TEIJIN
Human Chemistry, Human Solutions

# Consolidated Financial Statements Summary

(For the nine months ended December 31, 2016)
English translation from the original Japanese-language document
(All financial information has been prepared in accordance with accounting principles generally accepted in Japan) February 6, 2017


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(Amounts less than one million yen are omitted)

### 1. Highlight of the third quarter of FY2016 (April 1, 2016 through December 31, 2016)

(1) Consolidated financial results (Percentages are year-on-year changes)

| | Net sales | | Operating income | | Ordinary income | | Profit attributable to owners of parent | |
|---|---|---|---|---|---|---|---|---|
| | Million yen | % | Million yen | % | Million yen | % | Million yen | % |
| For the nine months ended December 31, 2016 | 535,180 | -9.5 | 43,614 | -21.4 | 45,782 | -19.4 | 34,065 | -2.5 |
| For the nine months ended December 31, 2015 | 591,293 | 2.2 | 55,488 | 125.9 | 56,808 | 96.1 | 34,922 | — |

cf. Comprehensive income for the nine months ended December 31, 2016 : 48,629 million yen (For the nine months ended December 31, 2015 : 31,330 million yen)

| | E.P.S. * | Diluted E.P.S. * |
|---|---|---|
| | Yen | Yen |
| For the nine months ended December 31, 2016 | 173.23 | 157.06 |
| For the nine months ended December 31, 2015 | 177.65 | 161.19 |

* E.P.S.: Earnings per share
*The Company consolidated its common shares at a ratio of five shares to one share on the effective date of October 1, 2016. Accordingly, the earnings per share and the earnings per share after adjustment for dilution are calculated on the assumption that the consolidation of shares is conducted at the beginning of the preceding fiscal year.

(2) Consolidated financial position

| | Total assets | Net assets | Shareholders' equity ratio |
|---|---|---|---|
| | Million yen | Million yen | % |
| As of December 31, 2016 | 905,816 | 354,298 | 37.6 |
| As of March 31, 2016 | 823,429 | 314,412 | 36.4 |

cf. Shareholders' equity as of December 31, 2016 : 340,481 million yen (As of March 31, 2016 : 300,112 million yen)

### 2. Dividends

| Period | Dividends per share | | | | |
|---|---|---|---|---|---|
| | 1Q | 2Q | 3Q | 4Q | Annual |
| | Yen | Yen | Yen | Yen | Yen |
| FY2015 | — | 3.00 | — | 4.00 | 7.00 |
| FY2016 | — | 5.00 | — | | |
| FY2016 (Outlook) | | | | 25.00 | — |

Note: Revision of outlook for dividends in the third quarter: No
*The Company consolidated its common shares at a ratio of five shares to one share on the effective date of October 1, 2016. Accordingly, the amount of the year-end dividend per share for FY2016 (Outlook) reflects the impact of the consolidation of shares and disclosure of the annual dividend per share is omitted. Excluding the impact of the consolidation of shares, the year-end dividend per share for FY2016 (Outlook) would be 5 yen and the annual dividend per share would be 10 yen. For information, refer to "Appropriate Use of Forecasts and Other Information and Other Matters"

### 3. Forecast for operating results in the year ending March 31, 2017 (FY2016)

(Percentages are year-on-year changes)

| | Net sales | | Operating income | | Ordinary income | | Net income | | E.P.S. * |
|---|---|---|---|---|---|---|---|---|---|
| | Million yen | % | Million yen | % | Million yen | % | Million yen | % | Yen |
| FY2016 | 740,000 | -6.4 | 56,000 | -16.6 | 55,000 | -8.8 | 37,000 | 19.0 | 188.14 |

Note: Revision of outlook for FY2016 consolidated operating results in in the third quarter: Yes
* Earnings per share under the forecast for operating results in the year ending March 31, 2017 (FY2016) reflects the impact of the consolidation of shares.
For information, refer to "Appropriate Use of Forecasts and Other Information and Other Matters"

## Appropriate Use of Forecasts and Other Information and Other Matters

(1) Cautionary statement on forward-looking statements

All forecasts in this document are based on management's assumptions in light of information currently available and involve certain risks and uncertainties. Actual results to differ materially from these forecasts. For information on these forecasts, refer to "Qualitative Information on Outlook for Operating Results", beginning on page 7.

(2) Dividend outlook and forecast for operating results after the consolidation of shares

The Company consolidated its common shares at the ratio of five shares to one share on the effective date of October 1, 2016, following approval of a proposal for the consolidation of shares at the 150th Ordinary General Meeting of Shareholders held on June 22, 2016. Accordingly, the dividend outlook and forecast for operating results in the year ending March 31, 2017 (FY 2016) excluding the impact of the consolidation of shares are as follows.

1. Dividend outlook for the year ending March 31, 2017
   Dividends per share: Interim 5 yen (Note 1), Year-end 5 yen (Note 2)
2. Forecast for operating results in the year ending March 31, 2017 (FY 2016)
   E.P.S.: (Year-end) 37.63 yen

Notes:

1. The interim dividend will be paid out based on the number of shares before the consolidation of shares.
2. Represents the dividend amount excluding the impact of the consolidation of shares.
3. The annual dividend for the year ending March 31, 2017 (excluding the impact of the consolidation of shares) is 10 yen per share.

# 1. Qualitative Information and Financial Statements

## Qualitative Information on Results of Operations

### Analysis of Consolidated Results of Operations

Global economic conditions in the nine months ended December 31, 2016 tracked a gradual recovery path, partly reflecting signs of an upturn, along with positive expectations for the policies of the new U.S. administration and the weaker yen reflecting those expectations. However, they still faced an increasingly uncertain geopolitical and economic outlook. Meanwhile, the Japanese economy was not so strong, as could be seen by slowing growth in personal consumption and other factors.

