling interests								(564)
Net changes of items other than shareholders' equity	(14,317)	(968)	(11,815)	(914)	(28,014)	(117)	880	(27,251)
<b>Total</b>	<b>(14,317)</b>	<b>(968)</b>	<b>(11,815)</b>	<b>(914)</b>	<b>(28,014)</b>	<b>(117)</b>	<b>880</b>	<b>(15,803)</b>
<b>Balance at March 31, 2020</b>	¥ 12,403	¥(1,020)	¥(23,217)	¥(3,452)	¥(15,286)	¥ 772	¥16,475	¥411,409

Thousands of U.S. dollars\*

	Accumulated other comprehensive income							Total net assets
	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	
<b>Balance at March 31, 2019</b>	\$ 245,521	\$ (478)	\$(104,769)	\$(23,321)	\$ 116,953	\$ 8,169	\$143,297	\$3,925,508
Changes of items during the period:								
Dividends from surplus								(123,376)
Net income								232,032
Purchase of treasury stock								(110)
Disposal of treasury stock								1,829
Transfer of loss on disposal of treasury stock								—
Change in ownership interest of parent due to transactions with non-controlling interests								(5,182)
Net changes of items other than shareholders' equity	(131,554)	(8,895)	(108,564)	(8,398)	(257,411)	(1,075)	8,086	(250,400)
<b>Total</b>	<b>(131,554)</b>	<b>(8,895)</b>	<b>(108,564)</b>	<b>(8,398)</b>	<b>(257,411)</b>	<b>(1,075)</b>	<b>8,086</b>	<b>(145,207)</b>
<b>Balance at March 31, 2020</b>	\$ 113,967	\$(9,372)	\$(213,333)	\$(31,719)	\$(140,458)	\$ 7,094	\$151,383	\$3,780,290

\* The U.S. dollar amounts represent translations of Japanese yen, for convenience only, at the rate of ¥108.83 to US\$1.00, the prevailing exchange rate at March 31, 2020.

## Consolidated Statements of Cash Flows

	Millions of yen		Thousands of U.S. dollars*
Years ended March 31	2019	2020	2020
<b>Cash flows from operating activities:</b>			
Income before income taxes	¥ 60,360	¥ 41,557	\$ 381,852
Depreciation and amortization	47,551	50,950	468,161
Impairment loss	5,990	11,030	101,351
Increase (decrease) in net defined benefit liability	1,911	1,617	14,858
Decrease (increase) in net defined benefit asset	4,985	(665)	(6,110)
Increase in investment securities due to retirement benefit trust return	(6,099)	—	—
Increase (decrease) in allowance for doubtful accounts	(27)	(95)	(873)
Increase (decrease) in provision for business structure improvement	(1,202)	3,332	30,617
Interest and dividend income	(3,293)	(2,372)	(21,795)
Interest expenses	3,499	3,717	34,154
Equity in losses (earnings) of affiliates	(434)	(1,997)	(18,350)
Loss (gain) on sales and retirement of noncurrent assets	2,025	2,517	23,128
Loss (gain) on sales of investment securities	(4,845)	(5,986)	(55,003)
Loss (gain) on valuation of derivatives	(2,424)	2,161	19,857
Loss (gain) on valuation of investment securities	246	114	1,048
Settlement received	(4,500)	—	—
Decrease (increase) in notes and accounts receivable—trade	(13,751)	19,875	182,624
Decrease (increase) in inventories	(8,187)	(4,460)	(40,981)
Increase (decrease) in notes and accounts payable—trade	(1,343)	(9,465)	(86,971)
Other, net	723	(5,488)	(50,427)
Subtotal	81,185	106,342	977,139
Interest and dividend income received	7,751	6,575	60,415
Interest expenses paid	(3,493)	(3,745)	(34,411)
Settlement package received	4,500	—	—
Income taxes paid	(9,044)	(14,958)	(137,444)
Net cash and cash equivalents provided by operating activities	80,899	94,214	865,699
<b>Cash flows from investing activities:</b>			
Purchase of property, plant and equipment	(55,599)	(66,301)	(609,216)
Proceeds from sales of property, plant and equipment	310	261	2,398
Purchase of intangible assets	(3,328)	(4,020)	(36,938)
Purchase of investment securities	(3,620)	(5,700)	(52,375)
Proceeds from sales of investment securities	40,357	9,250	84,995
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(16,411)	(12,681)	(116,521)
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	1,056	13,158	120,904
Payments for acquisition of businesses	—	(906)	(8,325)
Decrease (increase) in short-term loans receivable	(489)	1,147	10,539
Payments of long-term loans receivable	(532)	(1,277)	(11,734)
Collection of long-term loans receivable	93	1,273	11,697
Other, net	(3,125)	(2,127)	(19,544)
Net cash and cash equivalents used in investing activities	(41,288)	(67,922)	(624,111)
<b>Cash flows from financing activities:</b>			
Net increase (decrease) in short-term loans payable	31,433	(2,769)	(25,443)
Proceeds from long-term loans payable	25,918	16,675	153,221
Repayment of long-term loans payable	(27,858)	(6,735)	(61,886)
Purchase of treasury shares	(20,039)	(12)	(110)
Cash dividends paid	(11,688)	(13,427)	(123,376)
Cash dividends paid to non-controlling shareholders	(436)	(652)	(5,991)
Proceeds from share issuance to non-controlling shareholders	—	297	2,729
Proceeds from issuance of bonds	—	15,000	137,830
Redemption of bonds	(11,910)	(15,000)	(137,830)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(478)	—	—
Other, net	(295)	(1,437)	(13,204)
Net cash and cash equivalents used in financing activities	(15,353)	(8,059)	(74,051)
<b>Effect of exchange rate changes on cash and cash equivalents</b>	(184)	(2,438)	(22,402)
<b>Net increase (decrease) in cash and cash equivalents</b>	24,074	15,794	145,125
<b>Cash and cash equivalents at beginning of year</b>	116,158	140,434	1,290,398
<b>Increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation</b>	202	—	—
<b>Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries</b>	—	62	570
<b>Cash and cash equivalents at end of year</b>	¥140,434	¥156,290	\$1,436,093

