Human Chemistry, Human Solutions

FOR SUSTAINABLE GROWTH

ALWAYS EVOLVING

TOWARD A SOLUTION-ORIENTED BUSINESS

FOR VALUE CREATION

INTEGRATED REPORT 2016

Year ended March 31, 2016

The Keystones of the Teijin Group ~The Teijin Group Corporate Philosophy and CSR Basic Policy~

Ceaseless Evolution and Ambition

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

The Teijin Group upholds its brand statement “Human Chemistry, Human Solutions” as its promise to society and its customers. Under the statement, we are globally expanding our wide range of businesses that include advanced fibers & composites, electric materials & performance polymer products, healthcare, products converting and IT.

In line with our corporate philosophy, we continue striving to enhance the quality of life of people everywhere.

With advanced technologies at the core of operations, we will continue to create new solutions in response to various global issues and needs. In doing so, the Teijin Group is aiming to be a prominent, globally admired corporate group.

Teijin Group Corporate Philosophy

In Harmony with Society

Enhancing the Quality of Life

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

Empowering Our People

Brand Statement

Human Chemistry, Human Solutions

Our promise is to keep delivering real value through the development of chemical technologies that are friendly to both people and the global environment, and through the provision of solutions that society and our customers expect.

For People's Life and Society

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

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

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

CSR Basic Policy (FY2012–FY2016)

1. To advance a CSR management that is integrated into the Teijin Group's business strategy, aiming to achieve the sustainable development of both business and society.
2. To continue to respond rapidly to changes in the socio-economic environment by obtaining and maintaining global recognition as "CSR champion" in Teijin's way.
3. To realize "co-existence with the global environment" by actively promoting environmental management.
4. To help realize improvement of "Quality of Life," by providing safe and reliable products and services.
5. To be recognized as a benchmark of Basic CSR activities such as compliance and risk management by their thorough implementation.
6. To build "Win-Win" relationships with stakeholders in and outside the Teijin Group by two-way dialogues and active involvement in their development and to enhance their satisfaction.

UN Global Compact

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

THE GLOBAL COMPACT
Network Japan
WE SUPPORT

Editorial Policy

The Teijin Group Integrated Report 2016 was prepared as an integrated report to ensure that all stakeholders, including shareholders and other 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

This report covers the period from April 2015 to March 2016. However, some activities in or after April 2016 are also included.

Reporting Organizations

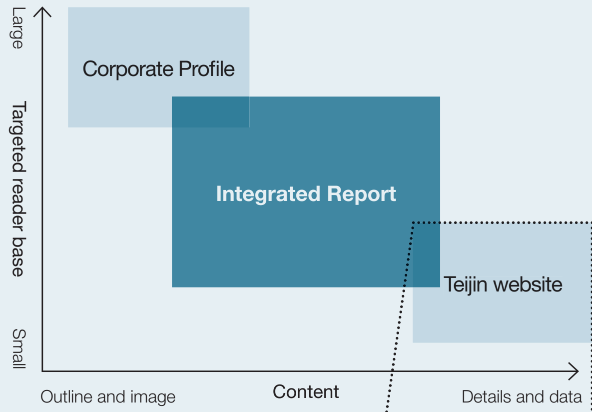
The report covers the entire Teijin Group (Teijin Limited and 60 domestic Group companies, and 93 overseas Group companies).

Guidelines used for Disclosing Non-Financial Information

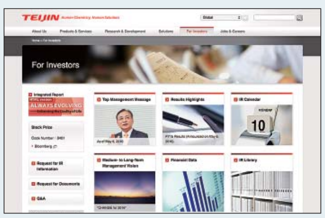
Environmental Report Guidelines 2012 (Japan's Ministry of the Environment)
The Global Reporting Initiative's G4 Sustainability Reporting Guidelines

Materiality and Comprehensiveness

The Teijin Group Integrated Report 2016 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.

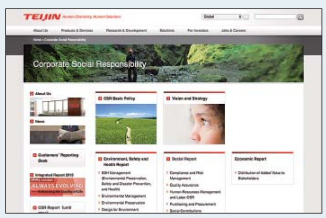


Financial Information

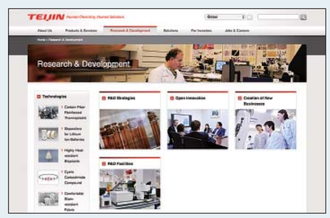


For Investors
http://www.teijin.com/ir/

Non-Financial Information



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



Research & Development
http://www.teijin.com/rd/

External Evaluations

Status of incorporation into SRI indices (as of July 2016)

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

Dow Jones Sustainability Indices
(criteria for inclusion: economic, environmental and social performance)

FTSE4Good Index Series
(criteria for inclusion: efforts to ensure environmental sustainability, development of positive relationships with stakeholders and support for universal human rights)

Ethibel Investment Register
(criteria for inclusion: ethical economic policy, environmental policy, internal and external social policies)

MSCI Global Sustainability Index Series

MEMBER OF
Dow Jones Sustainability Indices
In Collaboration with RobecoSAM

FTSE4Good

member of the INVESTMENT REGISTER
ETHIBEL EXCELLENCE

MSCI
2015 Constituent
MSCI Global
Sustainability Indexes

Disclaimer Regarding Forward-Looking Statements

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

Desired Communication Points in Each Chapter

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The Teijin Group Today

We give an overall view of the Teijin Group from the past to the present.

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The Teijin Group's Value Creation Story

Looking to the future, we present an explanation of how we will develop the Teijin Group's value creation.

40 OUR MATERIALITY

The Teijin Group's Material CSR Issues

Aiming to achieve sustained growth, we introduce the CSR issues that the Teijin Group considers important together with our associated initiatives.

58 DATA SECTION

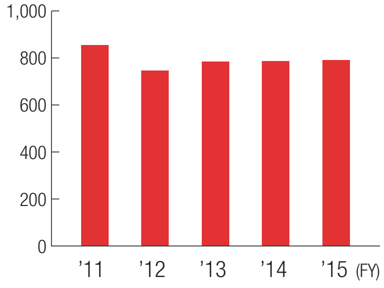
Data Section

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

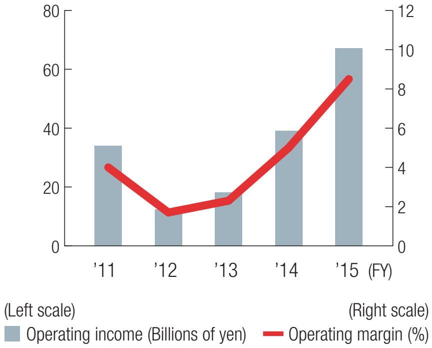
Financial and Non-Financial Information

Financial Information

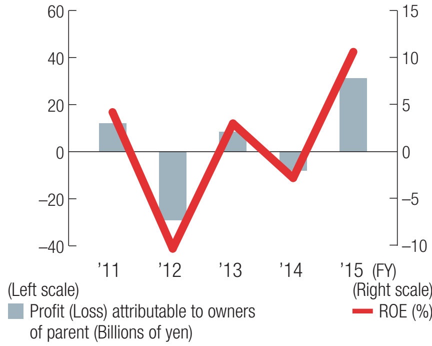
Net Sales (Billions of yen)



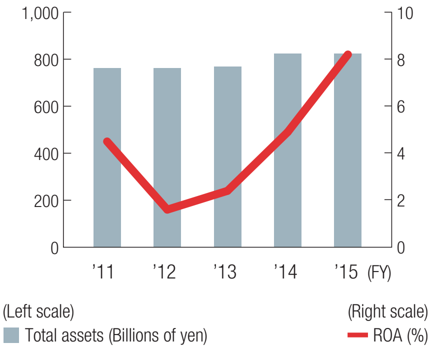
Operating Income (Billions of yen) Operating Margin (%)



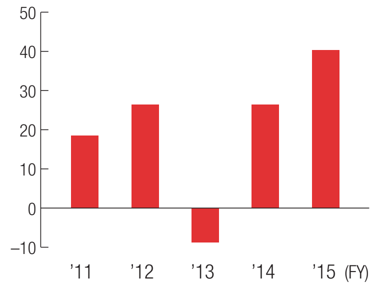
Profit (Loss) Attributable to Owners of Parent (Billions of yen) Return on Equity (ROE)*1 (%)



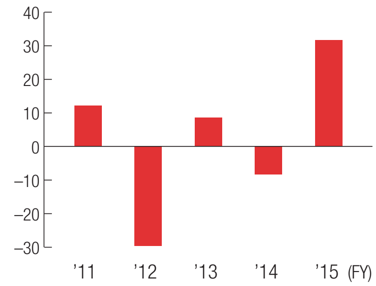
Total Assets (Billions of yen) Return on Assets (ROA)*2 (%)



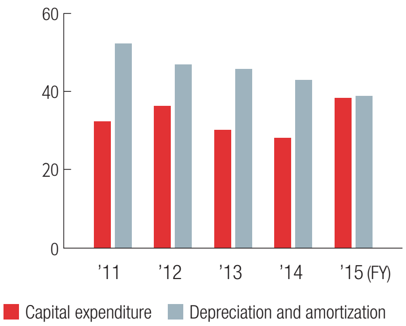
Free Cash Flow (Billions of yen)



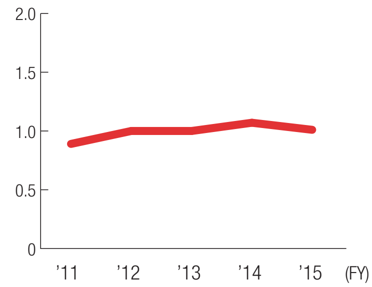
Net Income (Loss) per Share (Yen)



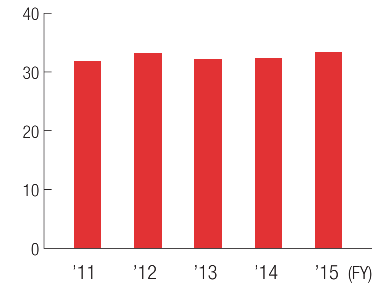
Capital Expenditure and Depreciation and Amortization (Billions of yen)



Debt-to-Equity Ratio (Times)



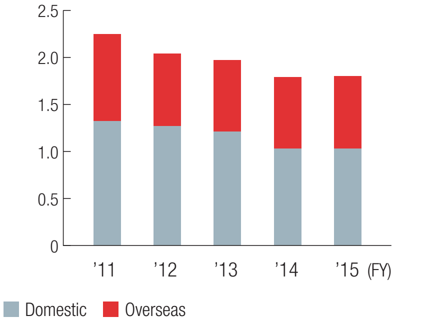
R&D Expenses (Billions of yen)



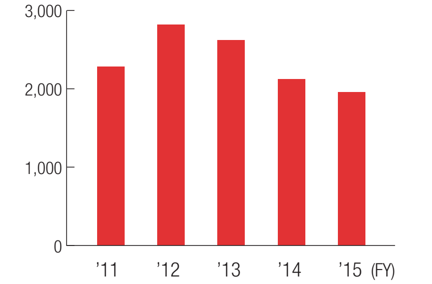
*1 Profit (Loss) attributable to owners of parent / Average total shareholders' equity
*2 Operating income / Average total assets

Non-Financial Information

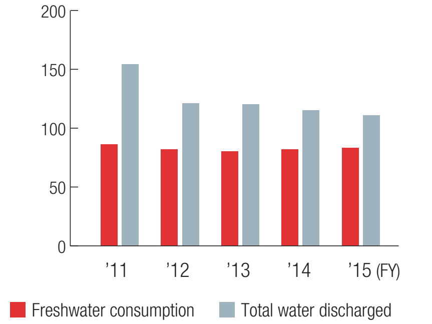
Greenhouse Gas Emissions from Manufacturing Operations*1 (Total) (Million tons-CO_2)



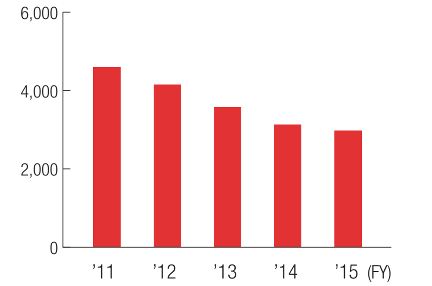
Chemical Substance Emissions*2 (Tons)



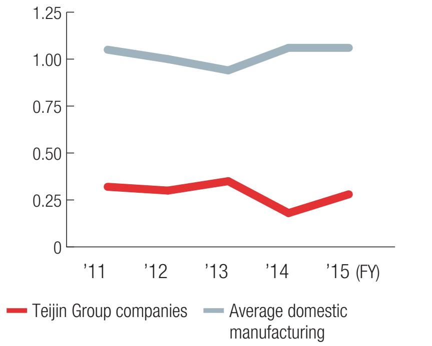
Freshwater Consumption and Total Water Discharged*3 (Millions of Tons)



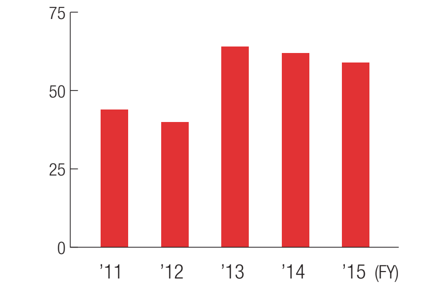
Waste with No Effective Use*4 (Tons)



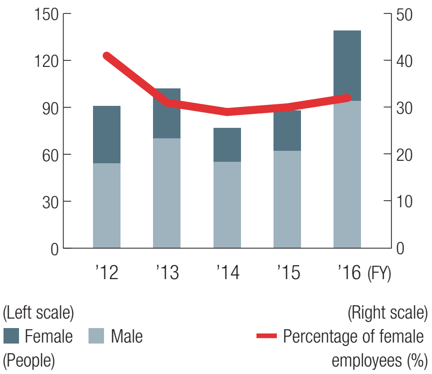
Lost Time Injury Frequency Rates*5



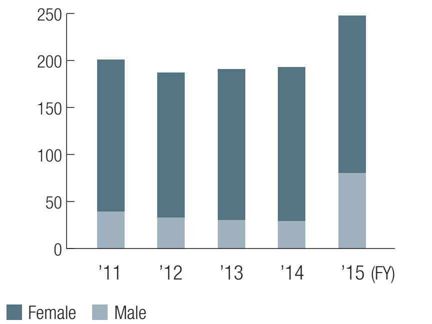
Usage of the Counseling and Reporting System (Number of Cases)



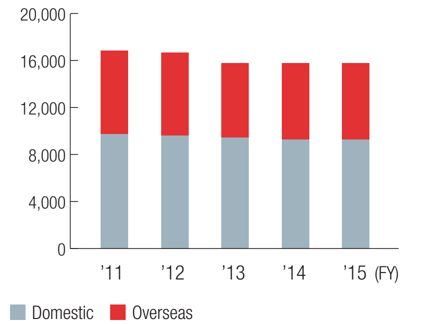
Number and Ratio of Newly Recruited Career-oriented Female University Graduates*6



Number of Employees Taking Childcare Leave*6 (People)



Number of Employees (Total) (People)



*1 Includes CO_2, methane and nitrous oxide. CO_2 emissions are calculated according to the coefficients specified in the Law Concerning the Promotion of Measures to Cope with Global Warming (an emissions factor for electricity of 0.555 kg CO_2/kWh is used for fiscal years up to 2014 and 0.579 kg CO_2/kWh is used for fiscal 2015). For power purchased overseas, where known, the relevant emissions factor is used for the calculations.

*2 Emissions of Class 1 chemical substances listed in the Chemical Substances Management Law and chemical substances designated by the Japan Chemical Industry Association. The figures shown are the total of emissions into the atmosphere, soil and water, and landfill amount within business sites. The Chemical Substances Management Law: law concerning reporting, etc., of releases to the environment of specific chemical substances and promoting improvements in their management.

*3 Freshwater consumption amount includes industrial water, groundwater and tap water. Water discharged includes seawater used for cooling.

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

*5 The lost time injury frequency rate is the number of lost time injuries per one million hours worked. (Figures are calculated based on calendar years.)
Source: Survey on Industrial Accidents, Japanese Ministry of Health, Labour and Welfare

*6 At the five core Group companies in Japan: Teijin Limited, Toho Tenax Co., Ltd., Teijin Pharma Limited, Teijin Frontier Co., Ltd., Infocom Corporation

THE TEIJIN GROUP'S CEASELESS EVOLUTION AND AMBITION

In one sense, the history of the Teijin Group has been the history of evolution. When founded, Teijin was the equivalent of a modern-day venture business, spawned from university research. The Company was born in the process of commercializing the development of Japan's first technology for manufacturing semi-synthetic rayon fibers. In the ensuing years before and after World War II, Teijin's main operations underwent an evolution from rayon to polyester, and business continued to diversify and globalize as we ambitiously pursued chemical technologies and cutting-edge R&D to remain in stride with the changing times. Our Group today was shaped by ceaseless evolution and an undying ambition, inherited in our genes since founding, to change the world for the better in amazing ways.

Where Teijin was founded: the Yonezawa Plant

The Challenge of Commercializing Rayon, an Artificial Silk Evolution to a Synthetic Fibers Manufacturer

Teijin was founded in 1918 as Japan's first rayon manufacturer. It became a leading company in the prosperous era of the Japanese rayon business.

In 1957, Teijin obtained a license to introduce production technologies for polyester fibers and films from ICI of the United Kingdom. In 1958, the Company began production of *TETORON* polyester fibers, which supported high earning capabilities and proactive business development, significantly expanding the business scope. Teijin established a succession of production bases and grew into a global synthetic fiber manufacturer.

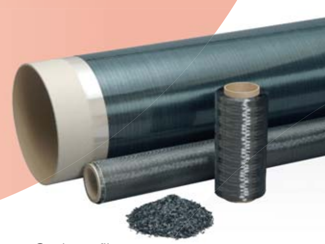
Signing ceremony for the introduction of technologies

The Challenge of Commercializing New Materials Evolution as a High-Performance Materials and Composites Manufacturer

TETORON grew significantly as Teijin's main product, while new business development and commercialization continued resolutely.

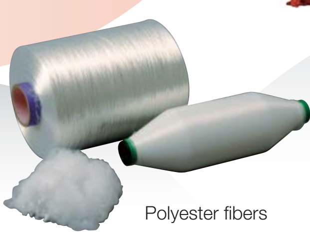
In 1960, Teijin began production of polycarbonate resin and in 1971 began production of polyester film. In the meantime, it continued proprietary development of aramid fibers, and in 1972 began operations for the production of *Teijinconex* meta-aramid fibers and in 1987 launched operations for *Technora* high-strength para-aramid fibers.

In 1999, the Company acquired an equity stake in Toho Rayon Co., Ltd. to launch the carbon fiber business. In 2000, it acquired a *Twaron* products para-aramid fibers business to further expand business.



Carbon fibers

Aramid fibers



Polyester fibers

Polycarbonate resin

The Challenge of Developing Different Business Domains in Healthcare and IT

Evolving into Diversified Management

In 1980, Teijin Pharmaceutical Co., Ltd. began operations, leveraging expertise and experience in synthetic chemistry and polymer chemistry. In 1982, the Company entered the home healthcare business, centering on home oxygen therapy (HOT). This was the start of the Healthcare Business that is now a major earner for Teijin.

The following year, 1983, Teijin Systems Technology Ltd. was established and Teijin entered the IT field. A merger expanded the business and led to the creation of Infocom, which was listed on the JASDAQ market in 2002.

Teijin Shoji Co., Ltd., founded in 1952, also repeatedly engaged in mergers to actively develop globally and now forms the core of the Trading and Retail segment as Teijin Frontier Co., Ltd.

The Challenge of Evolving Governance

Evolution to a New Business Portfolio

In 1993, Teijin formulated the Teijin Group Corporate Philosophy, Standards of Conduct and Corporate Code of Conduct to form the basis of Teijin's management. In 1999, the Company started full-scale management reforms. It was highly regarded by investors for leading other companies in measures such as setting up an Advisory Board and launching a Female Employee Advancement Committee. In 2003, Teijin was among the earliest to introduce outside directors. Through to now, it remains proactive in moving ahead with management transparency and speed.

The transformation and growth strategies currently being implemented will combine and fuse Teijin's strengths in materials, healthcare and IT. The Company will strive for new evolution to take Teijin's business portfolio to the next stage.

IT solutions for medical institutions

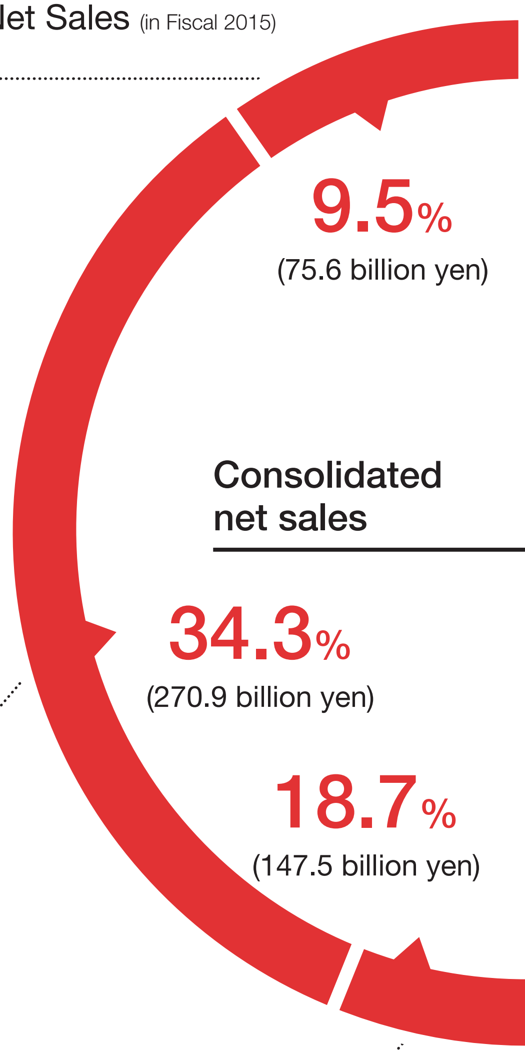
Therapeutic oxygen concentrators

Apparel field

Hyperuricemia and gout treatment
FEBURIC (Febuxostat)

The Teijin Group's Businesses

• Breakdown of Consolidated Net Sales (in Fiscal 2015)



IT and Others

IT Business

We provide various IT services, along with internet services such as digital content distribution and e-commerce.

IT Services
- IT services for healthcare domains
- *GRANDIT*, a fully web-based enterprise resource planning software package
- Digital content management services

Internet Services
- Content distribution services via mobile phones and smartphones (e-books and music)
- e-commerce services

New Business

We aim to create new businesses as early as possible in fields such as battery components, materials for printable electronics, embedded medical devices and regenerative medicine products.

Trading and Retail

We provide a wide range of solutions from materials development to products, to meet a variety of needs in markets spanning apparel to industrial textiles and materials.

Principal products and services

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

TEIJIN MEN'S SHOP
Ginza flagship store

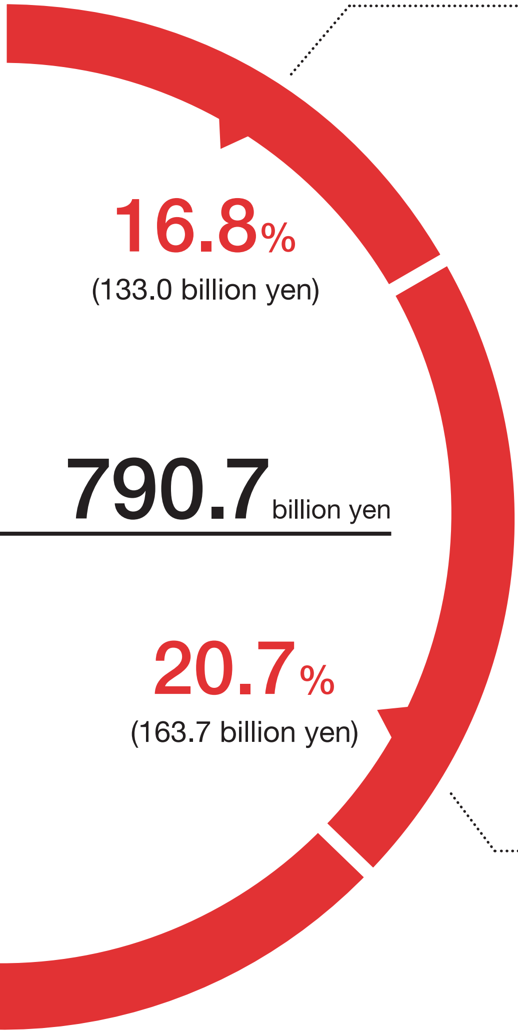
Automotive material

Healthcare

We provide unique, groundbreaking medical solutions by leveraging our

Pharmaceuticals

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



Advanced Fibers and Composites

As a leading global company in advanced fibers such as aramid and carbon fibers as well as in composites, we are working to expand our business further.

Principal products

- Aramid fibers

- Carbon fibers
- Oxidized PAN Fiber
- Polyester fibers
- Polyethylene naphthalate (PEN) fibers
- High-grade artificial leather

Principal applications

- Para-aramid fibers

Friction products, tires, rubber reinforcements (hoses, belts)

Protective clothing, optical fiber reinforcements, civil engineering materials

Bullet-resistant vest

- Meta-aramid fibers

Firefighting uniforms, heat-resistant filters

- Carbon fibers

Aircraft (structural and interior components)

Pressure vessels, sports and leisure equipment

© AIRBUS

- Polyester fibers

Automotive interior materials, rubber reinforcements

Seat belts, mats, cushions

Electronics Materials and Performance Polymer Products

We are expanding globally, with a focus on polyester film, where we hold one of the largest shares of the global market, and polycarbonate resin, where we have a leading share of the growing Asian market.

Principal products

- Polycarbonate resin

- Polyester film

- PEN resin
- PEN film

Principal applications

- Polycarbonate resin

Electrical and electronics components, audiovisual (AV) and office automation (OA) equipment, personal computer casings, smartphone camera lenses, automotive components (headlamps, door handles, etc.)

Sheets (Automotive instrument panels, dummy cans for vending machines)

OA equipment

- Polyester film

Display materials (Liquid crystal display (LCD) materials, organic electroluminescent displays (OLEDs), etc.)

Release film for various processes

Laminating film for beverage and food cans

LCD television

strengths in both the pharmaceuticals and home healthcare fields.

Home healthcare

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

The Teijin Group's Global Business Network

The Teijin Group currently sells products in 82 countries around the world from a global network of 153 Group companies. The overseas sales ratio has reached 40.1%.

Europe

Europe hosts aramid and carbon fiber business sites in advanced fibers, among other sites.

Asia

We are developing business in the growing Asian market, where we have resin, polyester fiber, film and other business sites.

Teijin Polycarbonate China Ltd.