In this environment, for the nine months ended December 31, 2016, consolidated net sales declined 9.5% to ¥535.2 billion. This decline was due in part to the impact of optimizing our production configuration associated with restructuring initiatives in the resin business, in addition to the stronger yen, although sales were generally steady across all businesses on the whole. Operating income decreased 21.4% to ¥43.6 billion, due in part to the impacts of foreign exchange movements and new drug licensing costs, despite efforts to steadily expand the earnings base by driving growth in existing businesses and executing restructuring initiatives. Ordinary income decreased 19.4% to ¥45.8 billion. Meanwhile, profit attributable to owners of parent was held to a decrease of 2.5% to ¥34.1 billion, due in part to a decline in tax expense, reflecting the impact of changes in tax effect accounting, as well as declines in impairment loss and business structure improvement expenses. Earnings per share declined ¥4.42 to ¥173.23.

### Business Segment Results

### Advanced Fibers and Composites

*Sales in the Advanced Fibers and Composites segment totaled ¥85.9 billion, while operating income was ¥10.6 billion.*

***High-Performance Fibers***

*Sales remained firm for automotive applications.*

In aramid fibers, sales of *Twaron* para-aramid fibers expanded firmly for automotive applications, including for tires in Europe. In contrast, sales for oil drilling and ballistic protection applications were weak. Sales were firm for *Technora* para-aramid fibers both for automotive applications in Japan and also for infrastructure-related applications overseas. *Technora* is being used in an expanding range of applications under more extreme conditions given the positive assessment of its outstanding fatigue resistance, chemical barrier and other properties.

Sales of *Teijinconex* meta-aramid fibers were robust for use in automotive applications such as turbocharger hoses, as well as protective clothing and industrial applications, despite persistently fierce competition in the growing market for filter applications. Moreover, at a new production facility in Thailand, where production and sales commenced in the previous fiscal year, we are focused on expanding this particular business in promising Asian markets and emerging markets, where high growth is expected against the backdrop of increasingly stringent regulations pertaining to flame-retardant materials and environmental safety.

In polyester fibers, solid sales were recorded for automotive applications and for use in personal hygiene products, wadding, and reverse osmosis membrane support layers for water treatment applications. Moreover, we are striving to further strengthen our competitiveness by realigning our domestic production configuration and transferring production of certain items to subsidiaries in Thailand.

***Carbon Fibers and Composites***
*Sales for use in aircraft grew steadily; U.S.-based Continental Structural Plastics acquired.*

Sales of *TENAX* carbon fibers continued to grow steadily for use in aircraft, reflecting firm orders from aircraft manufacturers. Among other applications, sales for wind power generation in the Americas and Europe were robust, but the supply-demand balance softened for general industrial use, and for sports and leisure applications in Asia. In addition, *Pyromex* Oxidized PAN fiber has continued to post steady sales, reflecting favorable demand for use in aircraft brake pads. In response, a carbon fiber production line is being converted into a *Pyromex* production line at Toho Tenax America, Inc..

We are working to expand business centered on composite materials in the field of high-performance materials to be used in mass-produced automotive components. As part of these efforts, in January 2017, we acquired Continental Structural Plastics Holdings Corporation (Headquarters: Michigan, U.S.A.; "CSP"), a global leader in automotive lightweight composite technologies. CSP became our wholly owned subsidiary. Going forward, we will integrate CSP's glass fiber reinforced plastic (GFRP) and our fiber reinforced plastic (FRP) technologies, specifically carbon fiber reinforced thermoplastic (CFRTP) and carbon fiber reinforced plastic (CFRP), along with driving growth of CSP's components business model in the Americas and global market expansion of this business model to Europe, Japan and Asia. Through this process, we will establish a strong business platform in automotive composite products and will seek to become a supplier of Tier 1 components in this business. Moreover, we will accurately grasp automakers' requirements for environmental impact reduction in response to tighter environmental regulations around the world, along with their requirements for cost reductions. Mindful of this, we will produce lightweight body components, reduce the number of parts, and improve recyclability, thereby offering added value that is greater than that of existing components.

Furthermore, to address further growth in demand for carbon fiber primarily in North America, we have completed the acquisition of land in the United States for a project to construct a new carbon fiber plant.

## Electronics Materials and Performance Polymer Products
*The Electronics Materials and Performance Polymer Products segment reported sales of ¥102.0 billion and operating income of ¥15.0 billion.*

***Resin and Plastics Processing***
*Steady performance by polycarbonate resins, with a focus on the development and sales of high-performance products.*

Market conditions remained relatively stable for our mainstay *Panlite* and *Multilon* polycarbonate resin products. These products maintained steady profitability, owing to an improved sales mix and the positive effects of restructuring initiatives, including high capacity utilization maintained at both production sites in the PRC and Japan, despite a reduction in profits due to the impact of foreign currency conversion reflecting the stronger yen.

As an initiative to further expand high-performance applications, we are working to apply polycarbonate resin molded products incorporating an advanced coating method to automotive windows. Also, we are actively expanding a copolymer polycarbonate featuring a high surface hardness to applications such as automotive interior panels, for which demand is expected to increase as panels become larger. In addition, we are actively proposing weight reduction and metal replacement solutions using proprietary composite materials that combine polycarbonate resins with the Teijin Group's high-performance fibers (carbon fibers, aramid fibers).

In high-performance resins, we are working to upgrade and expand our lineup of specialty polycarbonate resins for camera lenses in order to offer optimal products for smartphones as well as vehicle and surveillance camera applications.

In regard to the "super engineering plastic" polyphenylene sulfide (PPS) resin, for which efforts are being made to establish a mass-production structure at INITZ Co., Ltd., a joint venture with SK Chemicals Ltd. of the Republic of Korea (ROK), we are developing distinctive compound products leveraging proprietary technologies centered on automotive and electronics applications.