\* The U.S. dollar amounts represent translations of Japanese yen, for convenience only, at the rate of ¥108.83 to US\$1.00, the prevailing exchange rate at March 31, 2020.



# Independent Assurance Report



## 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, 2019 to March 31, 2020 included in its Teijin Group Integrated Report 2020 (the “Report”) for the fiscal year ended March 31, 2020.

### 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.
- Making inquiries and reviewing materials including documented evidence of the Company’s Matsuyama Factory selected on the basis of a risk analysis, as alternative procedures to a site visit.
- 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

September 2, 2020

## Corporate Data (As of March 31, 2020)

<b>Established</b>	June 17, 1918
<b>Head Offices</b>	<p><b>Tokyo Head Office</b> Kasumigaseki Common Gate West Tower, 2-1, Kasumigaseki 3-chome, Chiyoda-ku, Tokyo 100-8585, Japan Phone: +81-3-3506-4529</p> <p><b>Osaka Head Office</b> Nakanoshima Festival Tower West, 2-4, Nakanoshima 3-chome, Kita-ku, Osaka 530-8605, Japan Phone: +81-6-6233-3401</p>
<b>Fiscal Year-End</b>	March 31
<b>Common Stock Authorized</b>	600,000,000 shares
<b>Common Stock Issued</b>	197,953,707 shares
<b>Paid-in Capital</b>	¥71,833 million
<b>Shareholders</b>	97,015
<b>Number of Teijin Group Companies</b>	Japan 56 Overseas 118 Total 174
<b>Number of Teijin Group Employees (Consolidated)</b>	Japan 9,364 Overseas 10,711 Total 20,075
<b>Stock Exchange Listing</b>	Tokyo
<b>Stock Code</b>	3401
<b>Stock Transfer Agent</b>	Mitsubishi UFJ Trust and Banking Corporation
<b>Dividends</b>	Dividends are usually declared in May and November.
<b>Annual Meeting of Shareholders</b>	The annual meeting of shareholders is held before the end of June.
<b>Accounting Auditors</b>	KPMG AZSA LLC
<b>Website</b>	<a href="https://www.teijin.com/">https://www.teijin.com/</a> Teijin's website offers a wealth of corporate and product information, including the latest financial results, Corporate Governance Report, and corporate news.
<b>Investor Relations</b>	If you have any questions, please contact: Investor Relations Department, Kasumigaseki Common Gate West Tower, 2-1, Kasumigaseki 3-chome, Chiyoda-ku, Tokyo 100-8585, Japan

Note: Italicized product names and service names in this report are trademarks or registered trademarks of the Teijin Group in Japan and/or trademarks of other companies.  
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## Editorial Policy

Teijin Group Integrated Report 2020 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 2019 to March 2020. However, some activities in or after April 2020 are also included.

## Reporting Organizations

This report covers the entire Teijin Group (Teijin Limited and 56 domestic Group companies, and 118 overseas Group companies).

## Guidelines Referred to Regarding Disclosing Non-Financial Information

Environmental Reporting 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 Japan's Ministry of Economy, Trade and Industry.



## Materiality and Comprehensiveness

This report 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 ESG Evaluations and Stock Selections (As of August 2020)

- Status of inclusion in SRI indices



- Included in JPX-Nikkei Index 400



- Included in all four ESG indices used by GPIF

## 2020 CONSTITUENT MSCI JAPAN ESG SELECT LEADERS INDEX



## 2020 CONSTITUENT MSCI JAPAN EMPOWERING WOMEN INDEX (WIN)



Note: THE INCLUSION OF TEIJIN LIMITED IN ANY MSCI INDEX, AND THE USE OF MSCI LOGOS, TRADEMARKS, SERVICE MARKS OR INDEX NAMES HEREIN, DO NOT CONSTITUTE A SPONSORSHIP, ENDORSEMENT OR PROMOTION OF TEIJIN LIMITED BY MSCI OR ANY OF ITS AFFILIATES. THE MSCI INDEXES ARE THE EXCLUSIVE PROPERTY OF MSCI. MSCI AND THE MSCI INDEX NAMES AND LOGOS ARE TRADEMARKS OR SERVICE MARKS OF MSCI OR ITS AFFILIATES.

- Included in these two programs as a company with outstanding ESG initiatives



## UN Global Compact

Since 2011 the Teijin Group has endorsed and been participating in 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



## Disclaimer Regarding Forward-Looking Statements

Any statements in this 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 available at the time of publication and involve risks and uncertainties. Actual results may differ materially from these forecasts.

**TEIJIN**

**TEIJIN LIMITED**

<https://www.teijin.com>



This Integrated Report uses environment-friendly FSC™-certified paper and is printed using a vegetable-based ink by a waterless printing method.