Teijin Aramid B.V.
(Netherlands)

Toho Tenax Europe GmbH

Teijin Polyester
(Thailand) Limited

PT. Indonesia Teijin DuPont Films

Group companies	Products sold in	Overseas sales ratio
153 companies	82 countries	40.1%

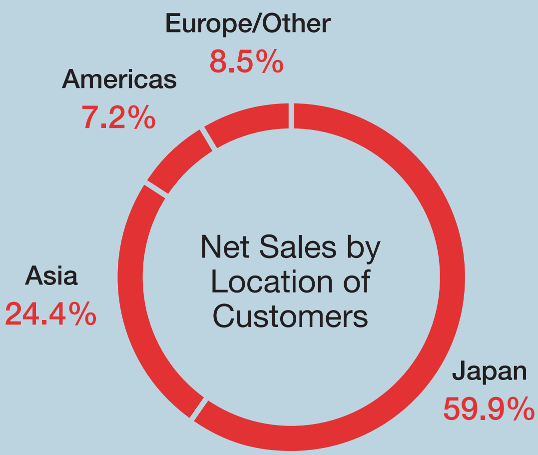
(As of March 31, 2016)

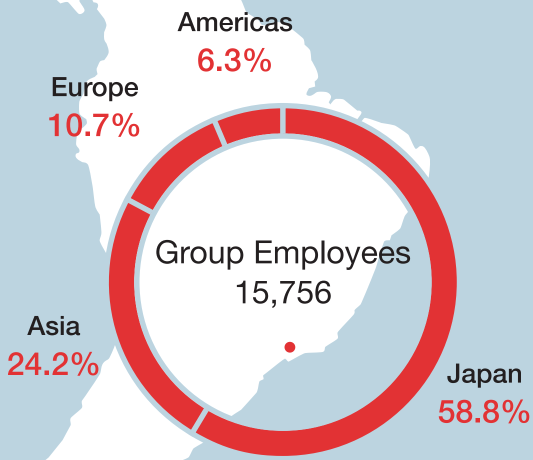
Japan

Japan hosts carbon fiber, polyester fiber, film and other business sites, and also provides a solid foundation for the healthcare business.

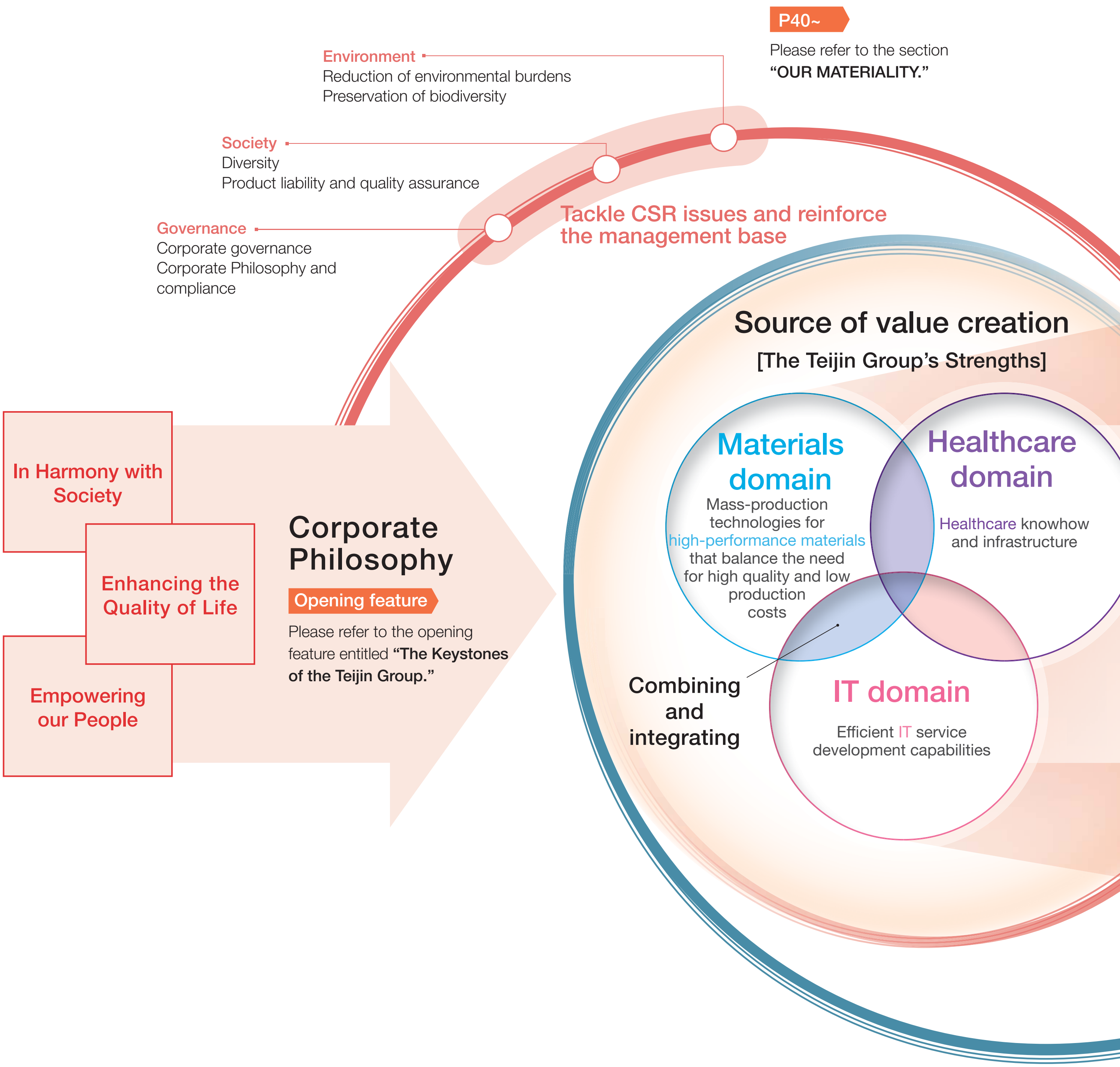
Americas

The Americas region hosts carbon fiber, film, home healthcare and other business sites.





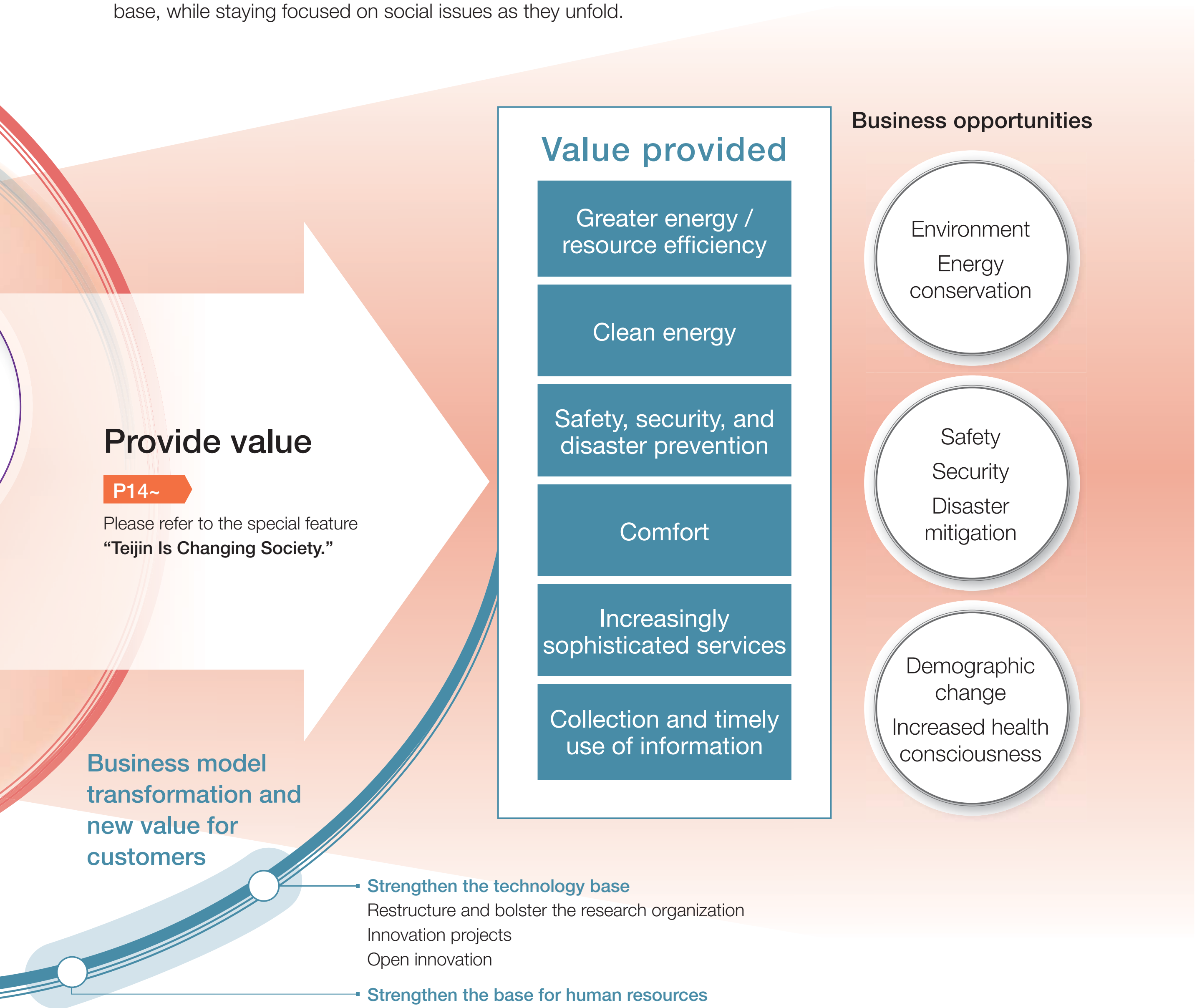
The Teijin Group's Value Creation Model



The basic goals underlying the Teijin Group's value creation activities are articulated by the phrases "Enhancing the Quality of Life," "In Harmony with Society" and "Empowering our People."

To achieve these basic goals, Teijin relies on the chemical technologies and customer base it has nurtured to leverage and integrate strengths in the three domains of materials, healthcare, and IT to provide much needed solutions to social issues.

Moreover, to realize sustainable growth, Teijin is endeavoring to transform its business model and provide customers with new value. At the same time, the Group is working ceaselessly to tackle CSR issues and reinforce its management base, while staying focused on social issues as they unfold.



P14~
Please refer to the special feature **"Teijin Is Changing Society."**

Strengthen the technology base
Restructure and bolster the research organization
Innovation projects
Open innovation

Strengthen the base for human resources
Marketing education (Material Business Academy)
Technological succession (Teijin Techno College)

P6~
Please refer to **"Evolution and Ambition Inherited in Our Genes."**

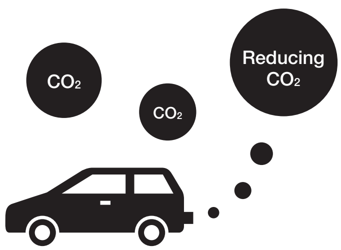
Environmental value solutions

Teijin's composites and weight-reducing technology are opening the door to a new age, responding to the weight reduction needs to improve environmental performance.

Social Issues

Lowering CO_2 emissions and raising fuel efficiency

Amid growing worldwide motorization, reducing CO_2 emissions and conserving energy has become a major social issue. Of the various steps being taken in the automobile industry to curb CO_2 emissions and boost fuel efficiency, initiatives to reduce vehicle weight are regarded as instrumental.



(Teijin's solutions)

Various high performance materials that help reduce weight

Teijin has a history of providing materials for lighter weight transport.

Carbon fibers are a striking example. With only a quarter the weight but ten times the strength of steel, carbon fibers are used to produce much lighter products while maintaining safety. They are widely used in aircraft parts. In addition, polycarbonate resin, which is about half the weight of glass, is helping to reduce the weight of vehicles including via use in the N700-series Shinkansen trains.

Increased uptake of carbon fibers and other high performance materials that reduce weight holds great promise for cutting the volume of CO_2 emissions.

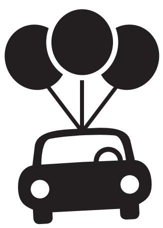
Carbon fibers *TENAX*

Polycarbonate resin

Examples of delivering all kinds of value

Carbon Fiber Reinforced Plastic (CFRP)

Sereebo®
Thermoplastic
CFRP *Sereebo*

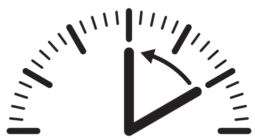


Business

Contributing to the weight reduction of automobiles

Reducing automobile energy consumption is a global task, as underlined by the U.S. government's announcement of proposed regulations for fuel efficiency for 2025 model vehicles equivalent to 23.2 km/L, roughly double the current average.

Carbon fibers hold promise as a trump card for producing lighter vehicles, and a huge market is bound to emerge if they come to be used in mass-produced automobiles.



Innovation

Realizing high productivity and low cost

Productivity and cost are major keys to further uptake and mass production of carbon fibers. Teijin has developed thermoplastic carbon fiber reinforced plastic (CFRP) technology that dramatically shortens molding time. We were the first in the world to successfully realize continuous integrated manufacturing from carbon fibers thorough the molding of component products in about one minute. Additionally, we participated in a development project led by NEDO*1, helping to establish a revolutionary carbon fiber production process that greatly increases productivity and halves CO_2 emissions and production energy.

*1 New Energy and Industrial Technology Development Organization

For Quality of Life

Reduction of environmental impact

As for CFRP's effectiveness in reducing the volume of CO_2 emissions, its use in automobiles for instance achieves an estimated 5 ton cut per vehicle*2. In addition, thermoplastic CFRP, which is easy to reshape after molding, is also suitable for reuse and reforming. It has the potential to help reduce environmental impact throughout the product lifecycle, not just in vehicles on the road but also after use.

*2 Calculations were made under the conditions shown below.
Body weight: 1,380 kg (gasoline-fueled, 4-door, FF; source: Japan Automobile Manufacturers Association, Inc.), actual-driving fuel efficiency: 9.8 km/L (source: Japan Automobile Manufacturers Association, Inc.), total mileage: 94,000 km (average for vehicles in use for 10 years; source: Ministry of Land, Infrastructure, Transport and Tourism, Japan)

Safety, security and disaster mitigation solutions

Teijin's solutions are very successful on the ground at disasters and elsewhere where safety and performance are required.

Social issues

Safety plus performance

Repeated disasters including the Great East Japan Earthquake of 2011 and the recent Kumamoto earthquakes have given even greater social gravity to safety, security, and disaster mitigation. Against this backdrop, there is growing demand for materials that combine safety and performance.

(Teijin's solutions)

A multitude of high performance, safety-supporting materials

Typical applications leveraging para-aramid fibers' strength include bullet-resistant and protective clothing as well as stab-resistant products such as helmets and protective gloves. In addition, Teijin has the top domestic market share for firefighting clothing capitalizing on the heat resistance of meta-aramid fibers.

Further, aramid and carbon fibers are also used as supplementary earthquake-proof construction materials in concrete and other materials. Also, in polyester fibers, Teijin's ultra-lightweight ceiling material *Karuten* is playing a major role in ensuring safety when earthquakes hit.

Moreover, we are forging ahead with the development of advanced fiber reinforced wood (AFRW) integrating timber and advanced fibers. We are working to put AFRW combing timber and advanced materials possessing toughness and rigidity into practical use as secure and safe building materials.

Teijin offers disaster mitigation products like *Motanka*, an emergency blanket that does double duty as a stretcher. We also offer woven aramid fabrics to protect against debris from volcanic eruptions in places like shelters and cabins in the vicinity of volcanic craters. These are just a sampling of the wide array of products we are developing and selling.

Carbon fiber reinforced wood

Aramid fibers

Examples of delivering all kinds of values

Diverse Lineup of Aramid Fibers

Para-aramid fibers
Technora

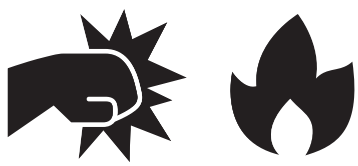
Meta-aramid fibers
Teijinconex

Business

Essential support for social infrastructure

In Japan, a tremendous amount of social infrastructure including roads and bridges was put in place during the economic boom times, mainly in the 1960s. However, it is now over half a century later and countermeasures for such aging infrastructure together with the further strengthening of earthquake countermeasures are required. *Technora* is widely used as a ground reinforcement material and for applications such as reinforcing and repairing aging structures. In addition, demand for the product is also expanding at offshore oil drilling sites.

Moreover, *Teijinconex*, which is used in protective clothing, also looks set for further demand growth with stricter safety guidelines being introduced even in Asia and emerging nations in recent years.

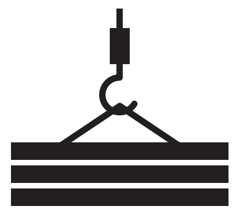


Innovation

Outstanding impact and heat resistance

Of the para-aramid fibers developed by Teijin, *Technora* is especially good at resisting impact, fatigue, heat and humidity, and chemicals. Thanks to those traits, it is making headway in being deployed for use under tougher conditions.

Teijinconex is a meta-aramid fiber offering heat resistance. In addition to heat resistance, newly developed *Teijinconex neo* achieves excellent dyeability, a feature that its predecessor *Teijinconex* lacks. This new feature facilitates more fine-tuned solutions for customers.



For Quality of Life

Provision of safety and reliability

One of our *Technora* products is a sheet-type product that can be affixed to bridge piers and other concrete structures to bolster their resistance to earthquakes. With high strength and low elasticity, *Technora* is also used for materials reinforcing embankments and soft foundations. Further, *Technora* is used at oil and gas drilling sites as a material to reinforce ropes and cables, enhancing performance and significantly reducing weight compared with when metal is used.

Moreover, due to the good heat and flame resistance, *Teijinconex* is used in workers' uniforms for firefighters, rescue teams, and others. It helps ensure safety and security at an array of worksites.

Teijin Is Changing Society (3)

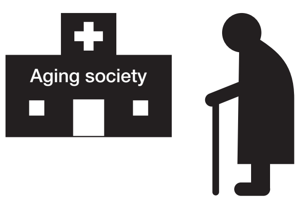
Demographic change and increased health consciousness solutions

Responding to a variety of social issues brought about by changes in the population demographic and lifestyles, the fields in which Teijin's healthcare business can contribute are increasing further.

Social issues

Demographic change and increased health consciousness

Demographic change is becoming a major social issue worldwide. Further, lifestyle disease is on the rise with changes in dietary habits and social environments. As a result, people are becoming more conscious about maintaining health and preventing disease.



(Teijin's solutions)

Responding to issues from two core fronts: pharmaceuticals and home healthcare

Teijin's healthcare business rests on two pillars—pharmaceuticals and home healthcare.

In pharmaceuticals, Febuxostat, a hyperuricemia and gout treatment, is making huge contributions. It was the first new uric acid-lowering medication in the world to be approved in four decades, only needs to be taken once a day, and can be used even in patients with somewhat reduced kidney function. As such, Febuxostat has seen solid sales growth ever since its launch.

Further, our home healthcare operations include developing medical devices and providing services for the home treatment of sleep apnea syndrome (SAS) and home oxygen therapy (HOT) for chronic respiratory failure. We boast top share in the domestic market in this area.

We are also developing cutting-edge medical materials that integrate our pharmaceuticals and materials technologies. Examples are a sheet-type sealant for surgical operations and a patch for cardiac repair.

Moreover, we aim to deploy new integrated healthcare and nursing care services that effectively utilize IT under our service frameworks and customer bases established through our home healthcare operations including the comprehensive sleep support service *Sleep Styles* and the patient information sharing system *VitalLink*.

Hyperuricemia and gout treatment: *Feburic*

SLEEPMATE10, continuous positive airway pressure (CPAP) ventilators for the treatment of sleep apnea syndrome (SAS)

Examples of delivering all kinds of values

VitalLink, a patient healthcare information sharing system

Business

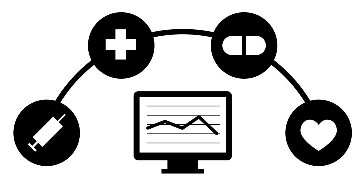
From home healthcare to comprehensive community healthcare

With Japan heading down the path of an aging society, the importance of comprehensive community healthcare is being stressed. Specifically, a framework is needed that enables elderly people requiring care to continue living in the area they are used to by providing access to comprehensive services such as residential service, medical, nursing, preventative care, and living assistance service. A platform to effectively link patients, physicians, and other pertinent parties is essential to make that a reality.

Innovation

Patient information sharing system utilizing IT

Teijin already offered a system that uses mobile phone networks to monitor treatment status from home healthcare devices. Moreover, we recently began providing *VitalLink*, a system for sharing patient information. This system takes the readings from measuring devices on body temperature, pulse, blood pressure, blood oxygen saturation levels, and other biological information on patients receiving home care and inputs it into mobile devices such as smartphones, enabling the information to be shared in real time among physicians, care managers, and other relevant individuals.



For Quality of Life

Integrated support for healthcare and nursing care services

On top of efficient sharing of patient information, this system is a promising tool for optimizing home healthcare in that it enables relevant individuals to watch over patients in real time so as to quickly grasp sudden deterioration in patients' conditions, and assist patients in caring for themselves.

As a home oxygen therapy (HOT) pioneer in Japan, Teijin already has some of the largest customer bases and service frameworks. But moving ahead, we aim to go beyond providing new medical devices to use networks built via *VitalLink* as a base for developing business in the comprehensive care field.

Top Management Message

Becoming an Enterprise That Is Essential to Tomorrow's Society

Inheriting the spirit of challenge in our genes, we will keep creating value for customers.

The Teijin Group will celebrate the 100th anniversary of its founding in 2018. Teijin's long history has been shaped by its ceaseless evolution and undying ambition, but it is now again rising to the new challenge of accomplishing a further transformation.

Moreover, this new challenge was none other than to achieve the two pillars of "restructuring initiatives" and "transformation and growth" called for by the revised medium-term management plan announced in November 2014. We have specified drastic business restructuring initiatives together with numerous actions and measures designed to systematically execute transformation and growth projects eyeing the future. As a result, we will continue to create value needed by society, thereby striving to achieve the aim of the Teijin Group to become an enterprise that is essential to tomorrow's society.

In this section, Teijin President and CEO Jun Suzuki outlines Teijin's evolution and ambition.

Jun Suzuki

Born in Tokyo in 1958. Joined Teijin Limited in 1983 after graduating with a Master's Degree from the University of Tokyo Graduate School of Science. At The Teijin Group, he was engaged in pharmaceuticals development. Appointed Corporate Officer, Teijin Limited 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, Teijin Limited 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.

Jun Suzuki

Jun Suzuki, President and CEO

Doing what we need to do, not letting strong results make us become conceited.

Staying focused on the revised medium-term management plan's initiatives

The Teijin Group is forging ahead with **the revised medium-term management plan** announced in November 2014. The plan targets operating income of ¥50 billion and ROE of at least 8% in fiscal 2016. However, we **achieved those goals a year early in fiscal 2015**, with operating income growing 71.7% year-on-year to ¥67.1 billion and ROE reaching 10.6%, far exceeding our initial forecasts for fiscal 2016.

Our strong performance in fiscal 2015 certainly reflects improved core earnings power for the Group overall, with restructuring initiatives so far paying off and growth for mainstay products and services. However, it is also true that there was a substantial contribution from external factors such as a drop in raw material and fuel prices as well as currency rates. We met our targets early, but will not let that make us become conceited. Rather, **we will stay focused on steadily advancing the initiatives set forth in the revised medium-term management plan** in its final year, fiscal 2016. We will also work in fiscal 2016 on formulating a new medium-term plan to follow the current one. Additionally, we want to present a clear roadmap for growth even further down the line.

■ Fiscal 2016 targets of revised medium-term management plan

Net sales	Operating income	Net income*	ROE
¥800.0 billion	¥50.0 billion	¥25.0 billion	8% or more

■ Fiscal 2015 results

Net sales	Operating income	Net income*	ROE
¥790.7 billion	¥67.1 billion	¥31.1 billion	10.6%

Goals for operating income, net income*, and ROE achieved early

* Profit attributable to owners of parent

What the Teijin Group needs to do now

Simultaneously advance **restructuring initiatives** and **transformation and growth strategies**

Business structure resilient to external conditions

+

Lean, capital-efficient earnings structure

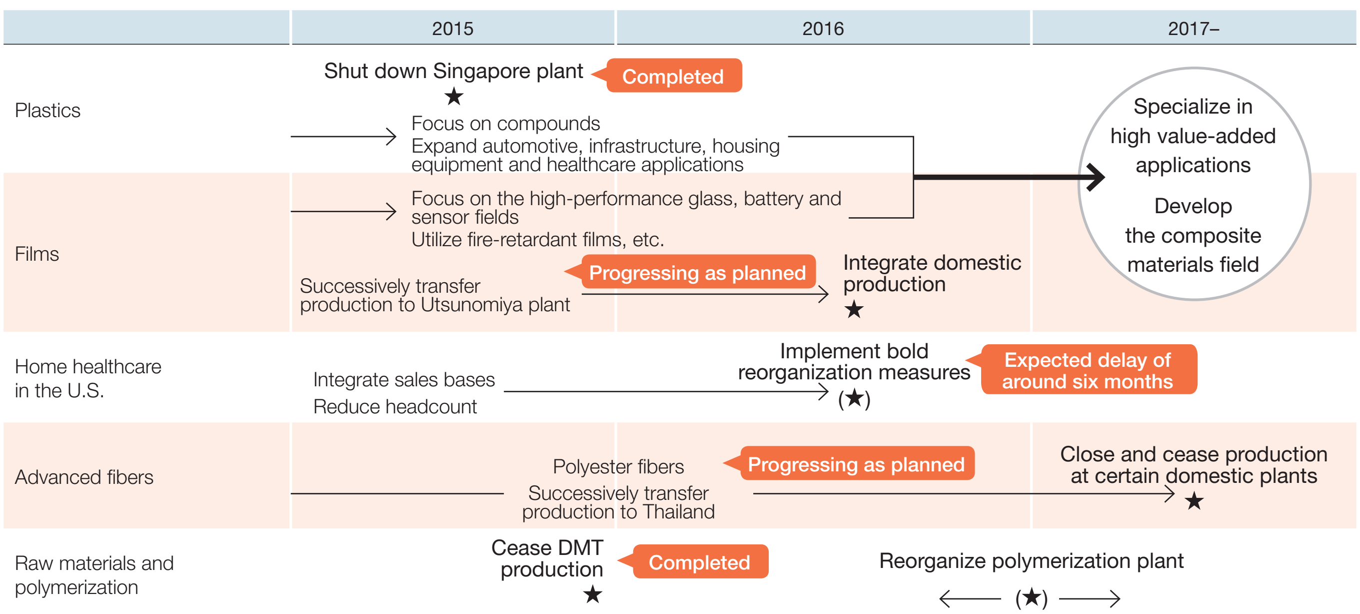
The revised medium-term management plan has two key pillars: **restructuring initiatives** and **transformation and growth strategies**. We regard these two components **as vital for building a business base with resilience to external conditions and a business portfolio capable of sustaining high profitability**. This is because we believe that pressing forward on both fronts at once will pave the way for the Teijin Group's perpetual development.

Restructuring Initiatives

With restructuring, we aim to realize a business structure that is resilient to the external environment and an earnings structure that is very capital efficient. Over the Teijin Group's extensive history, we have amassed an array of technology and know-how, and developed a wide range of business. Unfortunately, though, we do not have a competitive edge in all of the fields where we operate. Among our various businesses, we have strengths mixed with weaknesses. **Closely examining our operations from a longer-term rather than short-term view, keeping the good and eliminating the bad, and making the most of our strengths as we invest in growth areas** is what the Teijin Group's restructuring initiatives are all about.

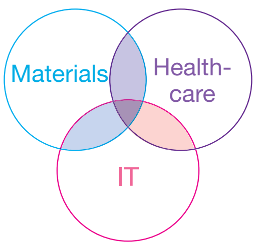
In fiscal 2015, our efforts in this vein included the shutdown of our Singapore plant in the polycarbonate resin business. In fiscal 2016, we will continue conducting restructuring, including in the film business, and home healthcare in North America. We will also move forward with transforming our business portfolio.