***Films***

*Strengthened competitiveness by integrating our domestic polyester film production facilities and converting joint ventures into wholly owned subsidiaries.*

Reflective films for use in liquid crystal display (LCD) televisions remained under pressure in terms of both volume and pricing due to the emergence of Chinese manufacturers. We posted relatively firm sales of *Purex* release films for manufacturing processes mainly for use in multilayer ceramic capacitors for smartphones and other devices, as well as special packaging application exports and polyethylene-naphthalate (PEN) film for use in magnetic materials. Sales also remained strong for *Panlite* Sheet, a product made of polycarbonate resin, and *ELECLEAR* transparent electroconductive film for use in vehicle display applications. In addition, *PURE-ACE* optical film using specialty polycarbonate resin saw expanded sales for reverse-dispersion solvent-cast retardation film for use as an organic electroluminescent display (OLED) antireflective film, and for use in flexible printed circuits.

Profits improved from the same period of the previous fiscal year, owing to increases in the ratio of high-margin products along with that of polyester and polycarbonate films, as well as contributions from the integration of domestic polyester film production facilities and lower raw material and fuel costs. Moreover, we decided to acquire the interests owned by its joint venture partner E. I. du Pont de Nemours and Company (Du Pont) in the film business joint ventures in Japan and Indonesia. Business operations at the joint venture in Japan have recommenced under the new company name Teijin Film Solutions Limited. In Indonesia, business operations have recommenced at the joint venture under the new company name of PT. Indonesia Teijin Film Solutions from January 2017. This deal will enable us to improve management flexibility and decision-making speed, as well as utilize an even more diverse range of materials and film production methods than before, in order to create and further enhance value for customers.

Looking at overseas sites, we continue to face a fierce competitive environment in terms of sales volume and price due to sluggish market conditions and intensified competition in the PRC. In the Americas and Europe, demand has been relatively firm centered on packaging applications.

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**Healthcare**

*Sales in the Healthcare segment came to ¥111.9 billion, while operating income was ¥21.4 billion.*

***Pharmaceuticals***

*Sales of our novel treatment for hyperuricemia and gout expanded favorably.*

The pharmaceuticals market as a whole continues to face a challenging business environment. In this climate, in our domestic pharmaceuticals business, sales of hyperuricemia and gout treatment *FEBURIC* (febuxostat) and *Somatuline*®*, a treatment for acromegaly, continued to expand steadily. Also, in May 2016, *FEBURIC* was approved for the additional indication of hyperuricemia caused by cancer chemotherapy, providing new added value. In addition to an oral jelly and an intravenous drip of the osteoporosis treatment *Bonalon*®†, we are leveraging new formulations such as *Mucosolvan* L Tablet 45 mg, a novel reduced-sized tablet-form version of the sustained-release expectorant *Mucosolvan*, in order to provide patients with a wider range of choices. Also, we are working to expand sales of the transdermal anti-inflammatory analgesic patch formulation *LOQOA* Tape, which it began jointly marketing with Taisho Toyama Pharmaceutical Co., Ltd. in January 2016, following the removal of dosage period restrictions from December 1, 2016.

On the R&D front, in July 2016, we applied for a new indication for treatment of neuroendocrine tumors for *Somatuline*®*, a treatment for agromegaly. In parallel, we began the clinical development of TMX-049DN (UK, Phase 1) as a new treatment for diabetic nephropathy in Type 2 diabetes. In August 2016, we signed an exclusive license and supply agreement with Versartis, Inc. of the United States for the development and marketing of *Somavaratan* (VRS-317), a novel, long-acting form of recombinant growth hormone (rhGH) developed by Versartis, Inc. with its first planned indication being dwarfism caused by pediatric growth hormone deficiency (PGHD). In November 2016, we received a request from the Ministry of Health, Labour and Welfare to develop an expanded indication of *Somatuline*®* for thyroid stimulating hormone-secreting pituitary tumors, and have begun taking actions targeting the start of clinical trials within one year. Also, in December 2016, we entered into a collaboration and license agreement with Amgen Inc. of the U.S. regarding research and development of new therapeutic agents for kidney diseases and disorders.

Sales of febuxostat also continued to expand encouragingly overseas. We have secured exclusive distributorship agreements for febuxostat covering 117 countries and territories. The drug is currently sold in 64 of these countries and territories (including Japan), and we are in the process of obtaining regulatory approval to make it available in the others.

***Home Healthcare***

*Rental volumes either remained high or increased for all offerings.*

In the home healthcare business, we currently provide services to more than 450,000 individuals in Japan and overseas. In Japan, we firmly maintained a high level of rental volume for therapeutic oxygen concentrators for home oxygen therapy (HOT). Looking ahead, we will strive to further boost rental volume by enhancing the lineup and expanding the use of portable oxygen concentrators (*Hi-Sanso Portable α* (alpha), *Hi-Sanso Portable α II*) , which are

* *Somatuline*® is a registered trademark of Ipsen Pharma, Paris, France.
† *Bonalon*® is the registered trademark of Merck Sharp & Dohme Corp., Whitehouse Station, NJ, U.S.A.

designed to expand the range of patients' daily activities, along with efforts to achieve the same for non-portable oxygen concentrators such as *Hi-Sanso 5S*. Rental volume for continuous positive airway pressure (CPAP) ventilators for the treatment of sleep apnea syndrome (SAS) continued to increase favorably, due to increasing the appeal of *NemLink*, a monitoring system for CPAP ventilators that uses mobile phone networks, and to the use of the *SAS2100* sleep disorder diagnostic system. Going forward, we will seek to further boost rental volume, by proactively expanding the use of *SLEEPMATE10*, a model featuring a built-in heater-humidifier in addition to *NemLink* functions. To further fortify support services for individuals, we sought to improve our ability to respond to patient needs by capitalizing on our home healthcare call centers in Fukuoka and Osaka, Japan.

