

Toward the world we all desire.

# FUTURE NAVIGATION

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

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



Jun Suzuki, President and CEO



# TEIJIN



**Jun Suzuki**

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

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

## How We See the Business Environment

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

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

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

## Drive Transformation Strategies Forward by Continuously Transforming the Business Portfolio

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

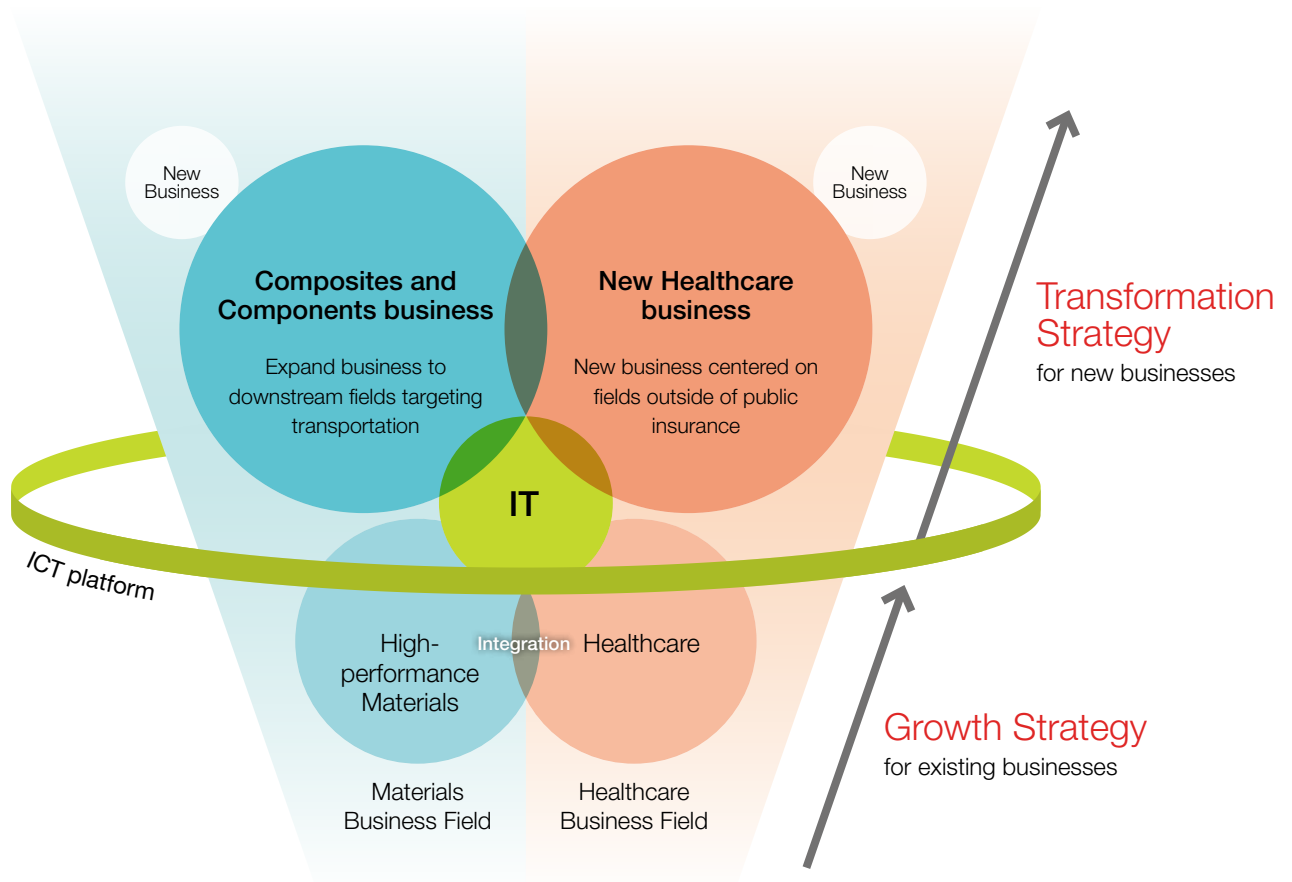
Looking back at Teijin's history, the past 100 years have been a journey of ceaseless evolution and transformation. Today, Teijin has built a unique business platform spanning the three different fields of Materials, Healthcare and IT. By combining or transforming these fields, we will ambitiously create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

capture synergies between both businesses that include its Materials and IT capabilities. These are Teijin's core strengths in the Healthcare Business Field. Leveraging this combination of strengths, we aim to build a platform encompassing a full range of services from healthcare to nursing care and pre-symptomatic care. This platform will serve as infrastructure for community network-based healthcare, and we will develop new businesses on this platform. Doing so has been set as a medium- and long-term goal.

Meanwhile, in the Materials Business Field, we will provide solutions that customers truly need, even if it is necessary in some cases to combine Teijin's products with the materials of other companies, in addition to selling Teijin's proprietary materials such as fibers and resins. In addition, the acquisition of Continental Structural Plastics Holdings Corporation (CSP), North America's largest automotive composites manufacturer, in January 2017 has greatly strengthened the Teijin Group's ability to reduce the weight of automobiles. We transformed our business model from a materials supplier to a Tier 1 components manufacturer and then to a component

supply partner with design abilities. As a result, we expect to bring about a materials revolution. Moreover, with the start of construction on a new carbon fiber production facility in North America, we will expand the Environmental Value Solutions business by helping to reduce the weight of automobiles and aircraft.