■ Progress of Restructuring Initiatives



Change the individual traits of each business to a strength

Three growth fields



P14~19

Please see **the special feature Teijin Is Changing Society**.

Transformation and Growth Strategies

Every business has its own strengths and weaknesses, and strengths or weaknesses are not necessarily universal qualities: they change with the times. These qualities may be alternatively referred to as individual traits or characteristics, and, depending on the times, what were once strengths may lose their power, whereas what were once weaknesses may become advantages. Our business strategy is **to harden the individual traits of each business and then work to really make them finish as strengths**. The result of this process has established our business model.

The Teijin Group is a unique entity with three core business domains: materials, healthcare and IT. This combination of operations is yet another individual characteristic of the Teijin Group. By combining and integrating these fields, the Teijin Group should be able to develop new and characteristic business domains like no others. **This combining and integrating enables us to specialize in fields where we can make the most of our notable features. At the same time, we will continue to successively create new and unique businesses, while also supplementing the areas that are incomplete from outside the Group**. This is the core of our transformation and growth strategies.

The Teijin Group's transformation and growth strategies are also in line with the global growth opportunities presented by macro trends. Specifically, these trends are **(1) environment and energy conservation, (2) safety, security and disaster mitigation,** and **(3) demographic change and increased health consciousness**. We believe that we can continue to provide new customer value by capturing these growth opportunities. To do so, we first work to strengthen and expand our earnings foundation by extending the individual strengths of our existing businesses, and then implement our transformation and growth strategies by further combining the strengths of each business.

■ New businesses realized through the integration of key capabilities from core business domains

Macro trends \ Strength	Mass-production technologies for high-performance materials	Healthcare know-how and infrastructure	Efficient IT service development capabilities	Core business domains and projects
Environment and energy conservation	Offer high-performance composite materials that realize new value for customers Materials × Materials Carbon fibers, aramid fibers, plastics, films			Automotive devices (thermoplastic CFRP, high-performance plastics) Battery components
Safety, security and disaster mitigation	Expand the scope of our monitoring services Materials Aramid fibers, carbon fibers	×	IT Monitoring systems	Smart wearables Super-tough structural materials
Demographic change and increased health consciousness	Broaden our home healthcare services model and create new markets	Healthcare Customer base in the home healthcare business, healthcare services configuration, alliances with equipment manufacturers	× IT Home healthcare business foundation, solid ICT service foundation	Open healthcare platforms Support for community healthcare
	Commercialize biocompatible medical materials Materials Biodegradable materials	× Healthcare Development know-how in the healthcare field, form alliances with R&D organizations		Materials for tissue repair Artificial replacement medical materials

We will continuously create value by thinking hard about solutions.

Uncovering latent needs

Creating things that beg the question "Why didn't this exist before?" is at the heart of innovation.

Detecting macro trends—specifically, changes in store for the world—and setting out amid that backdrop to discover latent needs that customers have yet to even mention, and then meeting those needs to create new value together with customers, is the direction of our transformation and growth strategies. To accomplish that, we must focus on customers and look at things from their perspective. If we can provide **products and services that are recognized as having added value that only the Teijin Group can deliver**, and that customers would want to use even if it means paying a premium for them, we can avert price competition with rivals and at the same time gain resilience to changes in the market, including the prices for raw materials and fuel.

We often hear that it is hard to get a clear image of what we mean when we talk about "**solutions**." The type of solutions that the Teijin Group targets do not encroach on customers' business domains or take away their business.

One of our "solutions" enables our customers and us to both grow. We devote ourselves to contributing to our customers' quality improvements and cost reductions, and as a result, we expand our own product development and sales increase. One example is tires that use fibers supplied by the Teijin Group. We do not intend to make the tires themselves but suggest things like new additives for rubber adhesives or ways of reducing fiber content while maintaining tire strength. **Developing such solutions requires an intricate knowledge of supply chains and insight into where added value will emerge**.

"The essence of the solution is to know the customers and supply chain well, and to ascertain where the added value is created."

Keeping the spirit of challenge in our genes

We must continuously create value for customers if we are to remain an essential entity far into the future. The Teijin Group has a history of striving to bring new value to customers. Taking on challenges is in our genes, and should remain at our core as we move ahead. **Without a challenging spirit, the Teijin Group has no future. With one, we aspire to become an enterprise that is essential to tomorrow's society**.

Sustained enhancement of corporate value

CSR management closely tied to our corporate philosophy

Strengthening the corporate governance system for highly transparent, timely decision-making

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For more details, please see **the section entitled OUR MATERIALITY**.

To hone our strengths through restructuring initiatives and keep creating new value through transformation and growth strategies, it is important that we keep an eye on achieving sustainable medium- to long-term growth when devising strategies and taking actions. It is also vital that we enhance the value of our existence as a company.

Enhancing the quality of life is a key tenet of the Teijin Group's corporate philosophy. It is of great significance that **we regard CSR as a vital component of management**. We view CSR activities as a factor that influences our future corporate value. We identify **material issues** that we should address in the course of our social and environmental activities, and work on them. While we still have quite a way to go, we believe these initiatives are determinants of our future value.

Reinforcing corporate governance is also indispensable for sound, sustainable growth. We have long had a governance system in place to ensure highly transparent, prompt decision-making. Going forward, we also intend to implement bold strategies that look to future growth, while gaining understanding through dialogue and being accountable to shareholders and investors.

Strengthening our human resources and realizing diversity are also critical to our future. With our business operations stretching around the world, it is imperative that the Teijin Group harnesses an array of capabilities without regard to gender or nationality, and from a pool of talent that includes older individuals and those with disabilities as we target sustainable growth. In keeping with this view, the Teijin Group endorses and is a member of the United Nations Global Compact, which sets forth ten universally accepted principles related to human rights, labor, the environment and anti-corruption. Moving ahead, we will keep mobilizing the Teijin Group's collective strengths as we aspire to be a prominent enterprise that is admired around the globe.

The Teijin Group's vision for the medium to long term

Next medium-term management plan's direction

In fiscal 2016, we will also formulate our **next medium-term plan**. Our basic plan is to incorporate (1) an even greater transformation of the Teijin Group's business portfolio and (2) organizational reforms and cost restructuring suited to transforming our business portfolio. Further, we will set the course of the next plan with an eye to our vision for around 2020 to have become **an enterprise with two core businesses of healthcare, and composites and high-performance materials, both underpinned by information and communications technology**, as already outlined in the current revised medium-term management plan.

The measures that have been taken under our revised medium-term management plan are gradually starting to add to our core earnings power. In our next medium-term plan, we will also work backwards from our vision for the future to set out what we need to do now. We also intend to continue actively investing as our earnings foundation is on track to withstand the consequent burden of making upfront investments.

Teijin's evolution and ambition

Our efforts to meet the challenge of achieving our ambition have only just begun, and we request our stakeholders' ongoing support and understanding as we endeavor to evolve the Teijin Group.

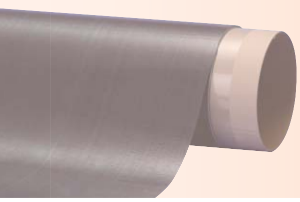
Jun Suzuki

President and CEO

Approaches to Growth by Business Segment

Advanced Fibers and Composites Business Group

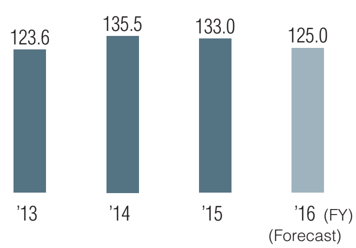
"As a leading global company in high-performance fibers and composites, we are working to expand our business further."

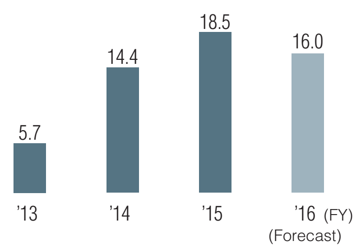


General Manager, Advanced Fibers and Composites Business Group
Masaya Endo

FINANCIAL DATA

Results and Forecasts





PRODUCTION SITES

Para-aramid fibers

The Netherlands | Japan

Meta-aramid fibers

Japan | Thailand

Carbon fibers

Japan | Germany

Polyester fibers

Japan | Thailand

MARKET PRESENCE & BUSINESS OPPORTUNITIES

Aramid fibers

Aramid fibers can be divided into two broad categories: para-aramid fibers and meta-aramids. Aramid fibers are high-performance fibers that generally excel at possessing high-strength, heat resistance, dimensional stability and chemical resistance properties.

Para-aramid fibers are particularly outstanding in terms of strength and heat resistance. Accordingly, they are mainly used as reinforcement for tires and friction material for automobile brake pads, reinforcing optic fiber cables and for ballistic protection and protective materials. Going forward, the market for para-aramid fibers is expected to grow at an annual rate of 4–5%. The Teijin Group has a lineup of two products, *Technora* and *Twaron*, and those fibers command a global market share of approximately 50%.

Meta-aramid fibers, meanwhile, have outstanding long-term heat resistance and flame retardant properties, enabling them to be used in special environment uniforms such as those worn by firefighters, and other industrial materials where heat resistance is required. The Teijin Group's *Teijinconex* holds the top share for use in firefighting uniforms in Japan.

Carbon fibers and composites

Carbon fiber is about ten times stronger and three-quarters lighter than steel, and demand has expanded rapidly, mainly due to its use in aerospace applications and industrial applications. As the world's second-largest carbon fiber supplier, the Teijin Group's *TENAX* has a high global market share, mainly in aircraft applications. Against a backdrop of tighter environmental regulations in recent years, there are significant expectations of applications as automotive materials in the future, and we are working together with automakers on various technological developments.

STRATEGY & PRESENT ACTION

Teijin aims to expand its business further by advancing the development of new technologies and strengthening its competitiveness, in order to provide new value and solutions using high-performance materials.

Teijin is developing new applications for **para-aramid fibers** through joint development with customers while tapping into demand in emerging economies by leveraging its excellent product specifications and reliable quality, and its ability to offer a variety of solutions from several product lineups. With *Technora*, in recent years production has remained at nearly full capacity, driven by an increasingly diverse range of applications for use under more stringent conditions, including reinforcement materials for automobile rubber parts, such as transmission belts and hoses, as well as ground reinforcement materials. Moreover, a production capability increase of 10% for *Technora* has been decided to strengthen our response to growing demand.

In **meta-aramid fibers**, in August 2015, we started production in Ayutthaya, Thailand, of *Teijinconex neo*, a new meta-aramid fiber offering the world's highest level of heat resistance and highly stable dyeability. During fiscal 2016, we will actively expand sales to capture demand for protective clothing in Asia and emerging markets.

In **polyester fibers**, we are striving to further strengthen our cost competitiveness by realigning our domestic production configuration and transferring production of certain items to subsidiaries in Thailand, and are working together with the Trading and Retail business group to build and strengthen supply chains in the Asian region.

We will focus on further sales expansion of *TENAX* **carbon fibers** for high value-added applications in areas where medium- to long-term stable growth is projected, such as in aircraft and pressure vessels. In addition, to respond to increased demand, we have acquired land in the U.S., with a view to constructing a new plant.

Taking into account the expansion of sales for aircraft brake pads for the **Oxidized PAN fiber** *Pyromex*, produced during the carbon fiber oxidation process, we decided to increase production in the U.S.

In addition, in the area of structural components for mass-produced vehicles made with our innovative thermoplastic CFRP *Sereebo*, we are continuing to implement activities with General Motors and other automobile manufacturers to achieve future commercialization.

TOPICS Deepening of CFRP Production Technology

Teijin's European subsidiary Toho Tenax Europe GmbH is building an integrated production system for thermosetting CFRP. The core technology in this system is an automated manufacturing process for preform*, called Part via Preform (PvP). This process uses binder yarn, which combines carbon fiber with a binder resin, and places it directly on the mold. Preforms can be manufactured without requiring intermediate steps, thus the technology helps to considerably reduce both carbon-fiber waste and manual labor compared to conventional preform production. Furthermore, when it is used in combination with a high-pressure resin transfer molding, it enables manufactured composite parts to be optimized for the required shapes and properties.

Furthermore, Toho Tenax Europe also took part in iComposite 4.0, a German technological development promotion project that aims to make cars lighter and their production process more efficient. Using a combination of the above technologies and an intelligent control system with sophisticated processing capabilities, it was able to move ahead with technological developments that will cut costs and reduce waste.

* Preform: Carbon fiber sheets are cut in advance to fit a mold and then shaped.

A carbon fiber-reinforced plastic product manufactured by using Part via Preform.

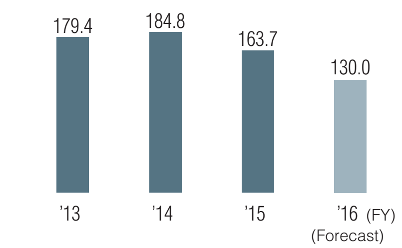

Electronics Materials and Performance Polymer Products Business Group

“We continue to devote full efforts toward restructuring aimed at transforming our business fields.”

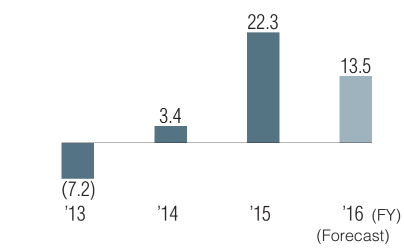

General Manager, Electronics Materials and Performance Polymer Products Business Group
Yasumichi Takesue

FINANCIAL DATA Results and Forecasts

Net sales
(Billions of yen)



Segment income (loss)
(Billions of yen)



PRODUCTION SITES

Polycarbonate resins

Japan	China

(Singapore production was shut down in December 2015)

Polyester films

Japan	Indonesia

(Domestic production is scheduled to be concentrated at the Utsunomiya plant in September 2016)

Polycarbonate films and sheets

Japan

MARKET PRESENCE & BUSINESS OPPORTUNITIES

Polycarbonate resins

Polycarbonate resins possess an impact resistance 200 times greater than glass, but are lighter at just half the weight, as well as having outstanding heat resistance, transparency and weatherability. Among the so-called engineering plastics, polycarbonate resin applications have been growing and the resin is now widely used in the markets of the electronics and automotive fields. Although the supply and demand situation has loosened since 2012 as competitors have increased operations, the **market is still growing at an annual rate of about 3–4%**.

Teijin has a strong presence in Asia, mainly in the OA equipment and electronic components fields. The reason is that we have materials technologies that comprise compounds with other resins and are developing specialty polymer and have large-scale molding technologies and coating technologies.

Polyester films/Polycarbonate films and sheets

Polyester films are used in a wide array of applications due to their balanced physical properties in terms of such characteristics as strength, heat resistance and optical properties, together with outstanding cost performance.

One of Teijin’s strengths is our **processing technologies that include multi-layer film formation technologies, surface processing and secondary processing technologies**. Our proprietary development **polyethylene naphthalate (PEN)** is a balanced, highly functional film with properties that are better than PET film. It is used in a wide array of applications in the automotive and environmental and energy fields in addition to high-density data backup tapes and electronics materials. Polycarbonate sheets and films are also used in a wide array of products based on their outstanding functionality due to factors including sophisticated optical control technologies.

STRATEGY & PRESENT ACTION

By completing restructuring through integrating the production at our production bases, Teijin will shift further through innovation in fields where it can leverage its strengths and expand new high value-added applications for high-performance resins and films.

In the plastics field, we halted polycarbonate resin production as planned at our subsidiary in Singapore in December 2015 and completed the concentration of our production at the two production bases in cost competitive China and the Matsuyama Factory, which is well equipped for the development and production of high-performance products. Through these activities, we have worked to enhance capacity utilization rates and reduce fixed costs. Now we are shifting focus to sales and production of high value-added products to ensure a stable earnings base.

In fiscal year 2016, we will target growth fields such as automobiles, infrastructure, and housing equipment, as well as the medical field, in addition to the office equipment and electronic fields in which we have traditionally been strong. Accordingly, we will upgrade and expand our product lineup centered on compound products by harnessing materials such as the Teijin Group's high-performance fibers (aramid fibers, carbon fibers) and copolymers, as well as the "super engineering plastic" polyphenylene sulfide (PPS) resin, which will start mass production at INITZ Co., Ltd., a joint venture with SK Chemicals Ltd. of the Republic of Korea (ROK). Furthermore, we will focus on expanding the plastic glazing business by taking advantage of our large-scale molding technologies and coating technologies.

In the films field, Teijin plans to close one of the two polyester film domestic production bases, namely the Gifu Factory, and concentrate production at the Utsunomiya Factory with a target for implementation of September 2016. During fiscal 2016 we will continue to narrow down the number of production items and transfer production, while we are steadily re-aligning the production framework, including giving consideration to using OEM outsourcing overseas.

While moving ahead with specialization of high value-added applications, Teijin is expanding sales of newly developed products such as fire-retardant film and also accelerating further development for high-performance films in the fields of high-performance glass, batteries and sensors. Teijin aims to push through the integration of the Teijin Group's businesses while proposing to customers a new way to create value that leverages our integral strengths. Moreover, for organic electroluminescent display (OLED) expected to grow going forward, sales of reverse-dispersion solvent-cast retardation polycarbonate film for use as an antireflective are steadily expanding.

TOPICS Developing a Resin for Next-Generation Camera Lenses

Teijn's polycarbonate resin is used in camera lenses, including smartphones. A resin that Teijin recently developed for next-generation camera lenses will possess the highest levels of refractive index and heat resistance for these same uses.

Weight reduction demands are increasing for smartphone cameras, car-mounted cameras, security cameras and the like, so the material for lenses used in these items is shifting away from glass to the lighter resin. In recent years there has been increased need for lenses with a high refractive index because they are indispensable for the miniaturization and thinning of devices, as well as for highly heat-resistant lenses that including countermeasures to deal with the heat generated by the higher performance of the equipment and the constant operation. This resin resolves the issue of balancing with both high refractive index and heat resistance.

Teijin's review of resin polymer molecular design technology enabled us to realize the highest level of performance as a result of a refractive index and heat resistance that are top class for a lens resin. Teijin has already started producing samples in a production plant set up at the Matsuyama Factory and expects to employ these in new models from fiscal 2016.

Healthcare Business Group

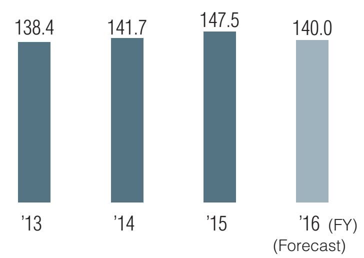
"We aim to provide healthcare solutions by maximizing our strengths in both the pharmaceuticals and home healthcare fields."

General Manager,
Healthcare Business Group
Hiroshi Uno

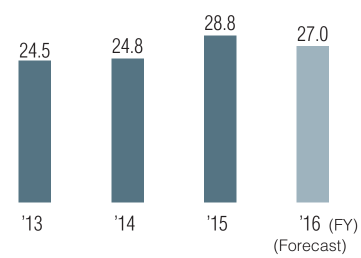
FINANCIAL DATA

Results and Forecasts

Net sales
(Billions of yen)



Segment income
(Billions of yen)



BUSINESS SITES

Pharmaceuticals

70 sales offices in Japan

Home Healthcare

65 sales offices in Japan

(Also operating in the U.S., ROK and Spain)

MARKET PRESENCE & BUSINESS OPPORTUNITIES

Teijin focuses on the three diseases of **bone and joint disease**, **respiratory disease**, and **cardiovascular and metabolic disease**, and aims to use its pharmaceuticals and home healthcare services businesses as pillars for global business development.

Pharmaceuticals

Operating conditions remained harsh for the recently developed drugs business owing to the revision of reimbursement prices for prescription pharmaceuticals and higher sales of generic drugs. However, **Teijin's originally developed hyperuricemia and gout treatment**, its first novel treatment in 40 years, **has already secured the top share of the domestic market** and sales are forecast to continue to the extent that they will be a driver of business growth. The drug will not be limited to domestic sales, but we have business alliances in 117 countries or regions overseas and sales have already started in more than 50 of these places with plans to expand the sales area going forward.

Home Healthcare

In Japan, Teijin was a pioneer in the **home oxygen therapy (HOT) services**. Teijin's strengths are its customer base, the largest in the sector, and its extensive domestic structure, which can support patients 24 hours a day, 365 days a year. Teijin provides home health care services to over 400,000 people inside and outside of Japan. We have also secured **the No. 1 share in Japan** for the rapidly growing market **for CPAP ventilators for the treatment of sleep apnea syndrome (SAS), the same as with our HOT services**.

STRATEGY & PRESENT ACTION

Teijin aims to maximize the strengths of its pharmaceuticals and home healthcare services businesses to display synergies and provide healthcare solutions.

In **pharmaceuticals**, Teijin will continue to focus efforts on increasing worldwide sales of hyperuricemia and gout treatment to maximize profits. In addition to originally developed products, this fiscal year we expanded the licensing in of such drugs as the transdermal anti-inflammatory analgesic patch formulation *LOQOA* Tape, which we had begun jointly marketing with Taisho Toyama Pharmaceutical Co., Ltd. in January 2016, and we will strive to provide patients with a wider range of choices through lifecycle management of existing pharmaceuticals, including the reduced-sized tablet-form version of the sustained-release expectorant *Mucosolvan*.

For the medium- to long-term, we will leverage the Iwakuni Factory Technology Integrated Pharmaceutics Center that started operations in 2015 and promote development of innovative advanced medical materials integrating pharmaceuticals and materials technologies, such as KTF-374, a sheet-type sealant for surgical operations.

PIPELINE

Pharmaceuticals Development Pipeline

As of June 2016

Area	Code No.	Target Disease	Phase of Clinical Trials: Phase 1	Phase 2	Phase 3	Filed	Approved/New Launch
Bone and joint disease	ITM-058	Osteoporosis		●			
	KTP-001	Lumbar disc hernia		●			
Respiratory disease	PTR-36	Bronchial asthma		●			
Cardiovascular and metabolic disease	TMX-67TLS	Tumor lysis syndrome					May 2016
	TMX-67 (China)	Hyperuricemia and gout				Nov.2015	
	ITM-014N	Neuroendocrine tumors		●			
	TMG-123	Type 2 diabetes	●				
	TMX-049	Hyperuricemia and gout	●				
	STM-279	ADA Deficiency			Jan.2016		
Other	GGS-ON, -MPA, -CIDP	Optic neuritis, microscopic polyangiitis, chronic inflammatory demyelinating polyneuropathy			●		

In **the home healthcare business**, we are aiming for sustained growth in the CPAP ventilator business where the number of sleep apnea syndrome (SAS) patients is increasing by continuing to introduce new models and strengthening competitiveness by using the mobile phone network to monitor CPAP ventilators in real time and utilizing call centers. Teijin is also going to implement bold measures in operations in the U.S.

We also aim to develop comprehensive community healthcare services by using ICT.

TOPICS An innovative sheet-type sealant for surgical operations (KTF-374)

Hemostasis is one of the crucial aspects of whether a surgical operation is successful. There are strong demands from the healthcare front lines for sheet-type sealants that will have a powerful hemostatic effect and require less time for use.

We have been jointly developing KTF-374 with Kaketsuken (The Chemo-Sero-Therapeutic Research Institute). KTF-374 is an innovative sheet-type sealant for surgical operations created from the application of the Teijin Group's high-performance fiber processing and expertise and knowledge accumulated through pharmaceutical R&D activities to the recombinant human proteins developed by Kaketsuken. Since the sheet-type formulation uses thin and elastic nonwoven fabric, it can form a tight seal on uneven lesions. KTF-374 has strong hemostatic effectiveness in a short period of time, and does not have to be removed after the bleeding is stopped because the sheet affixed to the lesion is broken down by the body and eliminated. Teijin aims to focus on creating new healthcare business solutions in fields that combine its healthcare and materials technologies.

Trading and Retail Business Group

"From materials development to proposing products, we provide customers with fine services as a trading company with *monozukuri as its starting point."**

* 'Monozukuri' literally means 'maker of things,' but the expression has the added nuance of taking pride in the skills of every phase of top-class manufacturing.

General Manager,
Trading and Retail Business Group
Shinji Nikko

MARKET PRESENCE & BUSINESS OPPORTUNITIES

One of our strengths in this business is our integrated global production and sales structure, from materials development to production and sales. We are among the top class of specialized textiles trading companies in Japan and develop a wide array of products including fiber materials and sewn products in the fashion and apparel field in addition to the industrial field that includes reinforcement materials for automobiles, materials for tents, and living-related materials.

STRATEGY & PRESENT ACTION

To further advance our solutions-oriented business model, where we studiously incorporate customer requirements, we must enhance our ability to propose to customers solutions that are integrated from upstream to downstream operations, and fortify collaboration with our materials business, especially high-performance fibers.

Looking ahead, Teijin aims to reinforce its production capabilities through proactive M&A and alliances in pursuit of globally optimized local production for local consumption. We also aim to increase sales of our innovative materials brands *SOLOTEX* and *DELTA*, and advance with the planning and development of differentiated products and services against the backdrop of a global supply chain.

In regard to environmental activities, we formulated *THINK ECO* as an activity guideline and aim to build and expand our environment-conscious business under the six main themes of 1) recycling; 2) derived from biomaterial; 3) energy conservation; 4) organic; 5) reduced use of hazardous chemicals, and 6) reduced emissions of environment-burdening substances. We are also focusing on CSR procurement activities.

TOPICS Comprehensive Approach to the Healthcare Business

In October 2015, as one aspect to undertake comprehensive initiatives in the medical and nursing care fields in cooperation with the Healthcare business group, we formed a business partnership with a major convenience store chain and engaged in the joint sales of healthcare products using the Teijin Group's high-performance materials. As jointly developed products, we are selling a high-performance face mask and facial and body care sheets using ultra-fine nanofibers. We are conducting product planning and development in the nursing care field for the future in order to contribute to the realization of comprehensive community healthcare support.

In addition, we are collaborating with KYORIN Medical Supply Co., Ltd. on sales of the multi-purpose disinfectant cleaner *RUBYSTA*, which was launched in April 2016, and we are working to expand our product lineup in the healthcare-related business in the belief that it is a targeted business domain for future growth.

High performance mask

Facial and body care sheets

Multi-purpose disinfectant *RUBYSTA*®

IT Business Group

"Collaboration between the Healthcare and the Materials businesses will create new services."

infocom

General Manager,
IT Business Group
Norihiro Takehara

MARKET PRESENCE & BUSINESS OPPORTUNITIES

With Infocom Corporation at the core, we are engaged in **IT services (B2B)** to provide corporate, medical, and public institutions with services such as the planning, development, operation, and management of information systems, and in **the Internet business (B2C)** to provide the general consumer with such services as e-book distribution and e-commerce. With IT services, we possess strengths in the business know-how and development technology of the medical industry, and in the Internet business we possess such strengths as our know-how and track record built up from the early days of the mobile phone business. In addition, in the e-book market, Teijin's *MECCHA COMICS* has grown to become one of Japan's largest digital comic stores and further growth is expected.

STRATEGY & PRESENT ACTION

We have positioned Healthcare, *GRANDIT*, a total web-based ERP software package, and the IT business as priority businesses, and we are strengthening our competitiveness and expanding the content of our operations.

In the Healthcare business, we are expanding products and services for hospitals and pharmaceutical companies, and we are launching new businesses that use such technologies as IoT. In the *GRANDIT* business we are advancing greater software collaboration with our development and sales partners. In the net service business we are working to further popularize *MECCHA COMICS* and seeking to raise the business to a new level through expanding the lineup of titles and enhancing operability and convenience.

In addition to this, we are fusing the Teijin Group's healthcare and materials businesses in order to pave the way to new business domains that capitalize on ICT.