Meanwhile, as part of our transformation and growth strategies, in September 2015 we commenced sales of *VitalLink*, a patient information sharing system. We have expanded sales of *VitalLink* by entering into agreements with medical associations with a focus on primary care physicians. Moreover, in regard to a repetitive transcranial magnetic stimulation device developed through an industry-academia partnership with Osaka University and other partners, investigator-initiated clinical trials of intractable chronic pain using this device are under way at several facilities. We also continued to expand our marketing efforts for the *WalkAide* System, a neuromuscular electrical stimulation device providing walking assistance in the case of gait impairment resulting from stroke or other causes launched in fiscal 2013, which initially focused on the Tokyo metropolitan area, to medical institutions elsewhere in the country. Additionally, we launched *ReoGo-J*, a portable robotic arm that supports the rehabilitation of paralyzed upper limbs due to stroke. Going forward, we will continue to upgrade and enhance our lineup of these types of rehabilitation devices.

Overseas, we currently conduct the home healthcare business in the United States, Spain and the ROK. In the period under review, operating conditions in the United States remained harsh, a consequence of healthcare system reform and sizeable ensuing declines in medical treatment fees, as well as other factors. We responded by taking steps to restore profitability, including integrating business sites.

**Trading and Retail**
*The Trading and Retail segment yielded sales of ¥190.9 billion and operating income of ¥4.6 billion.*

***Apparel Textiles and Materials***
*Focused on strengthening the operating structure and expanding differentiated businesses.*

In fiber materials, sales of high-performance materials for sports and outdoor use grew in the Americas and Europe, and the Japanese market, but profitability declined due to the impact of the stronger yen. In polyester yarn, although sales volume for use in automobiles declined due to the negative impact of production adjustments in Japan by automakers, we posted expanded sales of differentiated, high performance yarn for interior goods to major retailers, leading to a large improvement in earnings. In uniform materials, earnings improved owing to cost reductions through the transfer of production overseas and an increase in individual uniform orders.

In functional textiles and apparel, the business environment remained under pressure due to a downturn in spending on apparel, adjustments of orders placed by customers in Japan, and other factors. In this environment, we promoted production at optimal sites and improved quality control in the production process. In conjunction with this, we strove to drive earnings growth by expanding business targeting prominent retailers and apparel sectors, leveraging our strengths in planning and proposal-oriented business based on our unique material *SOLOTEX* and the *DELTA* series. In November 2016, we proposed and articulated our differentiated businesses to the markets through a comprehensive exhibition of textiles and apparel staged by Teijin Frontier Co., Ltd., in tandem with capturing new customer needs.

***Industrial Textiles and Materials***

*Favorable performance by automotive materials and civil engineering materials.*

In sales of automotive materials, sales of conveyor belts, yarn and fabric for air bags, reinforcement materials for tires, and synthetic leather materials for automotive interiors were generally favorable.
In other industrial textiles and related materials, civil engineering materials including concrete flaking prevention sheets (*Technora SAMM Sheet*) and provisional tents (*AEROSHELTER*) posted favorable sales owing to demand based on national land development plans and demand related to disaster recovery. However, exports of short cut polyester fiber and aramid fibers faced an uphill struggle.
In living related materials, the profitability of curtain fabrics improved mainly as a result of reviewing the profitability of each product amid continuing weakness in market conditions. Exports of wiping cloth were firm, and sales of personal hygiene products were robust, and sales of healthcare products grew steadily.
In resin and films, despite sluggish demand for resin and polyester films, we saw signs of an upturn in shipments to certain customers in step with a recovery trend in the markets for semiconductors and related products.

In initiatives to create other new businesses, we focused on expanding sales of our "wearable cosmetics" *Raffinan*, disaster mitigation-related products, *Motanka*, an emergency blanket, and *Pullshelter,* a disaster-readiness curtain. We are also steadily advancing initiatives to commercialize products using wearable electrode textiles.

**Others**

*Others, which does not qualify as a reportable operating segment, generated sales of ¥44.5 billion and operating income of ¥3.4 billion.*

The IT business posted a steady performance as sales of *Meccha Comics*, an e-book distribution service in the net services category, grew steadily. In the IT services category, specifically in the healthcare business, we bolstered sales of medical information systems including a radiology information system. At the same time, we are taking steps to expand into the nursing care field, including developing a comprehensive community healthcare system and studying the feasibility of a dementia care solution using the Internet of Things (IoT)*.

In new business development, sales of *LIELSORT* lithium-ion battery (LiB) separators grew steadily.
In the new healthcare field, sales of artificial joints manufactured by Teijin Nakashima Medical Co., Ltd. trended firmly. We continue to pursue development activities in fields such as implantable medical products and regenerative medicine products.
We are pushing ahead with the development of *BARLEYmax*, an enhanced barley product, as a new initiative in the field of functional food materials. We are conducting clinical trials, sales on a trial basis and marketing activities for

* The IoT (Internet of Things) is a concept that describes the interconnection of a vast array of devices worldwide via the Internet. Such advanced connectivity will facilitate the realization of a wider range of new services.

*BARLEYmax*. In December 2016, we won the "Food Category Award" in the Yahoo! Japan Search Awards. Furthermore, in January 2017, a food manufacturer decided to adopt *BARLEYmax* for the first time. Going forward, we will continue to accelerate business expansion activities for this proprietary product.

## Qualitative Information on Financial Position

### Analysis of Assets, Liabilities and Net Assets

Total assets as of December 31, 2016 amounted to ¥905.8 billion, up ¥82.4 billion from the end of fiscal 2015. The increase in total assets was primarily the result of an increase in cash and deposits due to the preparation of funds for the acquisition of Continental Structural Plastics Holdings Corporation (CSP). There was also an increase in the mark-to-market valuations of investment securities due to rising share prices of listed stocks.

Total liabilities amounted to ¥551.5 billion, up ¥42.5 billion from the end of fiscal 2015. Interest-bearing debt accounted for ¥343.7 billion of the total, up ¥40.4 billion, mainly due to an increase in fund procurement in line with the preparation of funds for the acquisition.