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



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

## Progress on the Medium-Term Management Plan

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

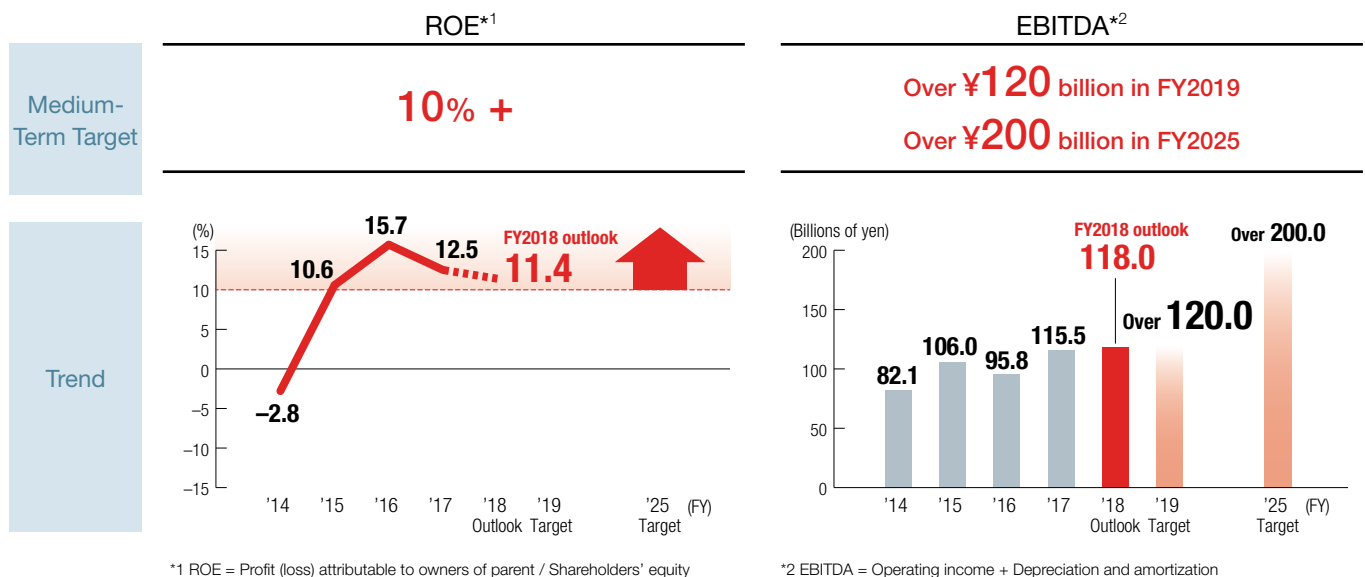
Looking at our operating results in fiscal 2017, the plan’s first year, ROE, a key performance indicator of the Company, was 12.5%, surpassing the target of 10% laid out in the medium-term management plan. EBITDA was ¥115.5 billion, marking a steady start toward our EBITDA target of over ¥120 billion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

Consolidated net sales totaled ¥835.0 billion, an increase of 12.6% year on year. Operating income rose 23.6% to ¥69.8

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

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

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



Long-Term Vision

## To be a Company that Supports the Society of the Future

“QOL Innovator”

Our Vision

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



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

■ Growth Strategies

**Strengthen core earnings power by accelerating growth in existing businesses**

■ Transformation Strategy

**Establish new core businesses and transform business models**

**Materials**

Expand to close-to-customer businesses

**Healthcare**

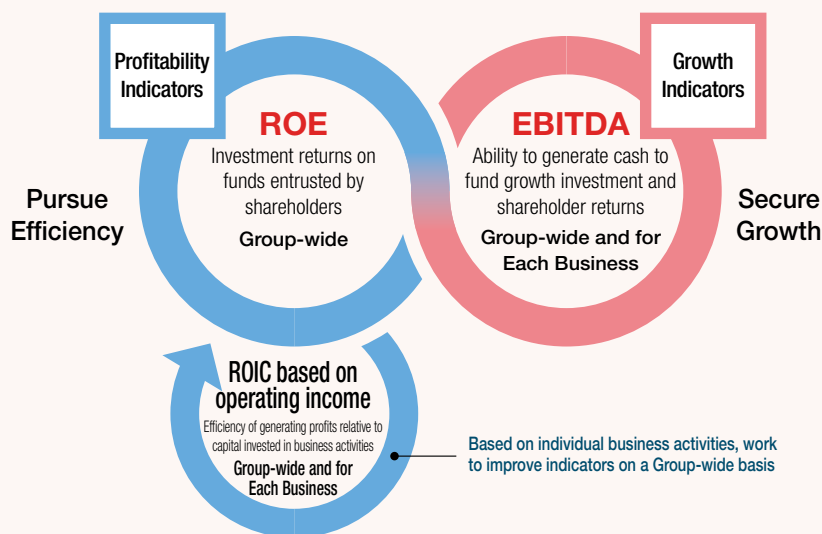
Diversify product and service lineups and establish cutting-edge business platforms

■ Strengthen the Management System Platform

**Strengthen an effective system underpinning growth and transformation strategies**

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

#### Management Indicators



#### Management Targets (Through FY2019)

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

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

## Diversity and Human Resources Development

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

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

## Environmental, Social and Governance (ESG) Measures

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

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

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

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

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