TOPICS Promoting Comprehensive Community Healthcare

Infocom entered into a business and capital alliance with Solasto Corporation, which runs a nursing care service and is one of Japan's largest medical administration outsourcing operations, in order to promote business development in the Healthcare business. Solasto Corporation has expertise in regard to the medical care and nursing care frontlines, so allying with Infocom Corporation, which positions IT solutions for medical institutions as a priority business, will move beyond the current frameworks of a medical and nursing care service operator and IT service provider and medical care/nursing care to collaboration in "people," "objects" and "technology and expertise." This will promote the IT networks the Teijin Group uses to develop its comprehensive community healthcare and create new solutions in such ways as making the medical care and nursing care frontlines more efficient due to the use of IT, with the aim of launching new solutions.

New Business Development Business Unit

"We will move ahead in the development of new business domains by leveraging the Teijin Group's strengths."

General Manager,
New Business Development Business Unit
Kentaro Arao

CREATING BUSINESS OPPORTUNITIES

The New Business Development Business Unit was launched to link our technologies and expertise to the creation of new businesses even more promptly. The unit aims to create new business domains by fusing its three strengths in materials, healthcare and IT, to innovate its business portfolio and further the business development strategies of the Teijin Group.

STRATEGY & PRESENT ACTION

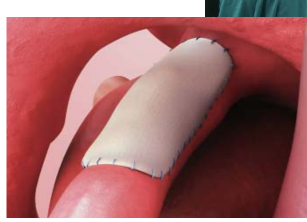
We are currently narrowing our focus and working on the early commercialization of products in the fields of information and electronics and of new healthcare.

In the information and electronics field, sales of the *LIELSORT* lithium-ion battery (LiB) separators commercialized since 2012 have grown and are likely to continue expanding. In addition, we are working toward full-scale proprietary development of the highly functional microporous membranes *miraim*.

The *NanoGram* silicon paste is used in the production of high conversion-efficiency solar cells toward developing technology to enable mass production of next-generation solar cells, and we are strengthening our accompanying marketing activities.

Furthermore, with our *Recopick* information management system that employs the two-dimensional communication sheet *CELL FORM*, we aim to increase its uptake for management systems for such items as books, confidential documents and medical equipment. (Refer to page 39 for R&D Topics)

In the new healthcare field, we are advancing with the aim of creating new business fields, such as embedded medical devices and regenerative medical composite materials for pharmaceuticals. In the orthopedics domain, in April 2015, we established Teijin Nakashima Medical Co., Ltd. as a joint venture with Nakashima Holdings Co., Ltd. to develop a global artificial joint business. The new venture plans to put together a strategic marketing team and develop products that combine the technologies of the two parent companies. In the cardiovascular domain, we continue to pursue our project to develop a regenerative and extensive patch for cardiac care. This project was selected for support under a program launched by Japan's Ministry of Economy, Trade and Industry to promote collaboration between medical institutions and industry.



Patch for cardiac repair

Research and Development

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

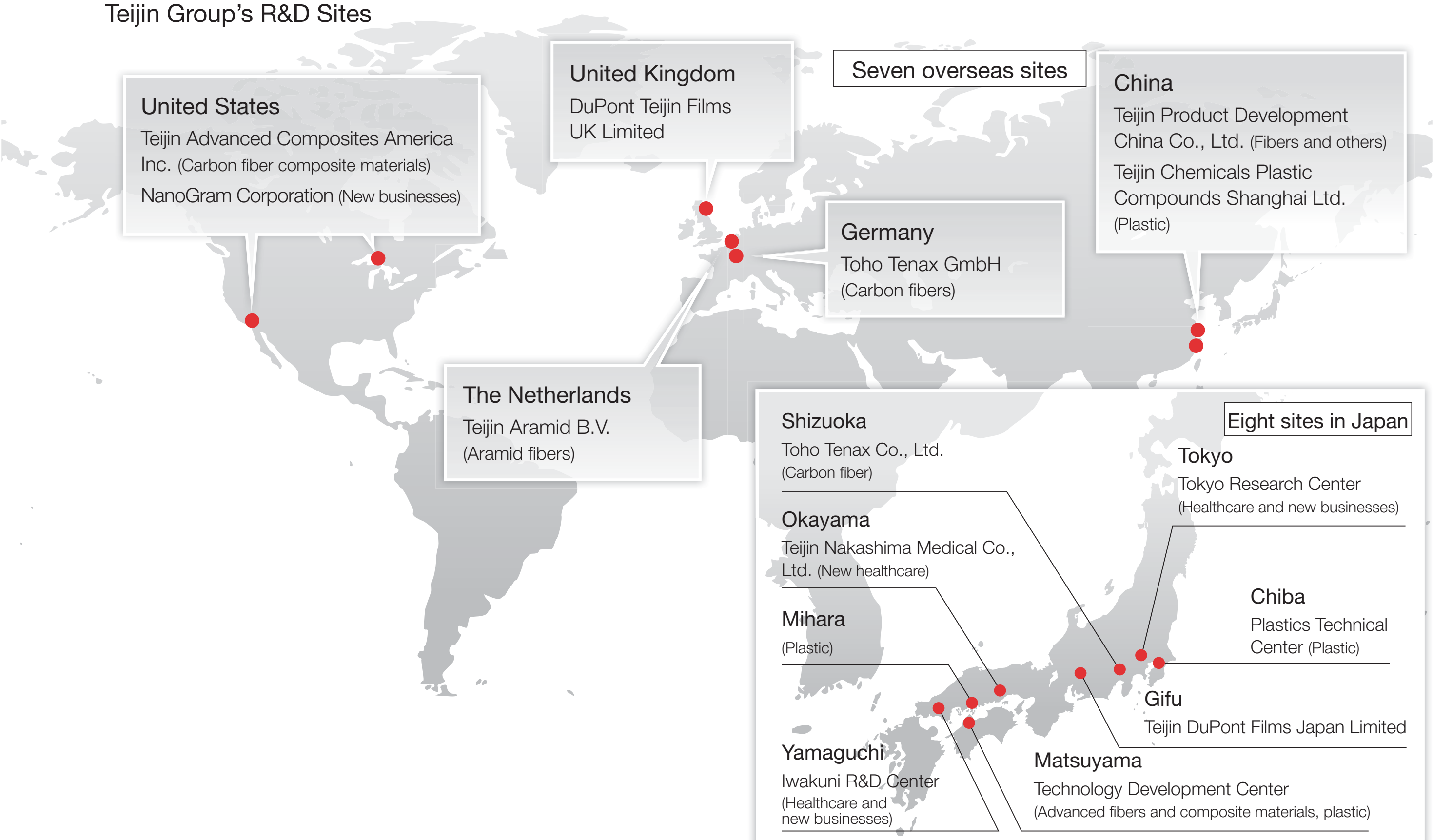
Research and Development Strategy

In line with our revised medium-term management plan, we will realize solutions that integrate key capabilities of existing businesses and are infusing priority resources. This means we will combine and integrate the strengths of our three core businesses, namely materials, healthcare, and IT, to build new, high-earning business models that focus on providing solutions around competitive materials. Mindful of the need to transform our supply chains and business models, we will also actively work to create new forms of value that will expand the horizons of our different business models. For example, rather than merely supply materials and other primary products, we will strive to produce and deliver value-added components and devices. Efforts will also be focused on providing an entirely new healthcare field driven by IT services and reform our portfolio.

Research and Development Bases

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

Teijin Group's R&D Sites



Investment in Research and Development

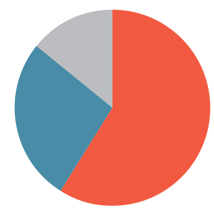
Teijin's policy is to continuously allocate 4–5% of net sales to R&D. Under this policy, we intend to effectively allocate resources to R&D with an emphasis on growth.

In fiscal 2015, ¥33.3 billion yen was spent on R&D, up ¥0.9 billion compared to the previous fiscal year.

Teijin will allocate around 80% of R&D expenses to core strategic business, namely the Healthcare and Advanced Fibers and Composites segments, as well as to new business domains.

Fiscal 2016 Allocation Plan

- Core strategic businesses
- New Businesses and Corporate R&D
- Others



Fostering R&D Personnel

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

Dr. Ei-ichi Negishi, awarded the Nobel Prize in Chemistry in 2010, on staff as a Teijin Group Distinguished Fellow and presently a special professor at Purdue University in the USA, offers consultation services to researchers in Japan, and also continues to directly provide guidance to researchers on assignment as the Teijin Limited Director of the Negishi-Brown Institute, leading to the possibility of many new technological developments.

Open Innovation

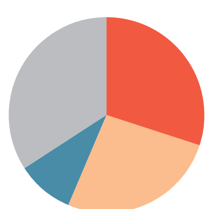
Teijin has embraced an open innovation strategy to strengthen partnerships with researchers both within and outside the Company, in an effort to spur R&D activities aimed at creating new businesses. This is not confined to being only within R&D conducted in the Teijin Group. We are undertaking joint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

Intellectual Property Strategy

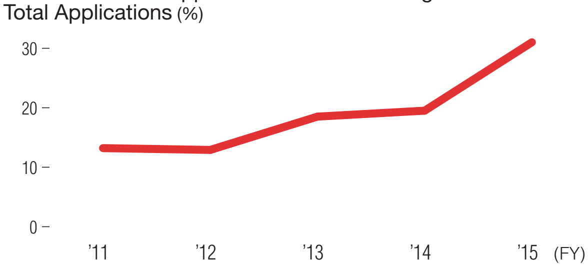
Teijin is strengthening its execution of intellectual property activities from a strategic perspective, with a view to advance integrated management of business, technology and intellectual property strategies. In response to our shift from quantity to quality and further globalization of our operations, we will continue to push ahead with initiatives to increase overseas patent applications as a percentage of total applications. At the same time, we will work to reshape our intellectual property portfolio in line with our restructuring initiatives and transformation and growth strategies. Besides protecting and utilizing patents, trademarks and other intellectual property, we are enhancing activities to protect knowledge and trade secrets throughout the company.

Patent Applications in Japan in Fiscal 2015

Advanced Fibers and Composites	87
Electronics Materials and Performance Polymer Products	76
Healthcare	27
New Businesses and Others	98
Total	288



Overseas Patent Applications as a Percentage of Total Applications (%)



TOPICS Innovation Projects

Eyeing the development of new business fields, the Teijin Group set up a project certification system in fiscal 2014 and is forming task forces to drive projects forward, including organizations reporting directly to the CEO. Efforts are under way to secure development support budgets and personnel.

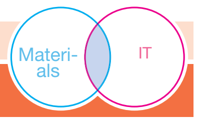
Project certification requirements

(1) Project must offer prospects for business model transformation and sustainable earnings

(2) Project must create business opportunities in overlapping domains that leverage Teijin's strengths

In addition to projects that have already been commercialized, there has been a steady increase in the number of new themes certified, including those at the planning and assessment stage.

Certified Project (Example 1)



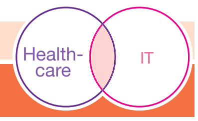
Smart Sensing

We are developing the *Recopick* radio frequency identification (RFID) inventory management system that utilizes Teijin's material technologies in the two-dimensional communication sheet *CELL FORM* to accurately and efficiently manage storage and retrieval, and will be developed into a management system for medical equipment in addition to books and confidential documents. We have also developed *PaperBeacon*, the world's first sheet-type beacon that authorizes network connections through smartphones or tablet devices through a combination of *TAGCAST*, a tag casting beacon technology from TAGCAST Inc., and *CELL FORM.* Sales started in June 2015.

PaperBeacon

Recopick

Certified Project (Example 2)



Sleeping Solutions

Teijin recently started sales of *2breathe*, a set comprising a wearable sensor and a smartphone application that offers a new solution to overcoming difficulties of getting to sleep. It is a completely new breathing solution whereby the smartphone application emits a guiding sound that the users synchronize their breathing with to feel comfortable. Teijin is already engaged in sleep-related marketing activities, including the web service *Nemulog*, where sleep times can be recorded, and Fuminners, a sleep information media that provides a variety of information related to sleep. These actions are enhancing the provision of solutions for those with concerns about sleeping.

2breathe

We are also involved in further development and assessment projects, including those for super-tough lightweight structural materials (composite materials) and super barley (functional food material).

CSR Materiality (Key Issues)

CSR Materiality for the Teijin Group (Material CSR Issues)

Aiming for the sustainable development of our business and society, in fiscal 2015 the Teijin Group identified the following materiality for a variety of issues related to corporate social responsibilities, and is advancing CSR management that is integrated with our business strategies.

Governance Issues

- Corporate governance (→P46)
- Corporate ethics and compliance (→P49)
- CSR communication

Environmental Issues

- Environmental value solutions (→P14)
- Reduction of environmental impacts (→P52)
- Conservation of biodiversity (→P53)

Social Issues

- Safety, security and disaster mitigation solutions (→P16)
- Demographic change and increased health consciousness solutions (→P18)
- Diversity (→P54)
- Information security (→P55)
- Product liability/Quality assurance (→P55)
- Disaster prevention activities (→P56)
- Occupational safety and hygiene (→P56)

Initiatives for CSR Materiality

CSR Procurement Initiatives (Guidelines, supplier surveys)

We are advancing initiatives for identified material issues by assigning the responsible organization for each issue. (→P57)

In fiscal 2015, we exchanged opinions on CSR materiality mainly with the strategic planning department of each business group, and deepened understanding and diffusion of CSR materiality inside the Teijin Group. In fiscal 2016, based on each business initiative, we will reconfirm the scope of each material issue, and set the corresponding KPI and medium-term target. At the same time, we strive to focus on the particularly important issues of "corporate governance," "corporate ethics and compliance," and "reduction of environmental impact," as well as examine the initiatives for environmental value solutions.

Moreover, CSR procurement is raised as an important issue through the opinion-exchange with one of our business groups. Thus, we continue to review our CSR materiality, for example by confirming the materiality of CSR procurement through dialogues with external experts.

1 2 3 4

Holding a consultation about CSR procurement

- Date: March 22, 2016
- External experts

1 Katsuya Kawanishi
Manager, CSR Promotion Team
Fastening Products Group
YKK Corporation

2 Tomomi Nara
Compliance Manager,
Social and Environmental Affairs/
Group Legal, adidas Japan K.K.

3 Lydia Long
Senior Program Director, Verité

4 Masaki Wada
CEO, energetic green

Process of Identifying Materiality

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

Review

STEP 1
Grasp and screen

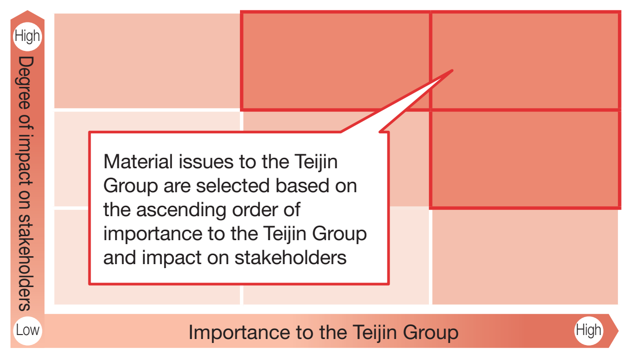
The Teijin Group has positioned as fundamental the issues that the Teijin Group is already working on, and also Creating Shared Value (CSV) issues that were identified as business opportunities in line with management strategies. These issues are then screened against social issues indicated in relevant international documents the ISO 26000 guidance on social responsibility, Global Reporting Initiative (GRI) Guidelines, the United Nations (UN) Global Compact and the UN's sustainable development goals (SDGs), and evaluation items of major socially responsible investment (SRI) indices, enabling the grasping and screening of CSR issues.

STEP 2
Analyze materiality

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

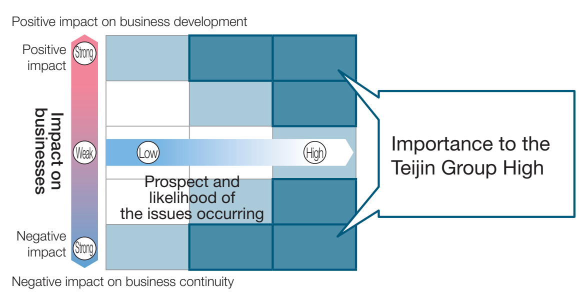
Method for determining impact on stakeholders (vertical axis)

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



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

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



STEP 3
Select material CSR issues

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

STEP 4
Dialogues with external experts

Conduct dialogues with external experts about the Teijin Group's process of identifying material CSR issues and the selected issues.

STEP 5
Identify material CSR issues

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

Special Feature

Governance Round Table

with Independent Outside Directors

We invited four independent outside directors active in various fields to discuss Teijin's corporate governance's current status and tasks, and what else we should be doing as a true global enterprise.

(names listed without honorifics)

Yutaka Iimura

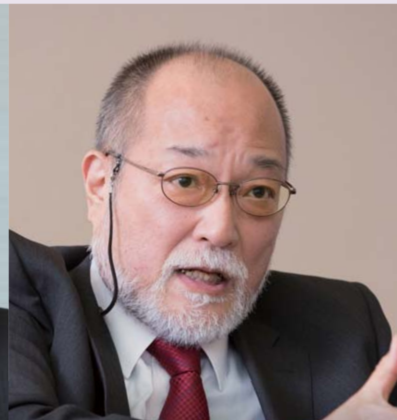
PROFILE

In 1969 he joined Ministry of Foreign Affairs of Japan. In 2002 he was appointed ambassador extraordinary and plenipotentiary to Indonesia, and in 2006 ambassador extraordinary and plenipotentiary to France. In 2009 he was appointed Special Envoy of the Government of Japan (Middle East, Europe). Since 2011 he has served as an outside director of Teijin.

Nobuo Seki

PROFILE

In 1970 he joined Chiyoda Corporation. In 2001 he was appointed President & CEO of the same company, and in 2007 Chairman of the board of this company. Since 2012 he has served as an outside director of Teijin.



Kenichiro Senoh

PROFILE

In 1976, he joined Fuji Photo Film Co., Ltd., which is now FUJIFILM Corporation. In, 2001, he became a professor at the Graduate School of Keio University Media and Government. Since 2004 he has served as President and Chairperson of the Industry-Academic Collaboration Initiative (NPO), and since 2012 as a member of the Board of Directors of Teijin Limited.

Fumio Ohtsubo

PROFILE

In 1971 he joined Matsushita Electric Works, Ltd., (currently Panasonic Corporation). In 2006 he was appointed President and Representative Director of Matsushita Electric Works, Ltd., and in 2012 Chairman of the Board and Representative Director of Panasonic Corporation.
In 2013 he was appointed special advisor to Panasonic Corporation.
Since June 2016 he has served as an outside director of Teijin.

Theme 1 What is your evaluation of Teijin's corporate governance systems and their actual operation?

Seki: 2015 was called "the first year of corporate governance" in Japan. Whereas many Japanese companies had then only just started strengthening their governance systems, I believe **Teijin had already introduced various advanced ideas into its governance system**. As a result, Teijin has made almost no revisions to the Teijin Group Corporate Governance Guide long in place.

Iimura: Teijin voluntarily introduced its own systems some twenty years ago including the Advisory Board, Total Risk Management (TRM), and compliance systems. I had an opportunity to speak with some businesspeople from Europe, so I asked them what they thought about Teijin's governance. It seems that even they view Teijin's system as very attractive.

Seki: I feel that Teijin's Board of Directors is run in a manner where external members are thoroughly pre-briefed and **everyone including auditors are free to express their opinions without holding back**.

Ohtsubo: At the 2016 general shareholders' meeting, I was appointed as an outside director at Teijin for the first time. At the first Board of Directors meeting I attended, it felt clear to me that this was a place for unbridled debate. There was absolutely no sense that the Board of Directors meeting was moving along according to a pre-determined scenario.

Senoh: **Teijin's mix of outside directors is well balanced**. It includes members with corporate world experience, those with knowledge of the bureaucratic sphere, and social and business researchers like me. I feel strongly that Teijin is **proactive about incorporating a variety of feedback** from such people.

Iimura: Discussions at the Board of Directors meetings are quite intense and range from short-term to long-term strategy. There might be some issues in Teijin, as in many other companies, but I believe Teijin is committed to bringing them into the light and thoroughly discussing them at its own initiative. In that sense, it seems to me that Teijin's governance system is both sound overall and is completed with finishing touches.

Seki: In addition, I think Teijin's **Advisory Board is very effective in its consultative role to the Board of Directors**. At the biannual training camp style meetings, discussions run from the morning through the evening.

Iimura: The Advisory Board also has **opportunities for vigorous debate with future management candidates**. All of that interaction is conducted in the English language, which I think drives home to management candidates the need for those at the top to be internationally-minded.

Senoh: It certainly is a good forum for learning for board members and executives. I feel that the smoothness of such systematic operations has been built up over Teijin's history to date.

Iimura: Robust governance is definitely critical for a global enterprise like Teijin to sustain growth, but it is **not very meaningful unless it is ultimately also linked to performance**.

Senoh: All companies are taking steps such as observation of compliance and bolstering risk management to shore up governance. However, taking such steps too far prevents companies from taking risks. The inherent mission of a company is supposed to be the constant provision of new value to society as a means to generate profit. An overemphasis on governance and too much restriction is not good. Balance is important.

The role of directors is to direct operations, as their title implies. I would also like to discuss medium- to long-term strategy in greater depth including how to develop business, and offer advice on that front. If harsh words are spoken at times during the process, I think that is alright too. I believe that part of our role as an outside director is **to encourage people that seem to be hesitating to speak out on the one hand, preventing any abuses by management on the other.**

Seki: With business becoming more complex and diverse, expectations for feedback and decisions from the Board of Directors are also rising, accompanied by a need for in-depth discussion. That said, I sometimes just simply consider why things are the way they are and then put my opinions out there. I think that **there are times when it is important for outside directors not to try to read between the lines**.

In contrast, it seems to me that internal members of the Board of Directors often make their statements in a measured manner. Perhaps that is because issues have already been talked out prior to the Board of Directors meeting. But even if that is the case, I think that sharing such debate with outside directors would be more effective.

Ohtsubo: Directors are expected to play many roles including providing orientation for operations and advice as well as performing supervisory functions. I think that directors, in turn, look to increase Teijin's corporate value by fulfilling those roles. The acts of considering the Company's medium- to long-term course and creating strategic frameworks are especially important for that, and I believe the task requires taking **a sweeping, panoramic, macro view**.

On the other hand, there is that expression "**god is in the details**." I think that it is also key to keep in mind **how to tie the items presented by management**, namely, the individual and concrete plans, the detailed scenarios focused on achieving success and innovativeness, **into the medium- to long-term big picture**.

Theme 2 What points do you think Teijin needs to take note of to continue growing as a global enterprise?

Senoh: At Board of Directors meetings, I often ask if the goal is “growth” or “transformation.” Growth involves using existing business models to expand their volume, polishing and improving them to improve earnings. **Transformation**, on the other hand, is when actions trigger a **metamorphosis to a new stage**, like when a chrysalis becomes a butterfly.

I think **the time has come for Teijin to rethink its existing business models**. It is important for the Company to ascertain which businesses to really grow and where energy should be used to metabolize and develop to the next phase. It must advance restructuring initiatives to grow, and create new business to develop. I feel that this is now the period of hardship prior to the delivery of results. **With some business model ingenuity, Teijin should be able to capitalize even more on its technological strengths**.

Seki: Simultaneously promoting **restructuring initiatives** and **transformation and growth strategies** to drive sustainable growth and improvement in corporate value is something that all companies do today. Teijin has recently almost completed a series of painful structural reform measures and is now ready to steer an even stronger course towards development while applying both restructuring and transformation systematically. Also, Japanese companies overall tend to have similarly oriented strategies for the same business domains. However, I suspect that differences and individual characteristics will emerge at each company going forward. Taking another look at the ground where you stand and the outside world through the viewpoint of **providing the solutions** to which the Company aspires, will shed light on big possibilities in all sorts of places different from hitherto. While publicizing that to those outside the Company is necessary, it is even more critical **to get the message across to those inside the Company**. If younger people within the Company do not study with dedication and take on challenges, they will not find the seeds of new businesses that will lead to development and growth.

Also, I think there are a few points that will need some work from the perspective of a global enterprise. One is **the perspective that Teijin uses to think about technology**. So that technology can be used as a creative source for various solutions, things are needed like a framework to ensure that important technologies that have been developed are retained and amassed in a way that allows future use even when unprofitable operations are reorganized or exited. Moreover, Teijin’s core systems require it to efficiently conduct business development closely tied to customers in line with the Company’s expanding global network. As a result, the Company is probably going to require a corresponding review of **its core business execution and management systems**.

Lastly, I would like to bring up **legal bolstering**. Companies that boast strong global growth ability have powerful back up from their legal departments. A swift response to contract conclusion and strong negotiating abilities are key to success in M&As or business alliances.

Iimura: To develop as a genuine global enterprise, it is also vital for an organization to have **human resources that adapt to new times**. That is just as true for the bureaucratic organization where I used to work as it is for corporate organizations like Teijin. I think it would be good for Teijin's employees to be more aggressive in venturing outside and taking on challenges. They should actively interact with people from both inside and outside Japan to foster their ability to build a global personnel network and **gather global information**. In addition to the ability to cast a wide net to gather information, it is also important to be able to **negotiate with and persuade** people across international borders that naturally have differing perspectives and views. Strong negotiating skills or the lack thereof is a key factor, as are the legal aspects Mr. Seki previously noted. As for this point, I personally would like a bit more opportunity to interact with younger people out on the front lines and offer them advice from a third-party perspective.

Ohtsubo: I have visited several domestic business sites and had various discussions with the executives and managers overseeing operations at those sites. I was deeply impressed by the great pride everyone has in their operations, business site's history, and so forth, as well as the acute recognition of future business tasks. But even with such talented individuals, **it is a very tough task to prevent isolated sectionalism occurring among the materials, IT, and healthcare segments, and to bring elements of those operations together to create new business**. I learned that through my own experience when I was the president of Panasonic Corporation.

I certainly understand the importance of the concept of integration across businesses. However, that must not reduce the drive everyone has now to grow their respective businesses. How can ties be created between businesses? **Can concepts be translated to concrete steps and incorporated into daily business decisions? Can systems and mechanisms be created for companywide encouragement of risk-taking in new business domains?** This is a difficult task, and I would like to offer any useful advice I may have based on my experiences.

Senoh: With chemical industry reorganization now underway worldwide, it is important that Teijin does not simply compete on business scale, but innovates an advanced business model that can develop strengths from the Company's characteristics, including IT. As part of this, Teijin needs to present **a new image as a global enterprise**. Going forward, I think as outside directors there are considerable areas where we can continue to contribute and provide advice from an external perspective.

Comment from CEO Jun Suzuki

Teijin has been working on the reform of its governance system, including the Advisory Board, since the 1990s. The introduction of outside directors also dates back to 2003. Even now, I feel keenly that the results of the various reforms we have implemented to date have contributed to the improvement of our governance system.

On the other hand, as it has been pointed out by our current outside directors, there is no meaning if the improvement of our governance system does not lead to Teijin's sustainable growth in the future. Moreover, our outside directors have been giving us much valuable advice through a variety of discussions. Looking ahead, I would like us to deepen these discussions in the future from various diverse perspectives, and thereby further enhance the effectiveness of our Board of Directors.