Total net assets increased ¥39.9 billion, to ¥354.3 billion. Total shareholders' equity and total accumulated other comprehensive income together represented ¥340.5 billion of the total, an increase of ¥40.4 billion. This was mainly due to profit attributable to owners of parent of ¥34.1 billion, along with an increase in deferred gains on hedges stemming from foreign currency forward transactions for funds prepared for the acquisition, despite the payment of dividends and other factors.

## Qualitative Information on Outlook for Operating Results

### Outlook for Fiscal 2016

### Forecast for Operating Results

(Billions of yen/%)

| | Net sales | Operating income | Ordinary income | Profit attributable to owners of parent |
|---|---|---|---|---|
| Fiscal 2016 (Forecast) | ¥740.0 | ¥56.0 | ¥55.0 | ¥37.0 |
| Fiscal 2015 | 790.7 | 67.1 | 60.3 | 31.1 |
| Change | (50.7) | (11.1) | (5.3) | +5.9 |
| Percentage change | -6.4% | -16.6% | -8.8% | +19.0% |

The global economy is expected to remain on a gradual recovery path as a whole, despite mixed speculation about the impact of the shift in policy of the new U.S. administration on geopolitical and economic conditions. In this environment, we will remain focused on completing the restructuring initiatives laid out in the revised medium-term management plan announced in November 2014, whose final year is fiscal 2016. Meanwhile, in order to realize our long-term vision, we will steadily press ahead with the implementation of our growth strategies, and our transformation strategies, laid out in the newly announced medium-term management plan. Concurrently, we will work to strengthen our management system platform underpinning these strategies.

Looking at our consolidated full-term operating results forecasts for fiscal 2016, in light of recent trends in foreign exchange movements and other factors, we have revised our forecast of consolidated net sales to ¥740.0 billion, compared with our previous forecast of ¥730.0 billion, operating income of ¥56.0 billion, compared with our previous forecast of ¥53.0 billion, ordinary income of ¥55.0 billion, compared with our previous forecast of ¥53.0 billion, and profit attributable to owners of parent of ¥37.0 billion, compared with ¥35.0 billion previously. These forecasts assume exchange rates of ¥108 to US$1.00 and ¥120 to €1.00 and an average Dubai crude oil price of US$47 per barrel.

**Forecast for Segment Results**

(Billions of yen)

| | Net sales | | Operating income | |
|---|---|---|---|---|
| | 1Q–3Q | Full term (Forecast) | 1Q–3Q | Full term (Forecast) |
| Advanced Fibers and Composites | ¥ 85.9 | ¥ 135.0 | ¥ 10.6 | ¥ 14.5 |
| Electronics Materials and Performance Polymer Products | 102.0 | 135.0 | 15.0 | 17.5 |
| Healthcare | 111.9 | 145.0 | 21.4 | 27.5 |
| Trading and Retail | 190.9 | 260.0 | 4.6 | 6.0 |
| Total | 490.7 | 675.0 | 51.6 | 65.5 |
| Others | 44.5 | 65.0 | 3.4 | 5.5 |
| Elimination and corporate | — | — | (11.4) | (15.0) |
| Consolidated total | ¥ 535.2 | ¥ 740.0 | ¥ 43.6 | ¥ 56.0 |

## 2. Other Information

**Changes in significant subsidiaries during the period under review:**

None

**Adoption of special quarterly accounting methods:**

Certain of the consolidated subsidiaries of Teijin Limited ("the Company") have adopted a method for estimating in practical terms the effective tax rate for the fiscal year, including for the nine months ended December 31, 2016, following the application of tax effect accounting to income before income taxes, and multiplying this by quarterly income before income taxes to estimate quarterly tax expense.

**Changes in accounting principles, procedures and presentation methods:**

None

**Additional Information:**

***Adoption of Revised Implementation Guidance on Recoverability of Deferred Tax Assets***

Effective from the three months ended June 30, 2016, the Company adopted the "Revised Implementation Guidance on Recoverability of Deferred Tax Assets" (Accounting Standards Board of Japan (ASBJ) Implementation Guidance No. 26, issued on March 28, 2016).

## 3. Financial Statements

### (1) Consolidated Balance Sheets

(Millions of yen)

| | As of March 31, 2016 | As of December 31, 2016 |
|---|---|---|
| **< Assets >** | | |
| **Current assets** | | |
| Cash and deposits | 72,122 | 169,467 |
| Notes and accounts receivable-trade | 164,536 | 160,912 |
| Securities | 29,000 | – |
| Merchandise and finished goods | 85,965 | 89,079 |
| Work in process | 7,738 | 10,476 |
| Raw materials and supplies | 26,738 | 27,499 |
| Other | 45,419 | 54,839 |
| Allowance for doubtful accounts | (1,015) | (2,701) |
| **Total** | **430,504** | **509,573** |
| **Fixed assets** | | |
| **Tangible assets** | | |
| Buildings and structures, net | 58,631 | 57,377 |
| Machinery and equipment, net | 70,751 | 69,456 |
| Other, net | 73,883 | 76,699 |
| **Total** | **203,267** | **203,532** |
| **Intangible assets** | | |
| Goodwill | 7,296 | 6,103 |
| Other | 9,356 | 9,378 |
| **Total** | **16,653** | **15,481** |
| **Investments and other assets** | | |
| Investment securities | 109,053 | 114,866 |
| Other | 66,117 | 64,916 |
| Allowance for doubtful accounts | (2,166) | (2,553) |
| **Total** | **173,004** | **177,228** |
| **Total fixed assets** | **392,924** | **396,243** |
| **Total assets** | **823,429** | **905,816** |

(Millions of yen)

| | As of March 31, 2016 | As of December 31, 2016 |
|---|---|---|
| **< Liabilities >** | | |
| **Current liabilities** | | |
| Notes and accounts payable-trade | 71,394 | 80,520 |
| Short-term loans payable | 55,527 | 110,464 |
| Current portion of long-term loans payable | 27,493 | 49,849 |
| Income taxes payable | 6,238 | 3,765 |
| Other | 67,542 | 62,672 |
| **Total** | **228,196** | **307,272** |
| **Noncurrent liabilities** | | |
| Bonds payable | 55,148 | 55,119 |
| Long-term loans payable | 163,645 | 126,920 |
| Provision for business structure improvement | 12,555 | 11,184 |
| Net defined benefit liability | 30,440 | 33,834 |
| Asset retirement obligations | 2,405 | 2,535 |
| Other | 16,624 | 14,650 |
| **Total** | **280,820** | **244,245** |
| **Total liabilities** | **509,017** | **551,518** |
| **<Net assets>** | | |
| **Shareholders' equity** | | |
| Capital stock | 70,816 | 70,816 |
| Capital surplus | 101,473 | 102,805 |
| Retained earnings | 127,377 | 152,595 |
| Treasury stock | (354) | (336) |
| **Total** | **299,312** | **325,880** |
| **Accumulated other comprehensive income** | | |
| Valuation difference on available-for-sale securities | 17,754 | 23,578 |
| Deferred gains or losses on hedges | (1,303) | 12,692 |
| Foreign currency translation adjustment | (15,073) | (20,512) |
| Remeasurements of defined benefit plans | (578) | (1,158) |
| **Total** | **799** | **14,600** |
| **Subscription rights to shares** | **837** | **817** |
| **Non-controlling interests** | **13,462** | **12,999** |
| **Total net assets** | **314,412** | **354,298** |
| **Total liabilities and net assets** | **823,429** | **905,816** |

**(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income**

**(Consolidated Statements of Income)**

(Millions of yen)

| | For the nine months ended December 31, 2015 | For the nine months ended December 31, 2016 |
|---|---|---|
| **Net sales** | **591,293** | **535,180** |
| Cost of sales | 399,294 | 350,857 |
| **Gross profit** | **191,999** | **184,322** |
| Selling, general and administrative expenses | 136,511 | 140,707 |
| **Operating income** | **55,488** | **43,614** |
| Nonoperating revenues | | |
| Interest income | 480 | 468 |
| Dividends income | 1,546 | 1,756 |
| Equity in earnings of affiliates | 2,553 | 2,352 |
| Gain on valuation of derivatives | 27 | 564 |
| Miscellaneous income | 1,150 | 479 |
| Total | 5,758 | 5,621 |
| Nonoperating expenses | | |
| Interest expenses | 1,878 | 1,628 |
| Foreign exchange losses | 426 | 252 |
| Miscellaneous loss | 2,134 | 1,572 |
| Total | 4,438 | 3,453 |
| **Ordinary income** | **56,808** | **45,782** |
| Extraordinary income | | |
| Gain on sales of noncurrent assets | 134 | 229 |
| Gain on sales of investment securities | 70 | 11 |
| Reversal of impairment losses | 1,782 | 51 |
| Gain on revision of retirement benefit plan | — | 193 |
| Other | 137 | 173 |
| Total | 2,125 | 659 |
| Extraordinary loss | | |
| Loss on sales and retirement of noncurrent assets | 1,526 | 1,565 |
| Impairment loss | 5,619 | 735 |
| Business structure improvement expenses | 4,193 | 2,020 |
| Other | 1,388 | 719 |
| Total | 12,728 | 5,041 |
| **Income before income taxes** | **46,204** | **41,400** |
| Income taxes | **13,244** | **6,668** |
| **Profit** | **32,959** | **34,732** |
| Profit (loss) attributable to non-controlling interests | (1,962) | 666 |
| **Profit attributable to owners of parent** | **34,922** | **34,065** |

**(Consolidated Statements of Comprehensive Income)**

(Millions of yen)

| | For the nine months ended December 31, 2015 | For the nine months ended December 31, 2016 |
|---|---|---|
| **Profit** | **32,959** | **34,732** |
| **Other comprehensive income** | | |
| Valuation difference on available-for-sale securities | 96 | 5,832 |
| Deferred gains (losses) on hedges | 1,001 | 13,993 |
| Foreign currency translation adjustment | (2,074) | (3,262) |
| Remeasurements of defined benefit plans, net of tax | (430) | (496) |
| Share of other comprehensive income of associates accounted for using the equity method | (221) | (2,170) |
| **Total** | **(1,628)** | **13,896** |
| **Comprehensive income (loss)** | **31,330** | **48,629** |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of the parent | 33,428 | 47,866 |
| Comprehensive income (loss) attributable to minority interests | (2,097) | 762 |

**(4) Notes Pertaining to Going Concern Assumption**

No

**(5) Notes on Significant Changes in Shareholders' Equity**

No

**(6) Segment Information, etc.**

Ⅰ. For the nine months ended December 31, 2015

1. Segment sales and operating income

(Millions of yen)

| | Reportable operating segments | | | | | Others* | Total |
|---|---|---|---|---|---|---|---|
| | Advanced Fibers and Composites | Electronics Materials and Performance Polymer Products | Healthcare | Trading and Retail | Subtotal | | |
| Sales | | | | | | | |
| 1) External customers | 97,634 | 129,365 | 112,482 | 200,260 | 539,742 | 51,550 | 591,293 |
| 2) Intersegment transactions or transfers | 20,194 | 2,880 | — | 2,911 | 25,985 | 12,525 | 38,511 |
| Net sales | 117,828 | 132,246 | 112,482 | 203,171 | 565,728 | 64,076 | 629,804 |
| Segment income (loss) | 13,924 | 18,913 | 25,436 | 4,030 | 62,304 | 3,274 | 65,578 |

* "Others," which includes the polyester raw materials and polymerization businesses and the IT business, does not qualify as a reportable operating segment.