Initiatives for Governance Issues

Corporate Governance

Basic Philosophy

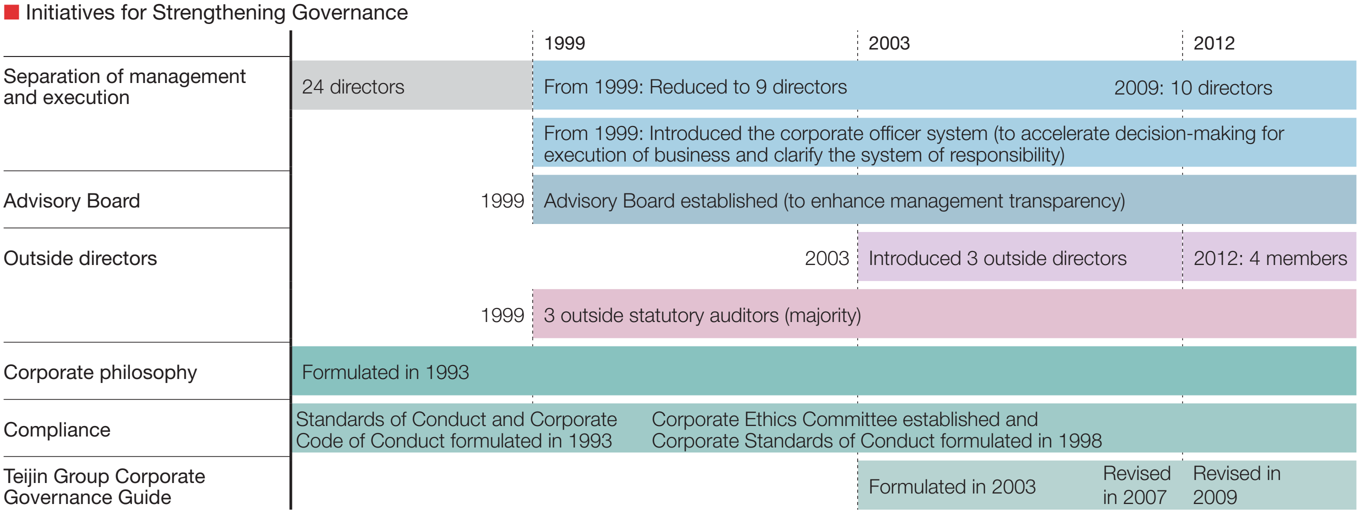
The Teijin Group realizes that its basic mission as a company is to ensure sustainable growth in shareholder value. On this basis, to fulfill our responsibilities to other various stakeholders, we have striven to strengthen corporate governance.

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

■ Overview of the Corporate Governance System

Organization form	Company that employs Board of Auditors system	
Directors	No. stipulated in Articles of Incorporation	10
	No. of Directors (included number of outside directors)	10 members (of whom 4 are outside directors)
	Term	1 Year
	Chairman of the Board of Directors	Chairman (or, in the absence of a chairman, the senior advisor or an outside director)
Statutory Auditors	No. stipulated in Articles of Incorporation	Upper limit on the number of members is not stipulated
	No. of Statutory Auditors (included number of outside statutory auditors)	5 members (of whom 3 are outside statutory auditors)
No. of independent outside individuals		7 members (of whom 4 are outside directors and 3 are outside statutory auditors)
Others	Established Advisory Board (advisory body to the Board of Directors with nomination and remuneration committee functions)	

■ Initiatives for Strengthening Governance



The Teijin Group's Corporate Governance System (As of April, 2016)

Board of Directors

The Board of Directors is comprised of 10 directors of whom 4 are outside directors that maintain independence. The Board of Directors is chaired by the chairman, to ensure the appropriate separation of responsibility for frontline management and monitoring/supervising. The main goal of the Board of Directors is to maximize shareholder value each fiscal year and over the medium and long-term. At the same time, it must pay close attention to the position of stakeholders other than the shareholders. The Board of Directors must also deliberate, determine, and approve any management policies, and the overall plans of the entire Teijin Group, and any other items required by law or other regulations. Furthermore, the Board of Directors is responsible for ensuring accountability. It must also clarify its policies on compliance and how to manage risks surrounding us, and supervise those implementations.

Advisory Board

The Advisory Board is a consultative body to the Board of Directors. It is comprised of five to seven Japanese and non-Japanese outside experts, the chairman or a senior advisor, and the CEO of the Teijin Group. Its role is to give advice and make proposals regarding corporate strategy and results, and function as the Nomination and Compensation Committee in deliberating on matters such as a change of CEO and the successor as well as systems and standards governing remuneration for Teijin Group directors, statutory auditors and corporate officers and evaluates the performance of the CEO.

Nomination Consultation Committee / Remuneration Consultation Committee

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

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

TRM Committee

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

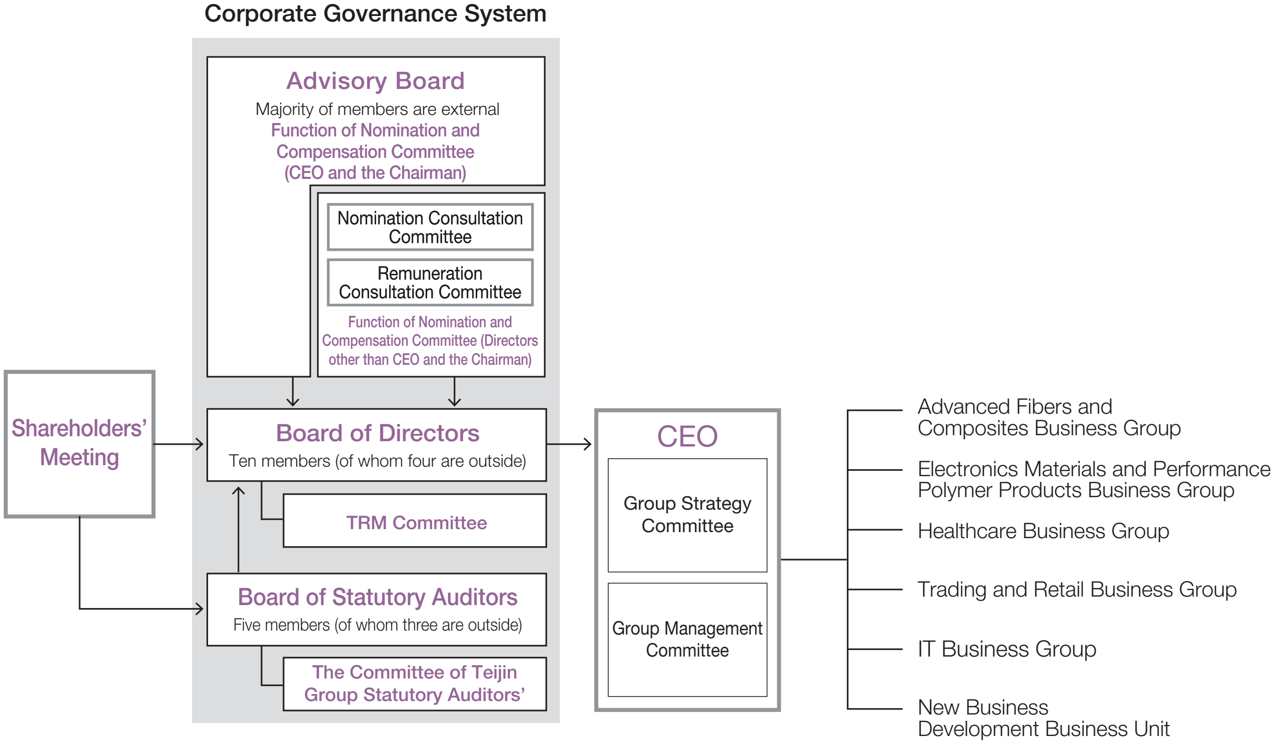
Statutory Auditors and the Statutory Auditors' Committee

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

Group Strategy Committee and Group Management Committee

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

Corporate Governance System



Outside Directors and Outside Statutory Auditors

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

With regard to independent director and independent statutory auditor requirements, we have formulated and operates its own regulations concerning independent directors and independent statutory auditors.

■ Independent Director and Independent Statutory Auditor Requirements (Overview)

(1) Persons having no significant special interests in the Teijin Group.

(2) Persons to whom items (a) through (e) below do not apply are deemed to be Independent Directors or Independent Statutory Auditors having no significant special interest in the Teijin Group.

(a) Internal officers or employees and former internal officers or employees of the Teijin Group

(b) Providers of specialized services to the Teijin Group

(c) Persons having customer or business partner relations with the Teijin Group

(d) Persons having "inter-directorship" relations with the Teijin Group

(e) Persons having other special interests in the Teijin Group

Reason for Selection and Status of Activities of Outside Directors and Outside Corporate Auditors

	Name	Reason for selection	Independent director	Attendance at meetings of the Board of Directors and Board of Statutory Auditors in Fiscal 2015
Directors	Shigeo Ohyagi	Appointed for his experience as our President and Chairman and for working on our restructuring initiatives. We expect him to apply his management capabilities as Chairman of the Board of Directors to conduct appropriate supervision of Executive Directors, etc.	☐	Attended 12 of 12 Board of Directors meetings
	Jun Suzuki	Appointed for his experience as President and then formulating the revised medium-term plan. On this basis, we expect him to complete the restructuring initiatives which he inherited from his predecessor, and promote the transformation and growth strategy for the future.	☐	Attended 12 of 12 Board of Directors meetings
	Yo Goto	Appointed for his knowledge and insight accumulated in the technology and engineering field, of which we expect him to take full advantage and utilize to promote research and technological development as the transformation and growth strategies.	☐	Attended 12 of 12 Board of Directors meetings
	Hiroshi Uno	Appointed for his business experience and insight accumulated in the healthcare business field, of which we expect him to take full advantage and make efforts to expand the revenue of the healthcare business and work on the integration businesses, which is the theme of our transformation and growth strategies.	☐	Attended 9 of 9 Board of Directors meetings
	Kazuhiro Yamamoto	Appointed for his knowledge and insight accumulated in the accounting administration and management strategies fields, together with his business experience in the IT business field, of which we expect him to take full advantage. As head of the accounting administration field, we expect him to put efforts into cost management and IR activities.	☐	Attended 9 of 9 Board of Directors meetings
	Yoshihisa Sonobe	Appointed for his knowledge and insight accumulated in the accounting administration and management strategies fields, of which we expect him to take full advantage and make efforts to plan strategies toward the achievement of the restructuring initiatives and transformation and growth strategies, which are our most important issues.	☐	Attended 12 of 12 Board of Directors meetings
(Outside)	Yutaka Iimura	Appointed for his considerable knowledge and experience as a diplomat and his global perspective on business management, of which we expect him to take full advantage and which we plan to utilize in its business operations.	✓	Attended 11 of 12 Board of Directors meetings
	Nobuo Seki	Appointed for his considerable business experience and deep insight developed as the president and chairman of a listed company, which we plan to utilize in its business operations.	✓	Attended 12 of 12 Board of Directors meetings
	Kenichiro Senoh	Appointed for his deep insight developed as a director and committee member for many organizations, mainly in the industry and business fields, which we expect him to utilize in offering guidance and proposals regarding its business operations.	✓	Attended 12 of 12 Board of Directors meetings
	Fumio Ohtsubo	Appointed for his experience as the president and chairman of a listed company, of which we expect him to take full advantage and apply his abundant business experience and high level of insight to our business operations.	✓	Assumed the post in June 2016
Statutory Auditors	Atsushi Mugitani	Appointed for his knowledge and insight accumulated in the accounting administration field, together with his experience as general manager of the Corporate Auditing Department. Accordingly, we expect him to contribute to the internal control of us and the Teijin Group.	☐	Attended 9 of 9 Board of Directors meetings Attended 8 of 8 Board of Statutory Auditors meetings
	Noriaki Endo	Appointed for his business experience accumulated in the healthcare business field, together with his experience as CSRO and Supervisor of the Corporate Audit Department. Accordingly, we expect him to contribute to the internal control of us and the Teijin Group.	☐	Assumed the post in June 2016
(Outside)	Noriko Hayashi	Appointed for her deep insight and abundant experience developed as a lawyer having served on policy boards and so forth, which we expect her to utilize in maintaining and enhancing compliance.	✓	Attended 12 of 12 Board of Directors meetings Attended 12 of 12 Board of Statutory Auditors meetings
	Nobuo Tanaka	Appointed for his deep insight and abundant experience developed in national government positions including within the Ministry of Economy, Trade and Industry, as well as international institutions such as the Organization for Economic Co-operation and Development, which we expect him to utilize in maintaining and enhancing corporate governance.	✓	Attended 11 of 12 Board of Directors meetings Attended 10 of 12 Board of Directors meetings
	Gen Ikegami	Appointed for his deep insight and abundant experience developed as a certified public accountant, which we expect him to utilize in maintaining and enhancing compliance.	✓	Attended 8 of 8 Board of Directors meetings Attended 7 of 7 Board of Statutory Auditors meetings

Director Compensation

Compensation for directors is based on consolidated ROA, with consideration also given to consolidated ROE and operating income—specifically to whether targets have been met and improvements seen—as well as to a qualitative assessment of each individual director's execution of duties. The Advisory Board deliberates systems and standards governing remuneration for Teijin Group directors, statutory auditors and corporate officers and evaluates the performance of the CEO and representative directors.

Compensation for directors in fiscal 2015

(Millions of yen)

Position	No. of people	Compensation amount
Director	12*1	429
Of which, outside directors	4	56
Statutory auditor	7*2	90
Of which, outside statutory auditors	4	31

*1 The number of salaried directors includes two directors who retired in fiscal 2015.
*2 The number of salaried statutory auditors includes two statutory auditors who retired in fiscal 2015.

★···Items for independent assurance

Corporate Ethics and Compliance

The Teijin Group believes that compliance and risk management are necessary conditions for realizing corporate governance.

With regard to compliance, individuals employed by the Teijin Group are required not only to comply with relevant laws and regulations, but also to act with good faith as businesspeople and members of society in accordance with ethical and social norms. In line with this conviction, we formulated the Corporate Code of Conduct and the Corporate Standards of Conduct, which set forth consistent guidelines for the entire Teijin Group, and work diligently to reinforce awareness of compliance issues among executives and employees.

Teijin holds its Corporate Ethics Month campaign every year in October. At this time, all executives and employees, including contract and temporary employees, receive training in corporate ethics. Moreover, a relevant CEO message is given in eight languages, and campaign posters are displayed announcing the Corporate Ethics Month. By these and other means, Teijin works to raise the awareness of the entire Group about corporate ethics.

In the case that a legally or ethically inappropriate issue occurs within the Teijin Group, Teijin will activate its counseling and reporting system, involving input from both inside and outside Teijin and based on the decisions of the Chief Social Responsibility Officer, with the aim of solving the matter within the organization by setting in motion an organizational self-purification mechanism. In fiscal 2015, there were a total of 59 cases (★) of this counseling and reporting system being used both inside Japan and overseas.

Investor Relations

The Teijin Group behaves as a company that takes requests from shareholders and society into consideration to achieve a higher degree of accountability. The Chief Financial Officer is in charge of investor relations functions including information disclosure and communication with shareholders and others. In disclosing information, our basic policy is to disclose the same content both in and outside Japan simultaneously. In addition to disclosing legally stipulated financial information, we proactively disclose corporate information from the perspective of good CSR. General meetings of shareholders are "open meetings," wherein communicating with shareholders is our first priority.

Advisory Board (As of July 2016)

Teijin established the Advisory Board, which is comprised mainly of outside experts, in 1999 with the objective of raising the degree of management transparency. In addition to leading domestic experts, the Advisory Board's original members included leading global authorities on governance John A. Krol, former chairman of global chemicals giant DuPont, and Ronald Hampel, previously chairman of ICI. Since its establishment, the board has held two ordinary meetings each year, in the spring and autumn, and has played a substantial role in such ways as making proposals to management, assessing directors, and deliberating presidential succession plans.

Advisory Board members

Chairman, Member of the Board, Teijin Limited	Shigeo Ohyagi (Board chairman)
Special Assistant to the Minister for Foreign Affairs and Special Envoy for Cooperation for Southeast Asia	Yutaka Iimura
Former President/Chairman, Chiyoda Corporation	Nobuo Seki
President & Chairperson, The Industry-Academic Collaboration Initiative (NPO)	Kenichiro Senoh
Special advisor to Panasonic Corporation	Fumio Ohtsubo
Professor, University of Amsterdam, Netherlands	Alexander H.G. Rinnooy Kan
Executive Director and CEO, American Chemical Society	Thomas Connelly
President and CEO, Representative Director of the Board, Teijin Limited	Jun Suzuki

Overview of Directors

Management Team Responsible for Implementation of Strategies and for Supervision (As of July 2016)

Board of Directors

5 3 1 2 4 6

1 Chairman, Member of the Board

Shigeo Ohyagi

1971 Joined Teijin Limited
2003 General manager of Medical and Pharmaceutical Business Group
2005 Chief Information Officer (CIO)
2007 Chief Strategy Officer (CSO)
2008 President and CEO, representative director of the board of Teijin Limited
2014 Chairman, member of the board of Teijin Limited (incumbent)

2 President and CEO, Representative Director of the Board

Jun Suzuki

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

3 Senior Executive Officer, Representative Director of the Board

Yo Goto

1977 Joined Teijin Limited
2012 General manager of Engineering Center
2014 General manager of Technology Center (incumbent)
2015 Representative director of the board of Teijin Limited (incumbent)

4 Senior Executive Officer, Member of the Board

Hiroshi Uno

1981 Joined Teijin Limited
2011 General manager of Pharmaceutical Business Unit, Teijin Pharma Limited
2013 General manager of Healthcare Business Group of Teijin Limited (incumbent)
2015 Member of the board of Teijin Limited (incumbent)

5 Senior Executive Officer, Member of the Board

Kazuhiro Yamamoto

1975 Joined Teijin Limited
2011 General manager of IT Business Group
2012 General manager of Corporate Strategy Office
2014 Chief financial officer (CFO), general manager of Accounting, Finance & Procurement Division
2015 Member of the board of Teijin Limited (incumbent)

6 Executive Officer, Member of the Board

Yoshihisa Sonobe

1980 Joined Teijin Limited
2010 Deputy Chief Financial Officer (CFO), general manager of Accounting and Finance Office
2011 Chief Financial Officer (CFO), general manager, Accounting and Finance Division
2014 Member of the board, general manager of Corporate Strategy Office (incumbent)

3 1 2 4

1 Independent Outside Director

Yutaka Iimura

1969 Joined Ministry of Foreign Affairs of Japan
2002 Ambassador of Japan in Indonesia
2006 Ambassador of Japan in France
2009 Special Envoy of the Government of Japan (Middle East, Europe)
2011 Member of the board of Teijin Limited (incumbent)
2014 Special Assistant to the Minister for Foreign Affairs (Special Envoy for Cooperation for Southeast Asia) (incumbent)

2 Independent Outside Director

Nobuo Seki

1970 Joined Chiyoda Corporation
2001 President & CEO of Chiyoda Corporation
2007 Chairman of the board of Chiyoda Corporation
2012 Member of the board of Teijin Limited (incumbent)

3 Independent Outside Director

Kenichiro Senoh

1976 Joined Fuji Photo Film Co., Ltd. (now FUJIFILM Corporation)
2001 Professor, Graduate School of Keio University Media and Government
2004 President and Chairperson, The Industry-Academic Collaboration Initiative (NPO) (incumbent)
2012 Member of the board of Teijin Limited (incumbent)

4 Independent Outside Director

Fumio Ohtsubo

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

Statutory Auditors

1 4 3 5 2

1 Full-Time Statutory Auditor
Atsushi Mugitani

1980 Joined Teijin Limited
2007 General manager of New Business Development Department
2013 General manager of Corporate Audit Department
2015 Statutory auditor (incumbent)

2 Full-Time Statutory Auditor
Noriaki Endo

1983 Joined Teijin Limited
2009 Manager of Global Pharmaceutical Business Department, Teijin Pharma Limited
2012 Manager of Compliance Division of Teijin Pharma Limited
2015 Chief Social Responsibility Officer of Teijin Limited
2016 Statutory auditor (incumbent)

3 Independent Outside Statutory Auditor
Noriko Hayashi

1968 Registered as a lawyer (Tokyo Bar Association)
2000 Representative of Hayashi Law Office (incumbent)
2009 Statutory auditor of Teijin Limited (incumbent)
2010 Chairperson of Committee on Labor Law Legislation, Japan Federation of Bar Associations (incumbent)

4 Independent Outside Statutory Auditor
Nobuo Tanaka

1973 Joined Ministry of International Trade and Industry (now Ministry of Economy, Trade and Industry)
2002 General manager of International Trade Policy Bureau, Trade and Industry Organization Division, METI
2007 Director-General of International Energy Agency
2012 Statutory auditor of Teijin Limited (incumbent)
2015 President of the Sasakawa Peace Foundation (incumbent)

5 Independent Outside Statutory Auditor
Gen Ikegami

1980 Joined Showa Accounting (now Ernst & Young ShinNihon LLC)
1983 Registered as a Certified Public Accountant
1992 Registered as CPA the state of California, USA
2000 Representative partner of Audit Corporation Ota Showa Century (now Senior Partner, Ernst & Young ShinNihon LLC)
2015 Statutory auditor of Teijin Limited (incumbent)
2015 Representative of Gen Ikegami CPA Office (incumbent)

Advisory Board

Shigeo Ohyagi (Board chairman)
Yutaka Iimura
Nobuo Seki
Kenichiro Senoh
Fumio Ohtsubo
Alexander H.G. Rinnooy Kan
Thomas Connelly
Jun Suzuki

Chief Officers

Corporate Strategy Officer — Yoshihisa Sonobe
General Manager, Technology Center — Yo Goto
Chief Marketing Officer — Kentaro Arao
Chief Social Responsibility Officer — Nobuyuki Takakura
Chief Financial Officer, General Manager—Accounting, Finance & Procurement Division — Kazuhiro Yamamoto
Chief Human Resources Officer — Yasuhiro Hayakawa

Business Group General Managers

Advanced Fibers and Composites — Masaya Endo
Electronics Materials and Performance Polymer Products — Yasumichi Takesue
Healthcare — Hiroshi Uno
Trading and Retail — Shinji Nikko
IT — Norihiro Takehara
New Business Development Business Unit — Kentaro Arao

Initiatives for Environmental Issues

- Management System, Audit and Assessment
- CO_2 Emissions Associated with Use of Company Vehicles
- CO_2 Emissions in Logistics
- CO_2 Emissions from Offices

★…Items for independent assurance

Basic Stance

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

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

Environmental Management

The Teijin Group has been proactively advancing its environmental management in order to realize to exist in harmony with the natural environment and to cherish nature and life, as called for by its corporate philosophy. The Teijin Group considers that environmental management refers to reducing environmental impact over the entire life cycle of products, including all processes from material procurement to production, use and disposal. We are working to integrate this with the Teijin Group's overall management strategy, provide environmental value solutions, reduce environmental impacts, conserve biodiversity, and promote environmental education and communication.

Reducing Environmental Impact from Material Procurement to Disposal

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

Climate Change Initiatives

Greenhouse Gas Emissions from Manufacturing Operations*2★

Targets for FY2012–FY2020

Achieve a CO_2 emissions reduction ratio of 1% or more per year (compared to the level in the base year in fiscal 2011)

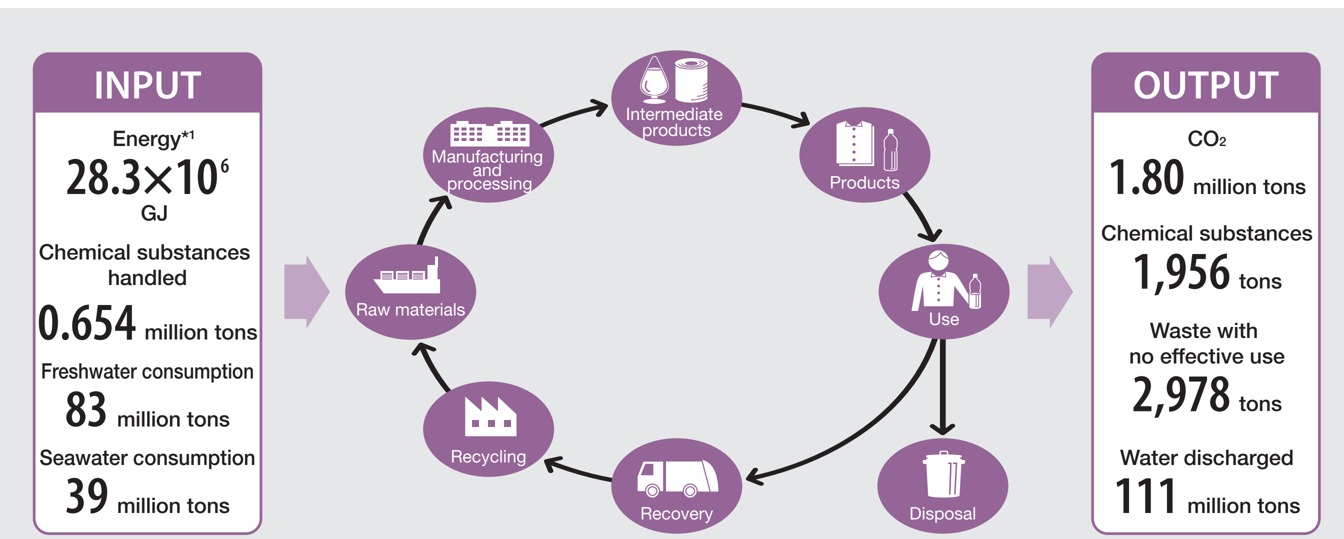
Fiscal 2015: **1.80** million tons-CO_2
(Average annual reduction of 5% compared to fiscal 2011)

The Teijin Group is working to reduce its greenhouse gas emissions released during manufacturing, both in Japan and overseas. In fiscal 2015, the Teijin Group's CO_2 emissions released increased 1% compared to fiscal 2014 due to increased production volume at overseas bases. However, the reduction ratio was 20% over the four years since fiscal 2012 (average annual reduction of 5%).

In logistics, we are curbing CO_2 emissions by expanding the use of rail transport, as well as by transporting in bulk to stock points, in order to increase load efficiency.

*2 Includes CO_2, methane and nitrous oxide. CO_2 emissions are calculated according to the coefficients specified in the Law Concerning the Promotion of Measures to Cope with Global Warming (an emissions factor for electricity of 0.579 kg CO_2/kWh is used). For power purchased overseas, where known, the relevant emissions factor is used for the calculations.

■ Environmental Impact during Manufacturing in FY2015 by Input/Output ★



*1 Energy is calculated according to the coefficients specified in the Act on the Rational Use of Energy.

- Top 10 Chemical Substance Emissions
- SOx, NOx Emissions
- COD/BOD Load
- Design for Environment Approved Products
- Map of Risks (Biodiversity Loss Due to Business Activities) and Initiatives (Biodiversity Conservation)
- Current status of ISO 14001 Certification

Reducing Chemical Substance Emissions

Emissions of Chemical Substances into the Environment*3★

Targets for FY2012–FY2020

By fiscal 2020, reduce by 80% or more compared to fiscal 1998 level

Fiscal 2015: **1,956** tons

(reduced by 78% compared to fiscal 1998 level, down 4% from fiscal 2014)

We are actively committed to reducing emissions into the environment, covering the 575 chemical substances. These 575 chemical substances include the Class 1 designated chemical substances pursuant to the Law Concerning Reporting, etc., of Release to the Environment of Specific Chemical Substances and Promoting Improvements in their Management (462 substances: revised in April 2010) and the chemical substances designated by the Japan Chemical Industry Association (433 substances). (Some substances are designated in both, hence the numerical discrepancy.)