2. Difference between operating income and sum of operating income (loss) in reportable operating segments

(Adjustment) (Millions of yen)

| Operating income | Amount |
|---|---|
| Total reportable operating segments | 62,304 |
| Others segment | 3,274 |
| Elimination of intersegment transactions | (416) |
| Corporate expenses* | (9,674) |
| Operating income | 55,488 |

* Corporate expenses are expenses that cannot be allocated to individual reportable operating segments and are primarily related to basic research and head office administration.

3. Loss on impairment and goodwill by reportable segments

Material loss on impairment of fixed assets

In the nine months ended December 31, 2015, the Electronics Materials and Performance Polymer Products segment reported losses on impairment of 5,069 Million yen.

Material change in the amount of goodwill

This item has been omitted because it is of low significance.

Material gain from negative goodwill

No

Ⅱ. For the nine months ended December 31, 2016

1. Segment sales and operating income

(Millions of yen)

| | Reportable operating segments | | | | | Others* | Total |
|---|---|---|---|---|---|---|---|
| | Advanced Fibers and Composites | Electronics Materials and Performance Polymer Products | Healthcare | Trading and Retail | Subtotal | | |
| Sales | | | | | | | |
| 1) External customers | 85,914 | 101,957 | 111,857 | 190,943 | 490,673 | 44,506 | 535,180 |
| 2) Intersegment transactions or transfers | 17,646 | 2,590 | — | 3,228 | 23,465 | 13,241 | 36,706 |
| Net sales | 103,560 | 104,548 | 111,857 | 194,171 | 514,138 | 57,748 | 571,886 |
| Segment income | 10,626 | 14,989 | 21,410 | 4,583 | 51,609 | 3,445 | 55,054 |

* "Others," which includes the polyester raw materials and polymerization businesses and the IT business, does not qualify as a reportable operating segment.

2. Difference between operating income and sum of operating income (loss) in reportable operating segments

(Adjustment) (Millions of yen)

| Operating income | Amount |
|---|---|
| Total reportable operating segments | 51,609 |
| Others segment | 3,445 |
| Elimination of intersegment transactions | (65) |
| Corporate expenses* | (11,374) |
| Operating income | 43,614 |

* Corporate expenses are expenses that cannot be allocated to individual reportable operating segments and are primarily related to basic research and head office administration.

3. Loss on impairment and goodwill by reportable segments

This item has been omitted because it is of low significance.

## (Significant Subsequent Events)

(Acquisition of Company through the Purchase of Shares)
The Company resolved to acquire Continental Structural Plastics Holdings Corporation ("CSP"), a leading automotive composite supplier in North America, at its Board of Directors' meeting held on August 1, 2016, through the purchase of all the shares of CSP by Teijin Holdings USA, Inc., a consolidated subsidiary of the Company. CSP will become a consolidated subsidiary of the Company. The Company agreed to acquire the shares of CSP on September 13, 2016. The acquisition of the shares was completed on January 3, 2017 (U.S. time).

**1. Main Purpose of the Share Purchase**
The Company will benefit from CSP's established sales channels in the North American automotive market, which will enable the combined business to provide a broader range of solutions that meet automakers' demands for weight reduction and durability, utilizing the company's thermoplastic composite technologies. The Company is now focused on establishing a platform for business development in automotive composite products, aiming to provide a wider range of solutions for automakers.

**2. Name of Share Purchase Counterparty**
RLSI-CSP Capital Partners, LLC

**3. Name, Description of Business of the Company to Be Acquired**
Company Name : Continental Structural Plastics Holdings Corporation
Headquarters : Auburn Hills, Michigan, U.S.A.
Representative : Frank Macher, Chairman and CEO
Business : Design, molding and processing of automotive composite materials and components

**4. Date of Share Purchase** January 3, 2017 (U.S. time)

**5. Acquisition Price** USD 825 million

**6. Financing Methods for Funds Paid**
Cash on hand and external borrowings were allocated to execute the acquisition.

**Supplementary Information**

## 1. Movement of consolidated results

(1) Movement of results (Billions of yen)

| | FY2015 1Q | FY2015 2Q | FY2015 3Q | FY2015 4Q | FY2016 1Q | FY2016 2Q | FY2016 3Q |
|---|---|---|---|---|---|---|---|
| Net sales | 192.6 | 199.5 | 199.2 | 199.5 | 174.2 | 178.8 | 182.1 |
| Operating income | 16.4 | 18.9 | 20.1 | 11.6 | 15.7 | 11.3 | 16.6 |
| Ordinary income | 18.0 | 17.9 | 21.0 | 3.5 | 14.4 | 12.3 | 19.1 |
| Profit (loss) attributable to owners of parent | 11.2 | 13.3 | 10.5 | (3.8) | 11.4 | 9.9 | 12.7 |

(2) Movement of industrial segment information (Billions of yen)

| | FY2015 1Q | FY2015 2Q | FY2015 3Q | FY2015 4Q | FY2016 1Q | FY2016 2Q | FY2016 3Q |
|---|---|---|---|---|---|---|---|
| Net sales | | | | | | | |
| Advanced Fibers and Composites | 32.1 | 33.3 | 32.2 | 35.4 | 29.8 | 27.5 | 28.6 |
| Electronics Materials and Performance Polymer Products | 44.8 | 42.6 | 42.0 | 34.3 | 33.6 | 33.3 | 35.1 |
| Healthcare | 38.0 | 36.8 | 37.7 | 35.0 | 37.4 | 36.1 | 38.3 |
| Trading and Retail | 61.4 | 68.7 | 70.1 | 70.7 | 59.2 | 66.2 | 65.5 |
| Total | 176.3 | 181.4 | 182.1 | 175.4 | 160.1 | 163.2 | 167.4 |
| Others | 16.3 | 18.1 | 17.2 | 24.0 | 14.1 | 15.7 | 14.7 |
| Consolidated total | 192.6 | 199.5 | 199.2 | 199.5 | 174.2 | 178.8 | 182.1 |
| Operating income (loss) | | | | | | | |
| Advanced Fibers and Composites | 3.6 | 5.7 | 4.6 | 4.6 | 3.6 | 4.1 | 2.9 |
| Electronics Materials and Performance Polymer Products | 6.2 | 5.7 | 7.0 | 3.4 | 5.6 | 3.8 | 5.6 |
| Healthcare | 8.9 | 7.9 | 8.7 | 3.4 | 8.6 | 3.8 | 9.0 |
| Trading and Retail | 1.0 | 1.2 | 1.8 | 1.3 | 1.4 | 1.5 | 1.7 |
| Total | 19.7 | 20.4 | 22.2 | 12.6 | 19.2 | 13.2 | 19.2 |
| Others | 0.5 | 1.4 | 1.4 | 3.2 | 0.3 | 1.9 | 1.3 |
| Elimination & corporate | (3.9) | (2.8) | (3.4) | (4.2) | (3.8) | (3.8) | (3.9) |
| Consolidated total | 16.4 | 18.9 | 20.1 | 11.6 | 15.7 | 11.3 | 16.6 |

## 2. Capital expenditure, depreciation & amortization expenses and research & development expenses (consolidated)

(Billions of yen)

| | FY2013 (Actual) | FY2014 (Actual) | FY2015 (Actual) | FY2016 1Q–3Q (Actual) | FY2016 (Outlook) |
|---|---|---|---|---|---|
| Capital expenditure: | | | | | |
| CAPEX for tangible assets | 27.7 | 25.3 | 33.6 | 25.9 | 47.3 |
| Total | 30.2 | 28.1 | 38.3 | 28.6 | 50.0 |
| Depreciation & amortization* | 45.7 | 43.0 | 38.9 | 28.0 | 40.0 |
| Research & development | 32.2 | 32.4 | 33.3 | 27.0 | 36.0 |

* Depreciation and amortization includes amortization of goodwill.

### 3. Foreign Exchange Rate

(1) BS exchange rate for overseas subsidiaries (End of fiscal year)

| | FY2014 (Actual) | FY2015 (Actual) | FY2016 3Q (Actual) | FY2016 (Outlook) |
|---|---|---|---|---|
| JPY/USD | 120 | 113 | 116 | 114 |
| USD/EUR | 1.08 | 1.13 | 1.05 | 1.11 |

(2) PL exchange rate for overseas subsidiaries (Average of fiscal year)

| | FY2014 (Actual) | FY2015 (Actual) | FY2016 3Q (Actual) | FY2016 (Outlook) |
|---|---|---|---|---|
| JPY/USD | 110 | 120 | 107 | 108 |
| USD/EUR | 1.26 | 1.10 | 1.11 | 1.11 |

### 4. Sales of principal pharmaceuticals

(Billions of yen)

| Products | Indication | FY2014 (Actual) | FY2015 (Actual) | FY2016 1Q–3Q (Actual) |
|---|---|---|---|---|
| *Feburic* ® | Hyperuricemia and gout | 15.5 | 21.3 | 20.2 |
| *Bonalon* ® | Osteoporosis | 12.9 | 12.9 | 9.0 |
| *Mucosolvan* ® | Expectorant | 6.5 | 6.8 | 4.4 |
| *Venilon* ® | Severe infectious diseases | 9.8 | 4.4 | 3.6 |
| *Onealfa* ® | Osteoporosis | 5.4 | 4.8 | 2.9 |
| *Laxoberon* ® | Laxative | 2.9 | 2.5 | 1.6 |
| *Somatuline* ® | Acromegaly and pituitary gigantism | 1.1 | 1.5 | 1.3 |
| *Tricor* ® | Hyperlipidemia | 1.7 | 1.6 | 1.2 |
| *Alvesco* ® | Asthma | 1.2 | 1.2 | 0.9 |

### 5. Development status of new pharmaceuticals

(As of December 31, 2016)

| Products | Indication | Stage |
|---|---|---|
| TMX-67TLS(*Feburic* ® ) | Tumor lysis syndrome | Approved in Japan in May 2016 |
| TMX-67 | Hyperuricemia and gout | Filed in PRC in November 2015 |
| ITM-014N (*Somatuline* ® ) | Neuroendocrine tumor | Filed in July 2016 |
| STM-279 | Adenosine deaminase (ADA) deficiency | Ph III |
| GGS-ON (*Venilon* ®) | Optic neuritis | Ph III |
| GGS-MPA(*Venilon* ®) | Microscopic polyangitis | Ph III |
| GGS-CIDP(*Venilon* ®) | Chronic inflammatory demyelinating polyneuropathy | Ph III |
| VRS-317 | Pediatric growth hormone deficiency (GHD) | Ph II /III (Phase 3) |
| ITM-058 | Osteoporosis | Ph II |
| PTR-36 | Bronchial asthma | Ph II |
| KTP-001 | Lumbar disc herniation | Ph I / II (U.S.) |
| TMG-123 | TypeII Diabetes | Ph I |
| TMX-049 | Hyperuricemia and gout | Ph I |
| TMX-049DN | Diabetic nephropathy in Type 2 diabetes | Ph I (UK) |

* *Bonalon* ® is the registered trademark of Merck Sharp & Dohme Corp., Whitehouse Station, NJ, USA.
* *Somatuline* ® is the registered trademark of Ipsen Pharma, Paris, France.
* KTP-001 was discovered and is under development by Teijin Pharma Limited and Kaketsuken (The Chemo-Sero-Therapeutic Research Institute), a general incorporated foundation, based on an enzyme engineered by Professor Hirotaka Haro of the University of Yamanashi's Graduate School of Medicine and Engineering Advanced Medical Science and Dr. Hiromichi Komori, assistant head of the Department of Orthopaedic Surgery at Yokohama City Minato Red Cross Hospital.