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

Reducing Environmental Burdens by Water Consumed and Water Discharged

Freshwater Consumption*4★

Fiscal 2015: **83** million tons

(increased by 3% compared to fiscal 2014)

Water Discharged*4★

Fiscal 2015: **111** million tons

(reduced by 4% compared to fiscal 2014)

The Teijin Group uses freshwater (industrial water, groundwater, and tap water) as well as seawater primarily used for cooling, and is working to reduce the impact from the group's overall use and discharge of water. In fiscal 2015, the production amount of overseas bases increased and as a result, freshwater consumption increased by 3% compared to fiscal 2014.

*4 Freshwater consumption amount includes industrial water, groundwater and tap water. Water discharged includes seawater used for cooling.

Management and Reduction of Waste

Waste with No Effective Use*5★

Target for FY2020

Reduce "waste with no effective use" by 85% or more compared to the fiscal 1998 level by fiscal 2020

Fiscal 2015: **2,978** tons

(reduced by 94% compared to fiscal 1998 level, down 3% from fiscal 2014)

The Teijin Group is committed to reducing the amount of waste it generates, as well as to reducing "waste with no effective use" through promoting a shift to reuse and recycling based on material, chemical or thermal processing.

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

Design for Environment

The Teijin Group defines Design for Environment as "product design that aims to reduce the environmental impact of each product through evaluating the overall environmental impact throughout the product life cycle, including procurement, production, use and disposal" and we are taking measures for the reduction of environmental impact.

Products certified as Design for Environment

High-grade artificial leather *CORDLEY* (use of recycled polyester)

Aramid fiber recycled pulp

Conservation of Biodiversity

To visualize the effect that factors such as chemical substances, greenhouse gases and waste resulting from business activities have on biodiversity, the Teijin Group has clarified the risks relating to loss of biodiversity due to business activities and activities to conserve biodiversity. As a result, this will facilitate employees having a clear awareness of the impact of business activities on biodiversity, helping to propel conservation activities forward.

In addition, both the Teijin Matsuyama factory and the Iwakuni factory utilize the Japanese Business Initiative for Biodiversity (JBIB)'s "Plants & Wildlife Monitoring Sheet" for employees and outside experts to conduct surveys of plant, bird and insect life and check the level of contribution to biodiversity at each business site.

Employees conducting the survey of plants and wildlife

A breeding colony of herons observed at the Matsuyama factory

Initiatives for Social Issues

- Results of Re-Employment
- Number of Employees with a Disability
- Average Overtime Per Month for Employees and Ratio of Annual Taken Paid Holidays
- Number of Employees Taking Nursing Care Leave
- Number of Employees Taking Volunteer Leave
- Respect for Human Rights
- Employee Satisfaction Survey
- Data on Human Resources

Diversity

Basic Stance

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

Promotion of Diversity

To utilize diversity of human resources as a driving force for enhancing competitiveness, the Teijin Group promotes diversity as part of its management strategy. We have stepped up efforts to promote diversity in recruitment/discovery, faster development and suitable global placement of human resources.

Initiatives to Discover and Develop Global Human Resources

Recruitment

The five core group companies in Japan*1 have set targets to achieve a 10% or higher ratio of foreign nationals to the total number of newly recruited career-oriented university graduates, and a 20% or higher ratio of personnel with experience living abroad.

Working to achieve these targets, the companies hold information sessions for foreign students in Japan and participate in overseas job fairs (company information session for students) in the U.S., China, and elsewhere.

*1 The five core Group companies in Japan: Teijin Limited, Toho Tenax Co., Ltd., Teijin Pharma Limited, Teijin Frontier Co., Ltd., Infocom Corporation

Faster Development of Global Human Resources

We hold the following programs designed to develop core human resources for the future.

- **STRETCH I and II (STRETCH: Strategic Executive Team Challenge)**

  STRETCH I and II are Group-wide core human resources development programs used to develop human resources who can work actively on the global stage. The programs target employees at all Group companies including overseas. STRETCH I is a program for department manager level employees; STRETCH II is a program for section manager level employees.

- **SLP (SLP: Strategic Leader Development Program)**

  Aimed at employees in mid-level positions, the SLP seeks to develop candidates for core human resources.

- **Leadership Program, EaGLES**

  EaGLES is a training program that develops leaders capable of responding to the globalization of human resources and our businesses.

Accelerating Female Career Development

The Number and Ratio of Newly Recruited Career-oriented Female University Graduates*2★

Target: The ratio of female recruits at 30% or more

Fiscal 2016: 45 people (32%)

Since 1999, the Teijin Group has been engaged in efforts to promote and support female employees to work to the best of their abilities, including setting the target of improving the ratio of newly recruited career-oriented female university graduates and the number of females in managerial positions. The five core Group companies in Japan have set the goal of maintaining the ratio of newly recruited career-oriented female university graduates at 30% or more. In fiscal 2016, we achieved a ratio of 32% with 45 people. In fiscal 2015, the number of female managers*2 was 86 (3.7%)(★).

*2 At the five core Group companies in Japan

Re-employment Systems

Teijin Limited and Teijin Pharma Limited have established the Hello-Again system for employees who left the companies for reasons including marriage, pregnancy, child-rearing, nursing care, or work transfer of their spouses. Employees in this situation who wish to return to the Teijin Group will be rehired as full-time employees on the condition that it is not more than 10 years since they left and if the need exists. We have also established a system by which employees at all domestic Group companies may continue to work after retirement.

Pushing Ahead with Measures to Realize Work-Life Balance

Number of Employees Taking Childcare Leave*3★

Fiscal 2015: 248 people (Number of male employees: 80)

In fiscal 2015, at the five core group companies in Japan, 248 employees, including 80 males, took childcare leave. In October 2014, we introduced a system under which the spouses of employees who are transferred overseas for work, may also take leave from work to be with their spouses. They may take leave for three years, and in the first six months of the system up to April 2016, eight employees used the system.

*3 At the five core Group companies in Japan

• Product Liability/Quality Assurance System
• Quality Assurance Assessments
• Current Status of Quality Assurance Certifications such as ISO 9001

Information Security

Basic Stance

The Teijin Group views information assets as important management resources, and is working to enhance corporate value through their active utilization, while also striving to maintain and enhance information security. As regards information security management, especially the protection of customers' information that includes personal information entrusted to us, we are advancing proactive initiatives in both the compliance and risk management fields from the viewpoint of ensuring the continuity and stability of business.

Strengthening Our Management System and Educating Employees

The Teijin Group has put in place measures to prevent leaks of business secrets, technological information, personal information, and other data, and maintains and improves its information security by taking the utmost care in managing its information systems. We decide upon the people responsible for IT in each of the Company's divisions, together with the person responsible for personal information protection and the manager in charge of trade secrets, and check every year the management of such information assets as these information systems, networks, facilities, personal information and business secrets. Also, the Corporate Audit Department conducts audits of information security and personal information protection at all Group companies. Employees attend training lectures about information security, and are required to attend regular e-learning lectures about information security.

However, as a result of cyber attacks from outside the Company in July 2015, it was discovered that there were information leaks at the Company, including internal network IDs and e-mail addresses of employees from one Company personal computer. Although the occurrence of secondary damage has not been confirmed, the Teijin Group is working to prevent a recurrence by again ensuring that employees know how to diligently handle information and suspicious e-mails, and by strengthening systems and other measures.

Product Liability/Quality Assurance

Basic Stance

The Teijin Group conducts product liability/quality assurance activities under an original management system that ensures safe products are provided to our customers and enables quick response to needs in the ever-diversifying social environment.

Product Liability/Quality Assurance Management System

The Teijin Group Product Liability/Quality Assurance Regulations apply to all Teijin Group products and services, and are the base of our product liability/quality assurance activities. Based on these regulations, the Group CSR Committee and the Group Product Liability/Quality Assurance Subcommittee decide the basic policies and associated targets for all product liability/quality assurance issues of the Teijin Group, and reflect them in the product liability/quality assurance activities conducted by business groups.

Implementation of Product Liability/Quality Assurance Audits

Product liability/quality assurance activities are conducted as the responsibility of each respective product liability/quality assurance unit (six business groups and seven directly managed companies as of April 1, 2016). The CSR and Compliance Department, which is in charge of supervising Group-wide quality, audits these activities and checks that quality assurance mechanisms are operating appropriately.

Secure Export Control

The Teijin Group has established the Group Secure Export Control Regulations governing the corresponding Secure Export Control Regulations and Detailed Implementation Rules, which apply to Group companies that conduct exports.

We implement this via a dual-level control system, placing specialist back-office staff at the head office and business groups to ensure a highly reliable level of secure export control.

In fiscal 2015, we held the Group Security Export Control Conference in October, and the laws and regulations that had been revised between 2014 and 2015 were reconfirmed. Moreover, information regarding transactions in the Group was shared while clarifying precautions for secure export control.

- Number of Serious Accidents and Disasters
- Number of Disaster-Prevention-Assessed Plants
- Measures for Compliance with the Law for Promotion of Building Earthquake-Resistance Reinforcement
- Current Status of OHSAS 18001 Certification
- Mental Health Care Measures
- Continued Diagnosis of Stress Levels at All Workplaces

Disaster Prevention Activities

Basic Stance
To prevent accidents and disasters such as explosions, fires, and leaks/spills of hazardous substances, we adhere strictly to disaster prevention management standards, and we are committed to preventative action/recurrence prevention as well as earthquake/tsunami countermeasures.

System to Promote Disaster Prevention Management

The Teijin Group is engaged in disaster prevention management and has established Group-wide Disaster Prevention Regulations. For each fiscal year, we design plans based on these Regulations relating to preventative measures such as disaster prevention diagnoses, fire prevention and earthquake countermeasures as well as disaster prevention training, drills and upgrading of fire prevention equipment, and conduct the PDCA cycle.

TCAP providing leadership for disaster prevention activities in Thailand

Disaster Prevention Initiatives

Teijin Group Fire Prevention Day

Since 2008, November 10 has been the Teijin Group Fire Prevention Day. On this day, Group companies conduct their own fire prevention activities as well as common activities for the whole Teijin Group such as the periodical fire prevention check.

Disaster Prevention on Activities promoted by TCAP

The Teijin Group has set-up a team consisting of current/former employees and external experts who have vast knowledge and experience in disaster prevention. This team, named TCAP (Teijin Group Chemical Accident Preventions Specialist Team), provides technical support for voluntary disaster prevention activities at our chemical plants and in-house power generation plants.

Occupational Safety and Hygiene

Basic Stance
A company cannot attain sustainable growth without ensuring the occupational safety and health and hygiene of its employees. To provide workplace environments created considering safety and health, we are taking steps to realize zero occupational accidents, redress long working hours and support the mental health of employees.

Occupational Safety

Lost Time Injury Frequency Rate*4★

Target: 0.30 or less (mid- and long-term), 0.25 or less (2015)

2015: 0.28

The Teijin Group has established three pillars of safety activities: the “5S” initiative (five Japanese words [seiri, seiton, seisou, seiketsu and shitsuke] that correspond to organization, tidiness, cleaning, hygiene and discipline), the “Hiyari-Hatto” (meaning close call or near miss) initiative and safety patrols.

We make full use of the information gained from these activities, and work to improve each individual’s degree of sensitivity to danger and to improve communication in the workplace, with the aim of achieving zero occupational accidents in the Teijin Group.

The lost time injury frequency rate for 2015 (January–December) in relation to our target of 0.25 or less, was 0.28 (Japan: 0.33; overseas: 0.20).

*4 Lost time injury frequency rate: The number of lost time injuries per one million hours worked (calculated based on calendar years).

Occupational Safety Initiatives

Group-wide Sharing of Occupational Accident Information and Responses at the Time of an Accident

Information relating to all occupational accidents resulting in lost time due to injury that occur at Teijin Group companies is distributed via an Intranet, to help prevent the recurrence of similar accidents. In particular, in case that the circumstances and the cause of the accident satisfy the requirements for a “special audit“ prescribed by the ESH Audit Regulations, a special audit shall be conducted by head office or a business unit, depending on the nature of the occurrence. The audit shall first determine the cause and circumstances at the site, and then confirm progress in re-occurrence prevention measures and whether improvements have been made adequately.

- CSR Promotion Activities
- Business Continuity Plan (BCP)
- Social Contribution Activities
- Investment, Expenses and Economic Benefits Related to Environmental Preservation, Safety and Disaster Prevention and Health
- Distribution of Added Value to Stakeholders
- ISO 26000, GRI (Ver.4) Table

Message from the CSRO

Nobuyuki Takakura
Chief Social Responsibility Officer

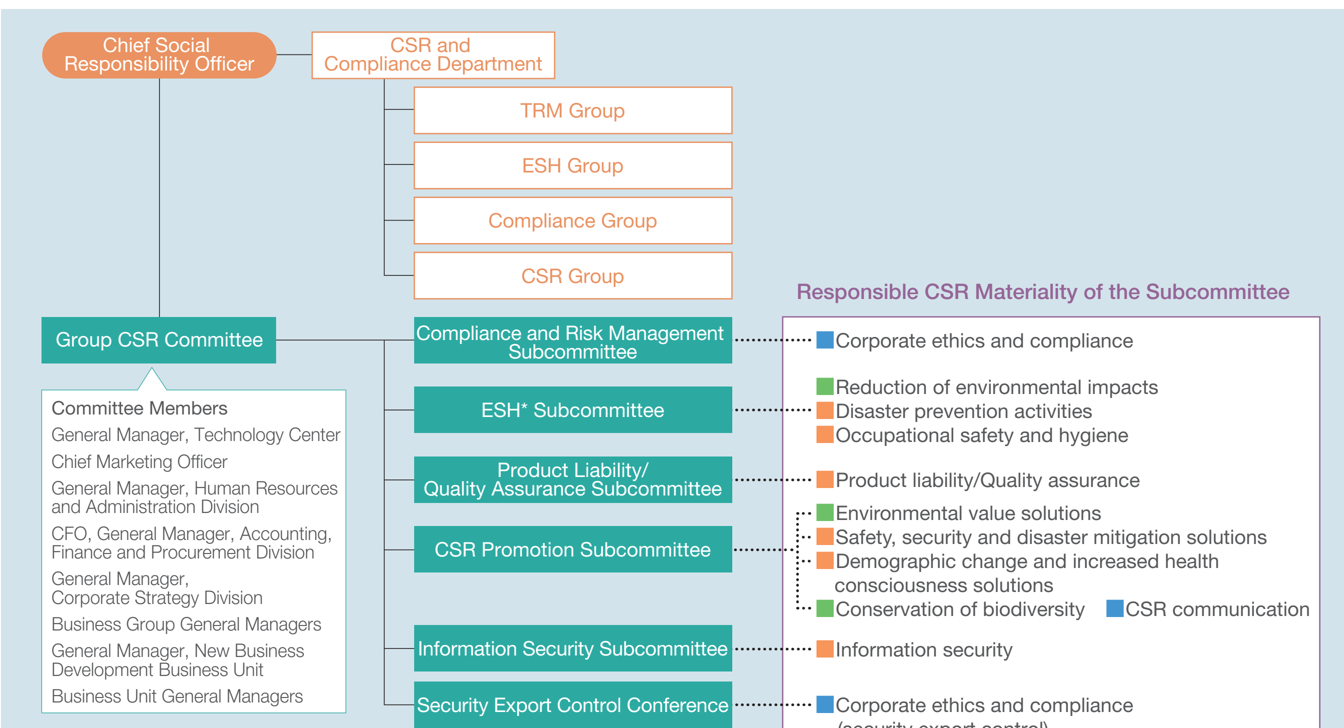
Aiming to Achieve Sustainable Growth and to Increase Corporate Value over the Medium- to Long-Term

The year 2015 was a year in which significant milestones for CSR were established. In September, the United Nations adopted its sustainable development goals (SDGs), and in December the Paris Agreement was agreed at the 21st session of the Conference of the Parties (COP 21) to the United Nations Framework Convention on Climate Change. Moreover, in June, the Corporate Governance Code of the Tokyo Stock Exchange was enforced in Japan. In such a year, the Teijin Group identified its material CSR issues related to business (CSR materiality), reorganized the specialist subcommittees of the Group CSR Committee to enable them to work with efficiency and expertise, identified the subcommittee responsible for each materiality, and thus was able to create a solid foundation for promoting systematic initiatives.

Still, we have only just begun setting medium- to long-term targets for these issues and strengthening our specific activities. Also, we have had some cases where we regrettably could not meet society's demands properly.

Companies that do not deal with CSR issues appropriately are placing their continued existence at risk. In contrast, by approaching CSR issues positively and proactively, companies will find opportunities for sustainable growth and expansion. Working toward our vision of being "an enterprise that is essential to tomorrow's society," we will continue to address the important issues surrounding sustainability, including social and environmental issues that have been identified as CSR materiality. As our business groups and dedicated staff work together to advance specific initiatives, I am certain we can contribute to the sustainable development of business and society.

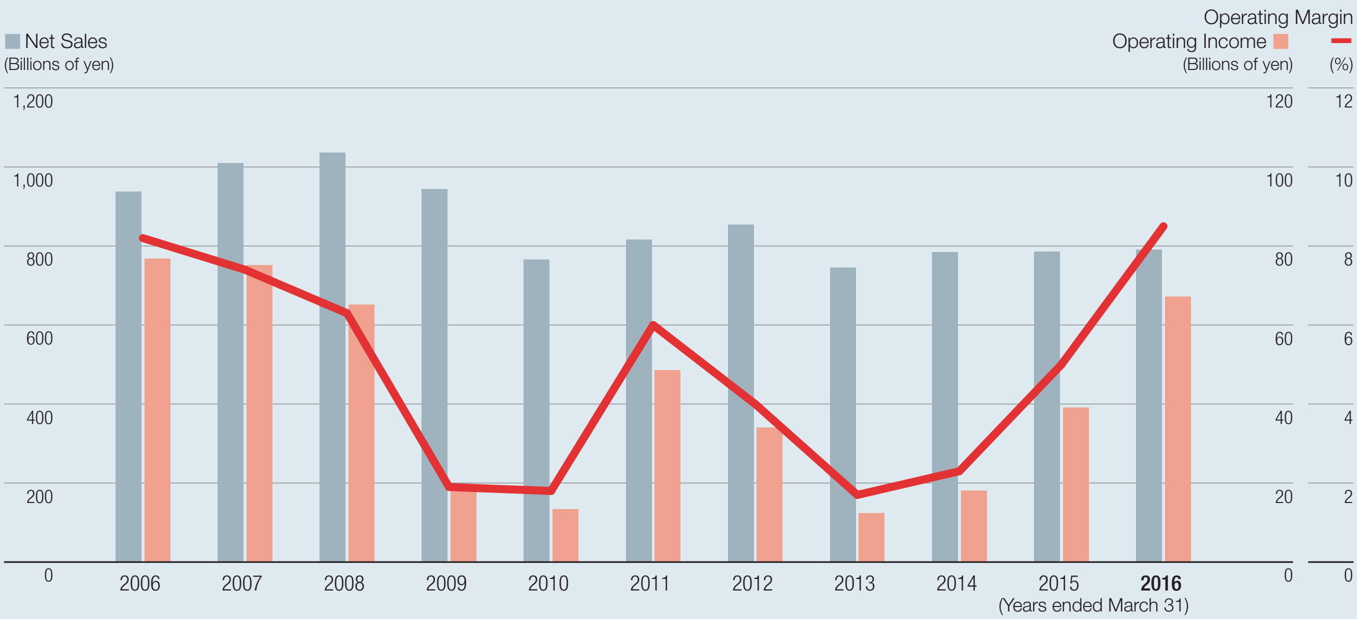
■ CSR Management System (as of April 1, 2016)



* ESH: Environment, Safety and Health

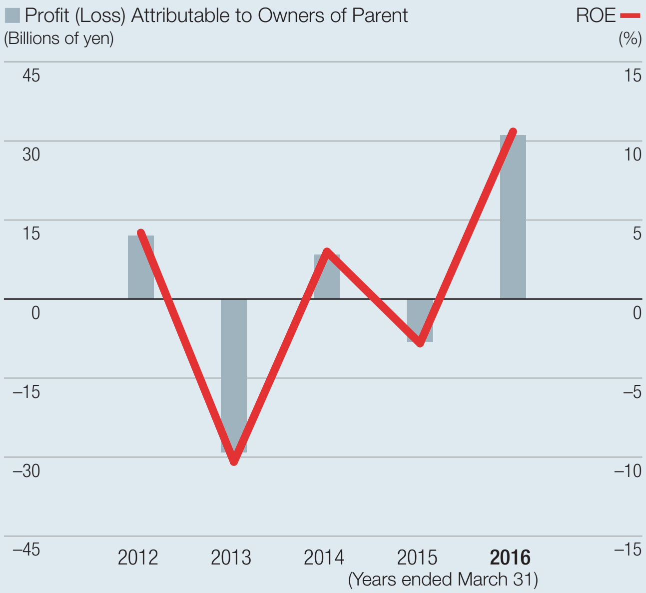
■ Corporate governance is advanced under the jurisdiction of the Board of Directors.
■ Diversity is advanced by the Group Diversity Development Committee, which is under the Human Resources and Administration Division.

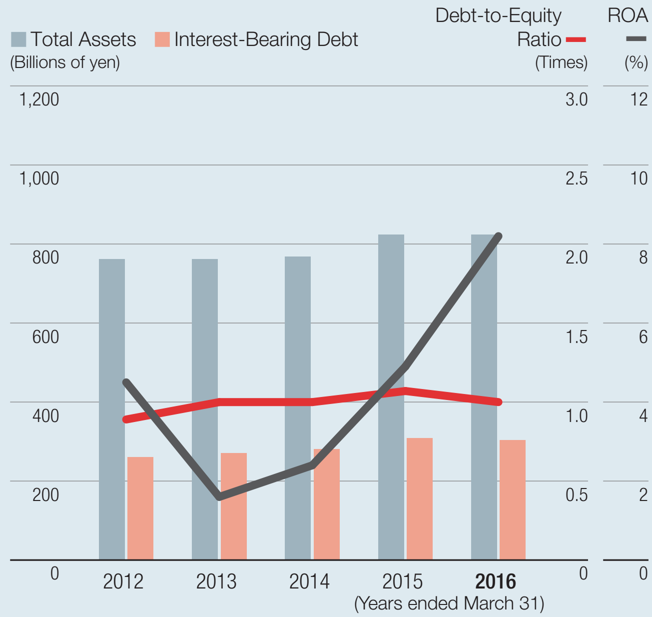
Financial Highlights and Consolidated 11-Year Summary



Years ended/as of March 31		2006	2007	2008	2009
Operating Results	Net sales	¥938,082	¥1,009,586	¥1,036,624	¥ 943,410
	Operating income	76,757	75,061	65,162	17,966
	Profit (loss) attributable to owners of parent	24,853	34,125	12,613	(42,963)
Financial Position	Total assets	¥943,991	¥ 999,917	¥1,015,991	¥ 874,157
	Interest-bearing debt	298,298	295,480	325,245	361,342
	Shareholders' equity	338,609	366,753	391,010	305,577
Cash Flows	Cash flows from operating activities	¥ 75,491	¥ 96,456	¥ 53,740	¥ 40,392
	Cash flows from investing activities	(74,062)	(87,065)	(79,218)	(116,304)
	Free cash flow	1,429	9,391	(25,478)	(75,912)
	Cash flows from financing activities	1,511	(19,074)	16,080	79,178
Per Share Data	Profit (loss) attributable to owners of parent	¥ 26.6	¥ 36.8	¥ 13.2	¥ (43.7)
	Shareholders' equity	364.8	395.2	397.3	310.5
	Cash dividends	7.5	10.0	8.0	5.0
Other Data	Capital expenditure	¥ 66,777	¥ 75,698	¥ 84,641	¥ 75,806
	Depreciation and amortization	50,389	54,009	62,668	67,364
	R&D expenses	31,196	35,097	36,282	37,630
	Number of employees	18,819	19,053	19,125	19,453

Notes: 1. The U.S. dollar amounts represent translations of Japanese yen, for convenience only, at the rate of ¥112.68 to U.S.$1.00, the prevailing exchange rate at March 31, 2016.





						Millions of yen	Percentage change	Thousands of U.S. dollars
2010	2011	2012	2013	2014	2015	2016		2016
¥765,840	¥815,656	¥854,371	¥745,713	¥784,425	¥786,171	¥790,748	+0.6%	$7,017,643
13,436	48,560	34,044	12,358	18,078	39,086	67,130	+71.7%	595,758
(35,684)	25,182	11,979	(29,131)	8,356	(8,086)	31,090	—	275,914
¥823,071	¥761,535	¥762,118	¥762,399	¥768,411	¥823,695	¥823,429	+0.0%	$7,307,677
320,285	267,400	261,034	270,765	281,524	308,246	303,298	–1.6%	2,691,676
271,306	284,236	292,030	271,252	281,680	287,074	300,113	+4.5%	2,663,410
¥ 80,433	¥ 77,132	¥ 53,669	¥ 64,305	¥ 38,587	¥ 76,030	¥ 80,641		$ 715,664
(33,437)	(27,745)	(35,165)	(37,868)	(47,279)	(49,624)	(40,323)		(357,854)
46,996	49,387	18,504	26,437	(8,692)	26,406	40,318		1,073,518
(42,949)	(42,063)	(14,123)	(12,606)	(7,902)	10,394	(8,317)		(73,811)
						Yen		U.S. dollars
¥ (36.3)	¥ 25.6	¥ 12.2	¥ (29.6)	¥ 8.5	¥ (8.2)	¥ 31.6		$ 0.28
276.2	288.8	296.7	276.0	286.6	292.1	305.2		2.71
2.0	5.0	6.0	4.0	4.0	4.0	7.0		0.06
						Millions of yen		Thousands of U.S. dollars
¥ 36,314	¥ 29,249	¥ 32,294	¥ 36,261	¥ 30,182	¥ 28,098	¥ 38,341		$ 340,264
61,879	56,410	52,304	46,877	45,664	43,030	38,894		345,172
33,356	31,483	31,845	33,184	32,234	32,366	33,285		295,394
18,778	17,542	16,819	16,637	15,756	15,780	15,756		

Notes: 2. Throughout this integrated report, return on equity (ROE) is calculated as net income divided by average shareholders' equity, and return on assets (ROA) is calculated as operating income divided by average total assets.
3. The debt-to-equity ratio is calculated as interest-bearing debt at year-end divided by shareholders' equity at year-end.

Management's Discussion and Analysis

Summary

Operating Environment

Global economic conditions in fiscal 2015, ended March 31, 2016, saw deeper stagnation amid a continuing deceleration of growth in China and other emerging countries and resource-rich nations, although they were underpinned on the whole by firm business conditions in advanced countries, primarily the U.S. The Japanese economy followed a modest growth track, against a backdrop of slowing growth in exports, personal consumption and other factors.

Strategies in Action

In the period under review, we continued to put our principal emphasis on implementing measures aimed at achieving a self-driven recovery in profitability and at improving our ability to generate cash without relying on a favorable turn in the general operating environment. Accordingly, we made steady progress with restructuring initiatives centered on the Electronics Materials and Performance Polymer Products segment.

Meanwhile, we intensively allocated resources to core strategic businesses and new businesses and proactively invested in growth and advancement projects designed to create new value for customers.

Operating Results

	Billions of yen		
Years ended March 31	2015	2016	Change
Net Sales	¥786.2	¥790.7	0.6%

Consolidated net sales were ¥790.7 billion, an increase of 0.6% year on year, owing primarily to increases in the Trading and Retail and Healthcare segments, despite the impact of decreased sales from the halt of production at our resin plant in Singapore.

	Billions of yen		
Years ended March 31	2015	2016	Change
Operating Income	¥39.1	¥67.1	71.7%

Operating income rose 71.7% to ¥67.1 billion, underpinned by substantial increases in our materials businesses, which reflected falling prices for raw materials and fuel and the positive impact of restructuring initiatives. We also saw steady gains in our Healthcare segment thanks to robust results for core products and services.

	Billions of yen		
Years ended March 31	2015	2016	Change
Profit (loss) attributable to owners of parent	¥(8.1)	¥31.1	—

Profit attributable to owners of parent of ¥31.1 billion was recorded, a ¥39.2 billion improvement from a loss recorded in the previous fiscal year, owing in part to a decrease in extraordinary losses and improved operating income.

	Billions of yen		
As of March 31	2015	2016	Change
Total Assets	¥823.7	¥823.4	−0.03%

Total assets as of March 31, 2016 amounted to ¥823.4 billion, essentially level year on year. A decline in fixed assets due to impairment accounting and valuation differences on investment securities was offset by an increase in cash and time deposits due to a positive net cash balance.

	Billions of yen	
Years ended March 31	2015	2016
Free Cash Flow	¥26.4	¥40.3

Free cash flow was a positive ¥40.3 billion, with net cash and cash equivalents provided by operating activities exceeding net cash and cash equivalents used in investing activities, such as purchase of property, plant and equipment.

Years ended March 31	2015	2016
Key Indicators		
ROA	4.9%	8.2%
ROE	–2.8%	10.6%
D/E Ratio	1.07 times	1.01 times

Return on assets (ROA) improved due to the higher operating income, while ROE turned positive, rising to over 10% due to the return to a profit attributable to owners of parent. The D/E ratio also improved slightly due to an increase in total shareholders' equity.

Tasks Ahead

Based on our revised medium-term management plan, announced in November 2014, in fiscal 2016, we will continue to implement a variety of measures centered on restructuring initiatives and transformation and growth strategies, with the aim of achieving sustainable growth.

In fiscal 2016, the plan's final fiscal year, we will steadily execute restructuring initiatives, in conjunction with maximizing profit for the period by expanding sales of core products and services. In parallel, we will take steps to spur our future transformation and growth by investing actively in our transformation and growth strategies.

In fiscal 2016, a major priority is to formulate the next medium-term management plan to drive further growth over the medium and long terms. In the process of formulating this plan, we will articulate our growth scenarios and set a clearer course for our transformation to a solutions-oriented business model.

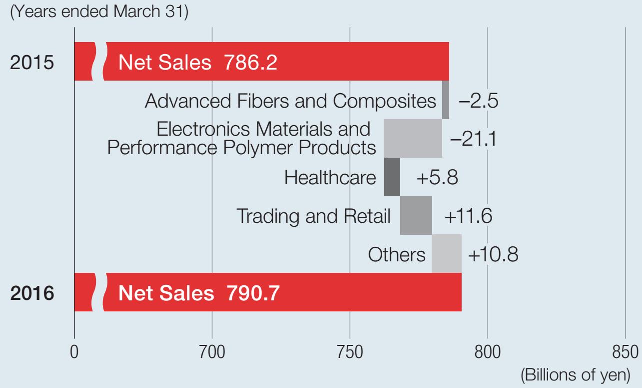
Results of Operations

Net Sales

Under our restructuring initiatives, we halted production at our resin plant in Singapore in December 2015 as part of our efforts to optimize production capacity. As a result, the Electronics Materials and Performance Polymer Products segment reported a steep decline in sales. However, we recorded steady gains in sales of core products and services in the Trading and Retail and Healthcare segments along with a steady contribution to sales from the IT business and engineering business. Consequently, net sales climbed ¥4.6 billion, or 0.6% year on year, to ¥790.7 billion.

By region, sales to China and Asia declined 3.4% due to the impact of the restructuring initiatives in the resin business, while sales to Europe and other expanded steadily by 5.4%. Domestic sales also grew 1.7%, mainly in the trading and retail and IT businesses.

Analysis of Net Sales
(Years ended March 31)

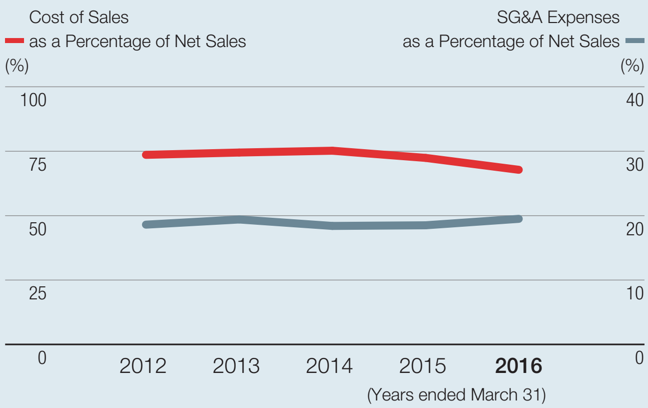


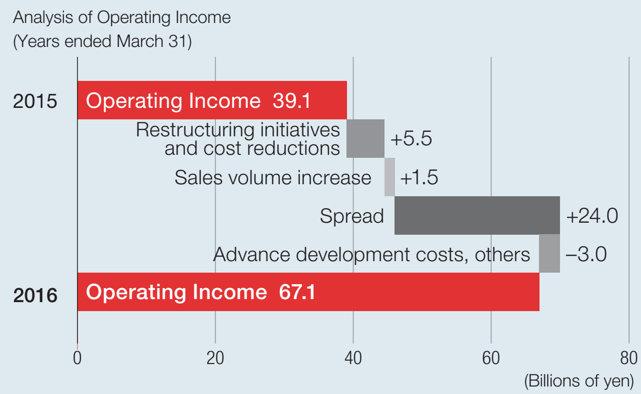
Costs and Expenses

Cost of sales decreased 5.8%, or ¥33.2 billion, to ¥536.3 billion, mainly due to falling costs for raw materials and fuel following the drop in oil prices and the reduction effect on fixed expenses due to restructuring initiatives. As a percentage of net sales, cost of sales declined 4.6 percentage points to 67.8%.

Selling, general and administrative (SG&A) expenses increased 6.1%, or ¥8.8 billion, to ¥154.0 billion, partly due to an increase in upfront cost outlays. SG&A expenses represented 19.5% of net sales.

R&D expenses increased 2.8%, or ¥0.9 billion, to ¥33.3 billion. We continued to intensively allocate resources to healthcare and other core strategic businesses, as well as new businesses.





Operating Income

Operating income climbed sharply by 71.7%, or ¥28.0 billion, to ¥67.1 billion, underpinned by solid results in our materials business.

In the Advanced Fibers and Composites segment, mainstay aramid fibers and carbon fibers and composites each recorded higher income due to improved sales composition and a decline in raw materials and fuel costs. In the Electronics Materials and Performance Polymer Products segment, we recorded a significant year-on-year increase in profit, mainly in the resin business due to a decline in the cost of main raw materials and the effects of restructuring initiatives. In the Healthcare segment, profits increased due to steady increases in sales of hyperuricemia and gout treatment febuxostat in the pharmaceutical business, and sales of continuous positive airway pressure (CPAP) ventilators in the home healthcare business. In the Trading and Retail segment, profits rose, mainly reflecting expansion in sales of high-performance materials for sports apparel and a turnaround in the performance of a Chinese subsidiary. As a consequence of these and other factors, the operating margin on sales improved 3.5 percentage points to 8.5%.

Looking at the main factors in the operating income result, the decline in raw materials and fuel prices and improvements in the sales mix produced the largest spread differential effect of around ¥24.0 billion, followed by a contribution to profit improvement of around ¥5.5 billion from raising the bottom line through restructuring initiatives and cost reductions. Differences in sales volume had a positive impact of around ¥1.5 billion overall, as the negative effect of restructuring initiatives in the resin business was covered by an increase in sales in the healthcare and IT businesses. However, advance costs related to transformation and growth strategies produced a negative impact of around ¥3.0 billion.

Other Income (Expenses)

Other expenses, a net figure, amounted to ¥21.5 billion, a decrease of ¥24.5 billion from ¥46.0 billion in fiscal 2014. Principal factors contributing to this result included recording of equity in loss on affiliates due to posting loss on valuation of investment in affiliates; however, an extraordinary loss associated with restructuring initiatives declined significantly from the previous fiscal year, contributing to improved profits.

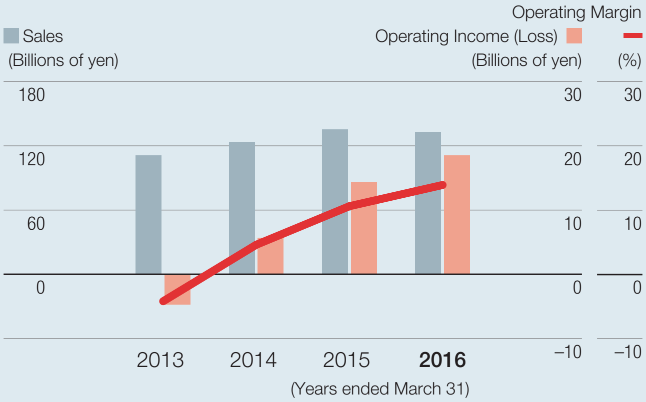
Profit (Loss) Attributable to Owners of Parent

After deducting income taxes and loss attributable to non-controlling interests, we recorded a profit attributable to owners of parent of ¥31.1 billion, improving by ¥39.2 billion from a loss of ¥8.1 billion in the previous fiscal year. As a result, ROE rebounded significantly from −2.8% to 10.6%.

Business Segment Results

Advanced Fibers and Composites

Sales in the Advanced Fibers and Composites segment totaled ¥133.0 billion, a decrease of 1.9%, while operating income was ¥18.5 billion, up 28.9%.



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. Sales for use in ballistic protection products showed a recovery. In contrast, sales for use in uniforms and in optical fiber applications were weak. Sales were favorable for *Technora* para-aramid fibers for automotive applications in Japan and infrastructure-related applications overseas, leading to strong improvement in earnings. *Technora* is being used in an expanding range of applications given the positive assessment of its outstanding fatigue resistance, chemical barrier and other properties, and in March 2016, we decided to boost production capacity of *Technora* by around 10%, mainly by increasing fiber production facilities.

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 adverse conditions in the market for filter applications.

In this environment, we commenced production and sales of *Teijinconex neo*, a new meta-aramid fiber offering superior heat resistance and dyeability, at a new production facility in Thailand in August 2015. We have continued to focus on expanding this particular business in promising Asian markets and emerging markets.

In polyester fibers, sales growth was sluggish for automotive applications at our subsidiary in Thailand, but earnings held firm thanks to solid sales of personal hygiene products, wadding, and other materials, as well as contributions from lower prices for raw materials and other cost reductions. In Japan, amid lackluster growth in sales for automobile applications, income was bolstered by higher sales for use in reverse osmosis membrane support layers for water treatment applications, and so forth, as well as by efforts to cut costs. 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

■ Favorable sales for use in aircraft and general industrial applications, while progress was made on new product development and downstream business expansion.

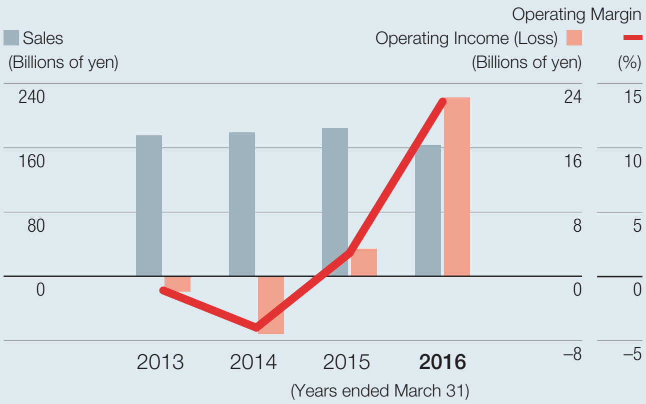
Sales of *TENAX* carbon fibers for use in aircraft were favorable. In other areas, sales for use in general industrial applications were robust. However, the supply-demand balance softened for sports and leisure equipment applications in Asia from midway through 2015. Sales of Oxidized PAN fiber *Pyromex* were strong, reflecting brisk demand for use in aircraft brake pads. Declining prices for raw material and fuel prices, which have persisted since autumn 2014, helped boost profitability.

Against this backdrop, we have been accelerating new product development, including *TENAX XMS32*, a new grade of carbon fiber with high-tenacity and high-tensile modulus properties for aircraft and automotive applications, and a woven fabric prepreg with high-tenacity, high-rigidity and fire-retardant properties that uses thermoplastic. In the field of railcars, we jointly developed a carbon fiber reinforced plastic (CFRP) leaf spring for the *efWING* new-generation railcar truck developed by Kawasaki Heavy Industries, Ltd. and began supplying this product to this company. In addition, we are working to expand operations in profitable, high-growth markets by developing an integrated production system for CFRP in Europe using new high performance molding machinery.

In addition, in the area of structural components for mass-produced vehicles made with our innovative thermoplastic CFRP *Sereebo*, we are continuing to implement activities with General Motors Company of the U.S. and other automobile manufacturers to achieve future commercialization. Furthermore, we are carrying out procedures to acquire land in the U.S., with a view to constructing a new plant.

Electronics Materials and Performance Polymer Products

Sales in the Electronics Materials and Performance Polymer Products segment totaled ¥163.7 billion, a decrease of 11.4%, while operating income was ¥22.3 billion, an increase of 555.4%.



Resin and Plastics Processing

■ **Focus on shifting to high value-added fields with production halted at our subsidiary in Singapore.**

Profits from our mainstay *Panlite* and *Multilon* polycarbonate resin products improved markedly, bolstered by lower prices for key raw materials and the positive impact of restructuring initiatives. In December 2015, we halted production at our polycarbonate resin production subsidiary in Singapore, optimizing production capacity and reducing fixed costs. As a result, we have established a production configuration that is able to generate steady profits. Going forward, we will upgrade and expand our product lineup centered on compound products by harnessing materials such as the Teijin Group's high-performance fibers and copolymers, as well as the "super engineering plastic" polyphenylene sulfide (PPS) resin, which will enter mass production at INITZ Co., Ltd., a joint venture with SK Chemicals Ltd. of the Republic of Korea (ROK). These efforts will target growth fields such as automobiles, infrastructure, and housing equipment, as well as the medical field, in addition to the office equipment and electronic fields in which we have strengths. In parallel, in order to expand our earnings power, we will strengthen development and marketing activities that will enable us to provide solutions through high value-added materials, components, and services.

In polyethylene naphthalate (PEN) high-performance resin, sales remained firm, and we are stepping up our focus on developing more applications that take advantage of features such as its chemical and gas barrier resistance properties. In flame retardants, we are bolstering activities to obtain product specification approval primarily through the development of new phosphorous products featuring strengths such as the ability to impart flame resistance and colorability to polyester fabrics and other materials, alongside our existing lineups, which are steadily generating earnings.

In processed plastics, we posted solid sales of polycarbonate retardation film for liquid crystal displays (LCDs) and 3D glasses, as well as reverse-dispersion solvent-cast retardation film for use as an organic electroluminescent display (OLED) antireflective film in smartphones and tablets. In addition, sales of *ELECLEAR* transparent electroconductive polycarbonate film for use in touch screens for vehicle navigation systems, printers and game hardware, among others, were favorable, although sales for use in smartphones and tablets for the Chinese market were sluggish.

Films

■ **Strengthened cost competitiveness by integrating our domestic production facilities through restructuring initiatives.**

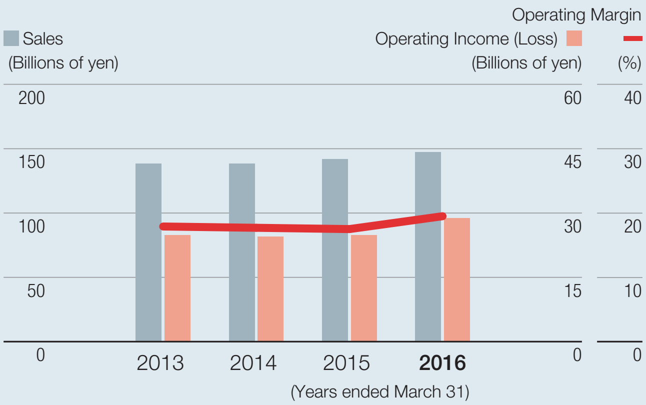
We faced an uphill struggle as the emergence of manufacturers from China intensified competition in the area of reflective films for use in liquid crystal display (LCD) televisions, and demand for use in special packaging for beverage cans and other items remained weak. However, we posted firm sales of *PUREX* release films for manufacturing processes mainly for use in multilayer ceramic capacitors for smartphones and other devices. In addition, we saw lower raw material and fuel costs as a result of the fall in crude oil prices, and benefited from cost reductions as a result of restructuring initiatives. Consequently, profits improved from the previous year. Currently, we are working to consolidate production items and narrow our focus on high value-added applications as part of preparations for the integration of our domestic production facilities at the Utsunomiya Factory, scheduled for fiscal 2016. At the same time, we are striving to expand sales of fire-retardant films and other newly developed products. Going forward, we will step up our focus on developing new types of high-performance films by advancing marketing and development in tune with market needs.

Overseas, sluggish market conditions intensified competition in China, particularly as regards both sales volume and prices. However, demand for films for packaging applications and for use in solar cells, among others, was comparatively firm in the Americas and Europe.

Considering the severity of the operating environment surrounding this business, we applied impairment accounting to fixed assets in connection with our domestic operations for the nine months ended December 31, 2015.

Healthcare

The Healthcare segment yielded sales of ¥147.5 billion, an increase of 4.1%, and operating income of ¥28.8 billion, up 16.0%.



Pharmaceuticals

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

In our domestic pharmaceuticals business, sales of hyperuricemia and gout treatment *Feburic* (febuxostat) and *Somatuline*®*1, a treatment for acromegaly, expanded steadily. Osteoporosis treatment *Bonalon*®*2 saw firm sales of new formulations including an oral jelly and an intravenous drip. A new addition to our portfolio is *Mucosolvan L Tablet* 45 mg, a novel reduced-sized tablet-form version of our well-known expectorant *Mucosolvan* launched in July 2015. These additional formulations provide patients with a wider range of choices. In January 2016, Teijin Pharma Limited began jointly marketing the transdermal anti-inflammatory analgesic patch formulation *LOQOA Tape* with Taisho Toyama Pharmaceutical Co., Ltd.

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 57 of these countries and territories (including Japan), and we are in the process of obtaining regulatory approval to make it available in the others.

In R&D, we commenced Stage I clinical trials in Japan for TMX-049, a new treatment for hyperuricemia and gout, in April 2015. In July 2015, we filed an application with the Ministry of Health, Labour and Welfare for the approval of TMX-67TLS, which is under development as a project to expand indications for *Feburic* tablets to hyperuricemia associated with cancer chemotherapy. In September 2015, subsidiary Teijin Pharma Limited signed a joint research and development agreement with PeptiDream Inc. We aim to discover innovative pharmaceuticals for patients with unmet medical needs by seeking to turn macrocyclic and constrained peptides into pharmaceuticals for various drug targets*3. In other initiatives, in November 2015 we filed an application with the China Food and Drug Administration for approval of TMX-67 (generic name: febuxostat), a treatment for hyperuricemia and gout, which is being jointly developed with Astellas Pharma China, Inc. in China. In addition, in January 2016 we began clinical development of EZN-2279 (domestic development code: STM-279), a therapeutic agent for adenosine deaminase (ADA) deficiency discovered by Sigma Tau Rare Disease Ltd. of the U.K. In March 2016, we obtained designation of EZN-2279 as an orphan drug by Japan's Ministry of Health, Labour and Welfare.

Since 2015, the Ministry of Health, Labour and Welfare has ordered manufacturer and distributor Kaketsuken (The Chemo-Sero-Therapeutic Research Institute) to suspend shipments of *Kenketsu Venilon-1* (an intravenous-use human immunoglobulin therapy). In March 2016, Kaketsuken obtained approval for partial amendment following progress made on resolving inconsistencies between the approval form and the actual manufacturing methods. In response, we will make every effort to fulfill our responsibility to ensure a stable supply of pharmaceuticals to the medical front line.

*1 *Somatuline*® is a registered trademark of Ipsen Pharma, Paris, France.
*2 *Bonalon*® is the registered trademark of Merck Sharp & Dohme Corp., Whitehouse Station, NJ, the U.S.
*3 A drug target is a molecule closely related to the cause of a disease. Controlling this molecule paves the way for successful treatment of the disease.

Home Healthcare

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

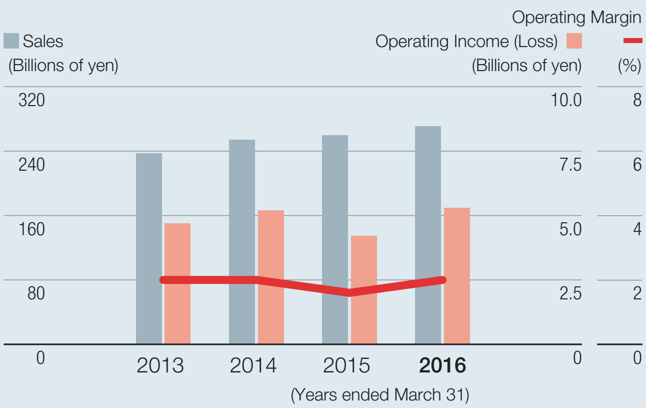
In the home healthcare business, we currently provide services to more than 400,000 individuals in Japan and overseas. In Japan, rental volume for mainstay therapeutic oxygen concentrators for home oxygen therapy (HOT) remained firm, thanks to the release of new models *Hi-Sanso 5S* and *Hi-Sanso Portable α* (alpha). Rental volume for continuous positive airway pressure (CPAP) ventilators for the treatment of sleep apnea syndrome (SAS) continued to increase favorably, due to the launch of *NemLink*, a monitoring system for CPAP ventilators that uses mobile phone networks, and an influx of SAS patients owing to the use of the *SAS2100* sleep disorder diagnostic system.

Meanwhile, as part of our transformation and growth strategies, in September 2015 we commenced sales of *VitalLink*, a patient information sharing system. We have been working to expand this business by conducting marketing activities focused on facilities that play a crucial role in comprehensive community healthcare and on other sites. Moreover, investigator-initiated clinical trials of intractable neuropathic pain using a trial model of a repetitive magnetic stimulation device developed through an industry-academia partnership with Osaka University and other partners commenced at Osaka University Hospital in December 2015, followed by the start of these clinical trials at several other hospitals. We also continued to expand our marketing efforts for the *WalkAide* System, an electrical stimulation device for the treatment of gait impairment resulting from a stroke or other causes launched in fiscal 2013, which initially focused on the Tokyo metropolitan area, to medical institutions in other areas of the country.

Overseas, we currently provide home healthcare services in the U.S., Spain and the ROK. In the period under review, operating conditions in the U.S. remained harsh, a consequence of healthcare system reform and sizable ensuing declines in medical treatment fees, as well as other factors. We responded by taking steps to restore profitability, including integrating sales bases and reducing headcount.

Trading and Retail

Sales in the Trading and Retail segment edged up 4.5%, to ¥270.9 billion, while operating income was ¥5.3 billion, an increase of 25.4%.



Fiber Materials and Apparel

■ Expanded joint initiatives with overseas global brands by leveraging strengths of proprietary materials.

In the sports apparel field, we expanded joint initiatives with overseas global brands by leveraging high-performance materials centered on the core product *DELTA* series. Sales in Japan were healthy, supported mainly by integrated materials sewing initiatives using OEM in the ASEAN region. Meanwhile, in the uniform field, we faced an uphill struggle owing to sluggish sales and the impact of inventory adjustments due to unseasonable weather. Sales of yarn benefited from favorable sales of differentiated products. In textiles, sales of products for new markets in the Middle East grew.

In functional textiles and apparel, we faced an uphill struggle in our mainstay apparel OEM business due to declining consumption of apparel and sluggish sales of autumn and winter products due to unseasonable weather. In addition, profitability was squeezed by the yen's depreciation and rising overseas production costs. In this environment, we worked to enhance our ability to receive orders by pushing ahead with efforts to upgrade and expand our manufacturing platform, including a review of our manufacturing management structure centered on Vietnam and Myanmar. Moreover, in an effort to expand business, we presented plans and proposals for apparel products based on proprietary materials including our strategic material *SOLOTEX*, through a comprehensive exhibition of textiles and apparel staged by Teijin Frontier Co., Ltd. in Tokyo and by opening a booth at the Première Vision exhibition held in Paris.

Industrial Textiles and Materials

■ Firm sales of automotive materials and healthy exports of functional materials

In the industrial textiles and automotive materials field, we saw firm sales of our mainstay tire cords for high-performance tires, and stable sales of rubber materials used in automobiles, such as hoses and belts. Airbags reached full capacity utilization and full sales in the second half of the fiscal year, with further production increases planned ahead. Although sales of automotive accessories such as seat covers remained lackluster, sales of automotive interior materials held steady overall, underpinned by the adoption of these materials in major vehicle models and other factors.

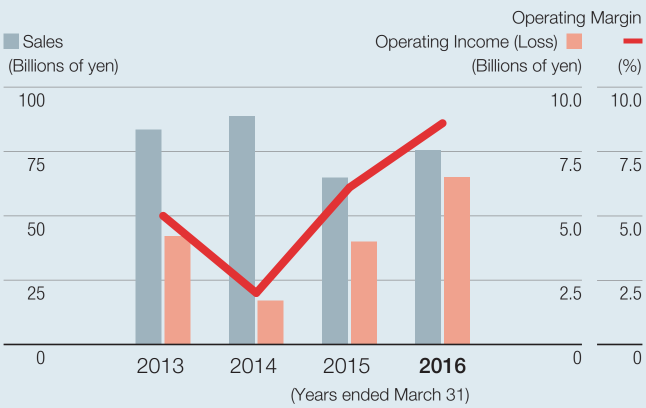
In textiles and related materials, in the Japanese market, sales were firm in the civil engineering, agriculture, fisheries and packaging fields, as well as in products related to nonwoven fabrics, despite weak sales of membrane materials such as decorative tent fabrics and products in the filter field. In overseas markets, sales increased favorably owing to surging demand for functional materials such as short-cut fibers and carbon fibers.

In household materials, we posted growth in sales of products for wiping-related applications, and face masks developed as a new initiative with a major convenience store, among other products. In interior materials, sales of floor-covering materials and wall-covering materials were firm, but sales of curtain materials struggled.

In the films and plastics field, we faced an uphill struggle in sales of film, due to the impact of production adjustments for electronic components in China from the second half of the fiscal year. In plastics, weak sales reflected a higher recycling rate for electronic component packaging applications. Meanwhile, sales were firm for equipment and machinery.

Others

Others, which does not qualify as a reportable operating segment, generated sales of ¥75.6 billion, up 16.7%, and operating income of ¥6.5 billion, up 62.9%.



The IT business reported solid results due to steady growth in sales of e-books in the net services category and other factors. Looking at the IT services category, we developed and started sales of the Cancer Patient Guidance and Administration Support System to hospitals, and in the field of comprehensive community healthcare, we entered into a business and capital alliance with Solasto Corporation. In addition, we made product enhancements to *GRANDIT*, a web-based ERP software package, such as enabling My Number support, in conjunction with advancing greater collaboration with our development and sales partners. Furthermore, in the IoT* field, we pushed ahead with expanding our business domains by entering into a business alliance with Afero, Inc., which provides cloud services. Meanwhile, we decided to stop providing services through our own data centers as part of our restructuring initiative.

In new business development, sales of *LIELSORT* lithium-ion battery (LiB) separators continued to expand favorably. We also developed a new high-performance membrane that contains polyethylene using our proprietary microporous membrane production technology, and we are working to launch a new business based on this technology, with products to be offered under the brand name *miraim*.

In the healthcare field, we are advancing R&D with the aim of creating new business fields, such as embedded medical devices and medical composite materials for pharmaceuticals. In the orthopedics domain, in April 2015, we established Teijin Nakashima Medical Co., Ltd. as a joint venture with Nakashima Holdings Co., Ltd. to develop a global artificial joint business. The new venture plans to put together a strategic marketing team and develop products that combine the technologies of the two parent companies. In the cardiovascular domain, we continue to pursue our project to develop a patch for cardiac care. This project was selected for support under a program launched by Japan's Ministry of Economy, Trade and Industry to promote collaboration between medical institutions and industry.

We promoted the use of *Recopick*—a radio frequency identification (RFID) information management system that incorporates our RFID-enabled two-dimensional communication sheet *CELL FORM*, in electronic management solutions for library books, classified information and medical devices, among others, capitalizing on the system's ability to efficiently and accurately track the entry and removal, inventory levels and precise location of items.

* The IoT 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 wide range of new services.

Financial Position

Analysis of Assets, Liabilities, Net Assets and Cash Flows

Interest-bearing debt, at ¥303.3 billion, was down ¥4.9 billion, a result mainly of the redemption of bonds and the impact of foreign exchange movements (a stronger yen) on foreign-currency denominated interest-bearing debt. Shareholders' equity increased ¥13.0 billion due to a significant increase in profit attributable to owners of parent. As a consequence, the debt-to-equity ratio was 1.01 times, improving from the previous fiscal year. The equity ratio was 36.4%, up 1.5 percentage points.

Although the Company has maintained its financial balance in an acceptable state for its rating, Japan's Rating and Investment Information, Inc. maintained its rating of our long-term debt at A– (stable), the same rating as in the previous fiscal year, citing the need to monitor the expansion of the Company's earnings capabilities in line with progress on its transformation and growth strategies.

Additionally, our debt payback period decreased to 3.8 years, from 4.1 years in fiscal 2014, while our interest coverage ratio rose to 32.5 times, from 23.8 times in the previous period.

As of March 31, 2016	Rating	Outlook
Rating and Investment Information, Inc.	A–	Stable

Assets, Liabilities and Net Assets

Total assets as of March 31, 2016 amounted to ¥823.4 billion, down ¥0.3 billion from the end of fiscal 2014. The decrease in total assets was primarily the result of a decline in noncurrent assets due to impairment accounting and valuation differences on investment securities. This decrease was despite an increase in cash and time deposits due to a positive net cash balance.

Total liabilities amounted to ¥509.0 billion, down ¥11.0 billion from the end of fiscal 2014. Interest-bearing debt, which includes borrowings and bonds payable, accounted for ¥303.3 billion of the total, down ¥4.9 billion.

Total net assets rose ¥10.8 billion, to ¥314.4 billion. Total shareholders' equity and total accumulated other comprehensive income together represented ¥300.1 billion of the total, an increase of ¥13.0 billion. This was mainly due to an increase in line with profit attributable to owners of parent, which was partially offset by a decrease in valuation difference on available-for-sale securities and a decrease in foreign currency translation adjustments.

Cash Flows

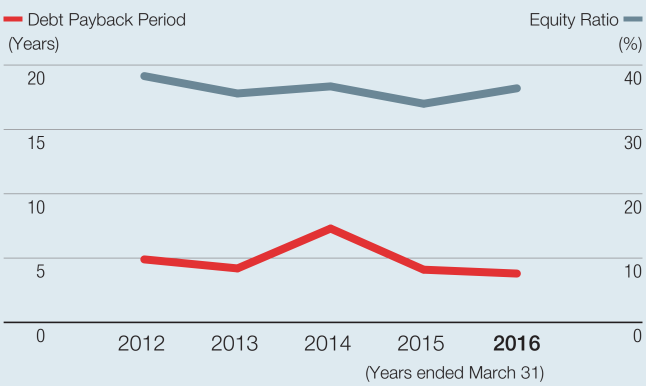
Net cash and cash equivalents provided by operating activities in fiscal 2015 amounted to ¥80.6 billion. This result reflected a substantial increase in income before income taxes, along with the impact of non-cash items such as depreciation and amortization, and impairment loss.

Net cash and cash equivalents used in investing activities amounted to ¥40.3 billion, owing mainly to the purchase of property, plant and equipment.

Free cash flow in fiscal 2015 was thus a positive as operating and investing activities combined provided a net total of ¥40.3 billion.

Net cash and cash equivalents used in financing activities amounted to ¥8.3 billion. This reflected the net balance of components including the issuance and redemption of bonds, the net result of proceeds from short- and long-term loans payable and repayment thereof, and the payment of dividends.

After factoring in the impact of exchange rate fluctuations, operating, investing and financing activities in the period under review resulted in a net increase in cash and cash equivalents of ¥30.4 billion as of March 31, 2016.



Outlook for Fiscal 2016

Forecast for Operating Results

Looking at the macroeconomic environment in fiscal 2016, there are rising concerns of long-term stagnation in business conditions amid continuing economic deceleration in emerging countries. The Chinese economy, which is fraught with overcapacity and excessive debt, still has downside risks. In the short term, the impact of various countries' monetary policies on the markets, along with large swings in foreign exchange rates and crude oil price, warrant continued vigilance.

In this environment, the Teijin Group continues to push ahead with restructuring initiatives and transformation and growth strategies guided by its revised medium-term management plan announced in November 2014. In fiscal 2016, the plan's final fiscal year, we will steadily execute restructuring initiatives, in conjunction with maximizing profit for the period by expanding sales of core products and services. In parallel, we will take steps to spur our future transformation and growth by investing actively in our transformation and growth strategies.

Looking at our consolidated full-term operating results forecasts for fiscal 2016, we are forecasting net sales of ¥740.0 billion, down 6.4% from fiscal 2015. We also forecast operating income of ¥53.0 billion, down 21.0%, and ordinary income of ¥53.0 billion, down 12.1%. Profit attributable to owners of parent is forecast at ¥35.0 billion, up 12.6% from fiscal 2015. These forecasts assume exchange rates of ¥106 to US$1.00 and ¥118 to €1.00 and an average Dubai crude oil price of US$45 per barrel.

Forecast for Financial Position

In fiscal 2016, we will press forward with efforts to maintain and enhance financial soundness. At the same time, we will actively promote promising investments and projects with the potential to contribute to future growth, in line with our transformation and growth strategies. Our forecasts for fiscal 2016 are for an ROA of 6.4%, ROE of 11.5% and a debt-to-equity ratio of 1.0 times.

Risk Factors

The Teijin Group recognizes certain risks as having the potential to affect its operating results and/or financial position. As of the date of this document, these risks included, but were not limited to, the risks listed below.

Market-Related Risk

The Teijin Group is working to transform itself into a corporate entity that is not swayed by changes in the general operating environment. Nonetheless, certain of the Group's products are vulnerable to market conditions, as a consequence of which the Group's performance may be affected by market trends, as well as by competition with other companies and sales price fluctuations arising thereof.

Businesses involving commoditized materials—notably polyester fibers, polyester films and polycarbonate resin—are particularly vulnerable to fluctuations in shipments, sales prices and procurement costs for raw materials and fuel related to market conditions and competition with other companies. Because the cost of raw materials and fuel accounts for a major portion of production costs in these businesses, fluctuations in the price of crude oil may have a significant impact on the Group's income performance.

The majority of products in the Teijin Group's materials businesses are intermediates. Owing to inventory adjustments at each stage of production and sales, the rate of expansion or contraction of end user demand for such products may exceed that of the real economy.

The Teijin Group's Healthcare segment is vulnerable to changes in drug reimbursement prices under Japan's National Health Insurance (NHI) scheme, as well as to increasingly intense competition, both of which may have a negative impact on sales prices.

Fluctuations in foreign exchange and interest rates also have the potential to affect the Teijin Group's operating results and/or financial position.

Product Quality Risk

Teijin and the principal companies of the Teijin Group, including Teijin Pharma Limited, have established a dedicated product quality and reliability assurance function in the form of a division which functions independently of other divisions. The division, which adheres to strict quality management standards, is charged with product quality and reliability assurance for all Group businesses. However, there can be no assurance that all products are free of unforeseen major quality issues. Product and service defects arising from such quality issues have the potential to negatively affect, among others, the Group's operating results, financial position and public reputation.

R&D-Related Risk

The Teijin Group actively allocates management resources to R&D with the aim of realizing sustainable growth through technology-driven innovation. However, the outcome of such R&D may diverge significantly from the objectives thereof, a situation that has the potential to negatively affect, among others, the Group's operating results.

In particular, R&D in the pharmaceuticals business is characterized by significant investments of funds and time. Pharmaceuticals discovery research has a high incidence of failure. In the initial stages, there is a high risk that researchers will fail to discover a promising drug. Even if a promising drug is discovered, clinical trials may prove it not to be as effective as anticipated, or to have unexpected adverse side effects, thereby forcing the abandonment of plans to apply for approval. There is also a risk that a new drug candidate may not receive regulatory approval as a result of the examination process that follows application, or that approval may be rescinded based on the outcome of research conducted subsequent to launch.

Risks Related to Overseas Operations

The Teijin Group has operations in China, Southeast Asia (including Thailand), Europe (including Germany and the Netherlands) and the U.S. These operations are vulnerable to the impact of fluctuations in foreign exchange and interest rates. Our operations in China and Southeast Asia, in particular, may also be affected by such factors as the enforcement of new—or unexpected changes to existing—laws, regulations or tax systems that exert an adverse impact on the Group; economic fluctuations; or by social unrest triggered by, among others, changes of government or acts of terror or war. The manifestation of such risks has the potential to adversely affect the Group's operating results and/or financial position.

Risks Related to Accidents and Disasters

The Teijin Group has prepared common disaster prevention guidelines for use by all Group companies and is an active proponent of efforts to prevent and/or alleviate the impact of disasters through disaster prevention diagnostics, earthquake response measures, fire prevention and other advance prevention strategies, disaster prevention education and training and post-disaster impact mitigation measures. Nonetheless, in the event of a major natural disaster or unforeseen accident that results in damage to the Group's production facilities or significantly impedes the Group's supply chain, such developments may have a negative impact on the Group's operating results and/or financial position.

Consolidated Balance Sheets

TEIJIN LIMITED As of March 31, 2015 and 2016

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2016	2016
ASSETS			
Current assets:			
Cash and deposits (Notes 3 and 4)	¥ 45,719	¥ 72,122	$ 640,060
Receivables:			
Notes and accounts receivable—trade (Notes 4):			
Unconsolidated subsidiaries and affiliates	2,711	5,858	51,988
Other	169,429	158,678	1,408,218
Short-term loans receivable (Note 4):			
Unconsolidated subsidiaries and affiliates	15,182	14,836	131,665
Other	1,240	975	8,653
Other	13,451	11,703	103,861
Securities (Notes 3 and 5)	25,000	29,000	257,366
Inventories (Note 7)	115,334	120,443	1,068,894
Deferred tax assets (Note 13)	7,123	8,256	73,269
Other current assets	11,924	9,650	85,642
Allowance for doubtful accounts	(1,108)	(1,016)	(9,017)
Total current assets	406,005	430,505	3,820,599
Property, plant and equipment (Note 11):			
Land	43,811	43,080	382,322
Buildings and structures	191,047	189,695	1,683,484
Machinery, equipment and vehicles	574,943	571,536	5,072,204
Tools	83,509	87,519	776,704
Construction in progress	10,246	8,475	75,213
Other	2,976	3,117	27,663
	906,532	903,422	8,017,590
Accumulated depreciation	(697,649)	(700,155)	(6,213,659)
	208,883	203,267	1,803,931
Intangible assets	11,218	9,356	83,031
Deferred tax assets (Note 13)	3,875	4,279	37,975
Goodwill	9,409	7,297	64,759
	24,502	20,932	185,765
Investments and other assets:			
Investment securities (Notes 4 and 5):			
Unconsolidated subsidiaries and affiliates	34,075	34,361	304,943
Other	99,058	85,252	756,585
Long-term loans receivable (Note 4):			
Unconsolidated subsidiaries and affiliates	1,492	1,602	14,217
Other	708	669	5,937
Net defined benefit asset (Note 9)	34,585	32,553	288,898
Other	17,316	16,454	146,025
Allowance for doubtful accounts	(2,929)	(2,166)	(19,223)
	184,305	168,725	1,497,382
	¥ 823,695	¥ 823,429	$ 7,307,677

See accompanying Notes to Consolidated Financial Statements.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2016	2016
LIABILITIES AND NET ASSETS			
Current liabilities:			
Short-term loans payable (Notes 4 and 8)	¥ 56,427	¥ 55,528	$ 492,794
Current portion of long-term loans payable (Notes 4 and 8)	41,630	27,493	243,992
Payables:			
Notes and accounts payable—trade:			
Unconsolidated subsidiaries and affiliates	1,334	1,466	13,010
Other	74,161	69,928	620,589
Other	28,417	25,683	227,929
Income taxes payable	6,680	6,239	55,369
Accrued expenses	21,053	24,997	221,841
Deferred tax liabilities (Note 13)	34	52	461
Other current liabilities	11,820	16,811	149,192
Total current liabilities	241,556	228,197	2,025,177
Long-term loans payable (Notes 4 and 8)	208,705	218,794	1,941,729
Provision for business structure improvement	14,683	12,556	111,431
Net defined benefit liability (Note 9)	30,407	30,440	270,146
Asset retirement obligations (Note 18)	6,861	2,405	21,344
Deferred tax liabilities (Note 13)	6,289	5,640	50,053
Other non-current liabilities	11,558	10,985	97,488
Contingent liabilities (Note 17)			
Net assets (Note 10)			
Shareholders' equity:			
Capital stock			
Authorized—3,000,000,000 shares in 2015 and 2016			
Issued—984,758,665 shares in 2015			
984,758,665 shares in 2016	70,817	70,817	628,479
Capital surplus	101,447	101,474	900,550
Retained earnings	101,202	127,377	1,130,431
Treasury stock, at cost: 1,925,911 shares in 2015			
1,530,571 shares in 2016	(427)	(355)	(3,150)
Total shareholders' equity	273,039	299,313	2,656,310
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities	24,227	17,755	157,570
Deferred gains (losses) on hedges	(2,569)	(1,304)	(11,573)
Foreign currency translation adjustments	(8,102)	(15,072)	(133,759)
Remeasurements of defined benefit plans	479	(579)	(5,138)
Total accumulated other comprehensive income	14,035	800	7,100
Subscription rights to shares	845	837	7,428
Non-controlling interests	15,717	13,462	119,471
Total net assets	303,636	314,412	2,790,309
	¥823,695	¥823,429	$7,307,677

Consolidated Statements of Operations

TEIJIN LIMITED　For the years ended March 31, 2015 and 2016

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2016	2016
Net sales	¥786,171	¥790,748	$7,017,643
Costs and expenses:			
Cost of sales	569,499	536,309	4,759,576
Selling, general and administrative expenses	145,220	154,024	1,366,915
Research and development expenses	32,366	33,285	295,394
Operating income	39,086	67,130	595,758
Other income (expenses):			
Interest and dividend income	1,931	2,311	20,509
Interest expenses	(3,067)	(2,419)	(21,468)
Gain (loss) on sales of investment securities	1	(10)	(89)
Gain on sales of noncurrent assets	749	306	2,716
Gain (loss) on valuation of derivatives	2,664	(1,277)	(11,333)
Loss on sales and retirement of noncurrent assets	(1,284)	(2,865)	(25,426)
Loss on valuation of investment securities	(4)	(567)	(5,032)
Impairment loss (Note 11)	(30,376)	(7,565)	(67,137)
Reversal of impairment loss	95	3,265	28,976
Equity in earnings (losses) of affiliates	2,435	(2,944)	(26,127)
Business structure improvement expenses	(16,759)	(5,507)	(48,873)
Other, net	(2,398)	(4,277)	(37,957)
	(46,013)	(21,549)	(191,241)
Income (loss) before income taxes	(6,927)	45,581	404,517
Income taxes (Note 13):			
Current	11,521	13,070	115,992
Deferred	(8,446)	3,289	29,189
	3,075	16,359	145,181
Net income (loss)	(10,002)	29,222	259,336
Loss attributable to non-controlling interests	1,916	1,868	16,578
Profit (loss) attributable to owners of parent	¥ (8,086)	¥ 31,090	$ 275,914

	Yen		U.S. dollars (Note 1)
Profit (loss) attributable to owners of parent per share (Note 2)	¥ (8.23)	¥ 31.63	$ 0.28
Profit (loss) attributable to owners of parent per share—diluted	—	—	—
Cash dividends applicable to the year	4.00	7.00	0.06

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Comprehensive Income

TEIJIN LIMITED For the years ended March 31, 2015 and 2016

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2016	2016
Income (loss) before non-controlling interests	¥(10,002)	¥ 29,222	$ 259,336
Other comprehensive income (Note 12):			
Valuation difference on available-for-sale securities	13,468	(6,483)	(57,535)
Deferred gains or losses on hedges	(3,587)	1,266	11,235
Foreign currency translation adjustments	3,996	(6,056)	(53,744)
Remeasurements of defined benefit plans, net of tax	1,738	(2,075)	(18,415)
Share of other comprehensive income of associates accounted for using the equity method	421	(74)	(657)
Total	16,036	(13,422)	(119,116)
Comprehensive income	¥ 6,034	¥ 15,800	$ 140,220
Breakdown of comprehensive income:			
Comprehensive income attributable to shareholders of the parent	¥ 7,833	¥ 17,855	$ 158,457
Comprehensive income attributable to non-controlling interests	¥ (1,799)	¥ (2,055)	$ (18,237)

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Changes in Net Assets

TEIJIN LIMITED For the years ended March 31, 2015 and 2016

		Millions of yen				
		Shareholders' equity				
	Number of shares of common stock	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance at March 31, 2014	984,758,665	¥70,817	¥101,429	¥111,754	¥(436)	¥283,564
Cumulative effects of changes in accounting policies				1,465		1,465
Restated balance		70,817	101,429	113,219	(436)	285,029
Changes of items during the period:						
Dividends from surplus				(3,931)		(3,931)
Net loss				(8,086)		(8,086)
Purchase of treasury stock					(23)	(23)
Disposal of treasury stock			18		32	50
Net changes of items other than shareholders' equity						
Total		—	18	(12,017)	9	(11,990)
Balance at March 31, 2015	984,758,665	¥70,817	¥101,447	¥101,202	¥(427)	¥273,039
Changes of items during the period:						
Dividends from surplus				(4,915)		(4,915)
Net income				31,090		31,090
Purchase of treasury stock					(41)	(41)
Disposal of treasury stock			27		113	140
Net changes of items other than shareholders' equity						
Total		—	27	26,175	72	26,274
Balance at March 31, 2016	984,758,665	¥70,817	¥101,474	¥127,377	¥(355)	¥299,313

	Thousands of U.S. dollars (Note 1)				
	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance at March 31, 2015	$628,479	$900,311	$ 898,136	$(3,789)	$2,423,137
Changes of items during the period:					
Dividends from surplus			(43,619)		(43,619)
Net income			275,914		275,914
Purchase of treasury stock				(364)	(364)
Disposal of treasury stock		239		1,003	1,242
Net changes of items other than shareholders' equity					
Total	—	239	232,295	639	233,173
Balance at March 31, 2016	$628,479	$900,550	$1,130,431	$(3,150)	$2,656,310

See accompanying Notes to Consolidated Financial Statements.

	Millions of yen							
	Accumulated other comprehensive income							
	Valuation difference on available-for-sale securities	Deferred gains (losses) on hedges	Foreign currency translation adjustments	Remeasure-ments of defined benefit plans	Total	Subscription rights to shares	Non-controlling interests	Total net assets
Balance at March 31, 2014	¥10,759	¥ 1,018	¥(13,026)	¥ (635)	¥ (1,884)	¥738	¥17,695	¥300,113
Cumulative effects of changes in accounting policies								1,465
Restated balance	10,759	1,018	(13,026)	(635)	(1,884)	738	17,695	301,578
Changes of items during the period:								
Dividends from surplus								(3,931)
Net loss								(8,086)
Purchase of treasury stock								(23)
Disposal of treasury stock								50
Net changes of items other than shareholders' equity	13,468	(3,587)	4,924	1,114	15,919	107	(1,978)	14,048
Total	13,468	(3,587)	4,924	1,114	15,919	107	(1,978)	2,058
Balance at March 31, 2015	¥24,227	¥(2,569)	¥ (8,102)	¥ 479	¥ 14,035	¥845	¥15,717	¥303,636
Changes of items during the period:								
Dividends from surplus								(4,915)
Net income								31,090
Purchase of treasury stock								(41)
Disposal of treasury stock								140
Net changes of items other than shareholders' equity	(6,472)	1,265	(6,970)	(1,058)	(13,235)	(8)	(2,255)	(15,498)
Total	(6,472)	1,265	(6,970)	(1,058)	(13,235)	(8)	(2,255)	10,776
Balance at March 31, 2016	¥17,755	¥(1,304)	¥(15,072)	¥ (579)	¥ 800	¥837	¥13,462	¥314,412

	Thousands of U.S. dollars (Note 1)							
	Accumulated other comprehensive income							
	Valuation difference on available-for-sale securities	Deferred gains (losses) on hedges	Foreign currency translation adjustments	Remeasure-ments of defined benefit plans	Total	Subscription rights to shares	Non-controlling interests	Total net assets
Balance at March 31, 2015	$215,007	$(22,799)	$(71,903)	$ 4,251	$ 124,556	$7,499	$139,483	$2,694,675
Changes of items during the period:								
Dividends from surplus								(43,619)
Net income								275,914
Purchase of treasury stock								(364)
Disposal of treasury stock								1,242
Net changes of items other than shareholders' equity	(57,437)	11,226	(61,856)	(9,389)	(117,456)	(71)	(20,012)	(137,539)
Total	(57,437)	11,226	(61,856)	(9,389)	(117,456)	(71)	(20,012)	95,634
Balance at March 31, 2016	$157,570	$(11,573)	$(133,759)	$(5,138)	$ 7,100	$7,428	$119,471	$2,790,309

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

TEIJIN LIMITED For the years ended March 31, 2014 and 2015

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2016	2016
Cash flows from operating activities:			
Income (loss) before income taxes	¥ (6,927)	¥ 45,581	$ 404,517
Depreciation and amortization	43,030	38,894	345,172
Impairment loss	30,376	7,565	67,137
Reversal of impairment loss	(95)	(3,265)	(28,976)
Increase (decrease) in net defined benefit liability	5,421	604	5,360
Decrease (increase) in net defined benefit asset	(2,782)	(1,777)	(15,770)
Increase (decrease) in allowance for doubtful accounts	(1,917)	(754)	(6,692)
Increase (decrease) in provision for business structure improvement	14,683	974	8,644
Interest and dividend income	(1,931)	(2,311)	(20,509)
Interest expenses	3,067	2,419	21,468
Equity in losses (earnings) of affiliates	(2,435)	2,944	26,127
Loss (gain) on sales and retirement of noncurrent assets	535	2,559	22,710
Loss (gain) on sales of investment securities	39	10	89
Loss (gain) on valuation of derivatives	(2,664)	1,277	11,333
Loss (gain) on valuation of investment securities	4	567	5,032
Decrease (increase) in notes and accounts receivable—trade	1,051	2,999	26,615
Decrease (increase) in inventories	6,767	(6,933)	(61,528)
Increase (decrease) in notes and accounts payable—trade	(9,627)	(550)	(4,881)
Increase (decrease) in accrued payments due to change in retirement benefits	(2,082)	(2,015)	(17,882)
Other, net	2,897	1,366	12,123
Subtotal	77,410	90,154	800,089
Interest and dividend income received	7,068	6,589	58,475
Interest expenses paid	(3,190)	(2,482)	(22,027)
Income taxes paid	(5,258)	(13,620)	(120,873)
Net cash and cash equivalents provided by operating activities	76,030	80,641	715,664
Cash flows from investing activities:			
Purchase of property, plant and equipment	(26,528)	(31,895)	(283,058)
Proceeds from sales of property, plant and equipment	752	669	5,937
Purchase of intangible assets	(2,365)	(2,802)	(24,867)
Purchase of investment securities	(22,052)	(2,406)	(21,353)
Proceeds from sales of investment securities	1,576	848	7,526
Decrease (increase) in short-term loans receivable	2,434	(2,643)	(23,456)
Payments of long-term loans receivable	(1,908)	(59)	(524)
Collection of long-term loans receivable	329	189	1,677
Other, net	(1,862)	(2,224)	(19,736)
Net cash and cash equivalents used in investing activities	(49,624)	(40,323)	(357,854)
Cash flows from financing activities:			
Net increase (decrease) in short-term loans payable	(36,296)	3,146	27,920
Proceeds from issuance of bonds	59,210	—	—
Redemption of bonds	(19,809)	(20,770)	(184,327)
Proceeds from long-term loans payable	37,535	36,707	325,763
Repayment of long-term loans payable	(25,805)	(21,821)	(193,655)
Cash dividends paid	(3,931)	(4,914)	(43,610)
Cash dividends paid to non-controlling shareholders	(201)	(284)	(2,520)
Other, net	(309)	(381)	(3,382)
Net cash and cash equivalents (used in) provided by financing activities	10,394	(8,317)	(73,811)
Effect of exchange rate changes on cash and cash equivalents	786	(1,971)	(17,492)
Net increase in cash and cash equivalents	37,586	30,030	266,507
Cash and cash equivalents at beginning of year	32,976	70,562	626,216
Increase in cash and cash equivalents resulting from change in scope of consolidation	—	363	3,221
Cash and cash equivalents at end of year (Note 3)	¥ 70,562	¥100,955	$ 895,944

See accompanying Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements

TEIJIN LIMITED

Note 1 Basis of presenting consolidated financial statements

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

The Company adopted the "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" (Practical Issues Task Force ("PITF") No. 18, issued by the Accounting Standards Board of Japan ("ASBJ") on February 19, 2010). In principle, the Company has unified the accounting standards for overseas subsidiaries and makes necessary adjustments upon consolidation. There were no material effects as a result of the adoption of PITF No. 18 on the consolidated financial statements for the years ended March 31, 2015 and 2016.

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

The translation of the Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2016, which was ¥112.68 to U.S. $1.00. The convenience translations should not be construed as representations that the Japanese yen amounts have been, could have been or could in the future be converted into U.S. dollars at this or any other rate of exchange.

Note 2 Summary of significant accounting policies

Consolidation

The consolidated financial statements include the accounts of the Company and 69 significant subsidiaries for the years ended March 31, 2016 and 2015. Investments made in 77 (both in 2015 and 2016) unconsolidated subsidiaries and affiliates are, with minor exceptions, stated at cost, adjusted for equity in undistributed earnings and losses since acquisition.

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

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

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

Of the Company's consolidated subsidiaries, 11 subsidiaries in 2016 and 2015 did not change their fiscal year-end of December 31. These 11 subsidiaries prepared, for consolidation purposes, provisional financial statements for the period that correspond to the fiscal year of the Company.

Statements of cash flows

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

Allowance for doubtful accounts

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

Securities

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

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

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

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

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

Inventories

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

Property, plant and equipment

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

Intangible assets

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

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

Research and development expenses

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

Retirement benefits

Employees

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

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

The liabilities and expenses for severance and retirement benefits are determined based on the amounts actuarially calculated using certain assumptions. The Companies provided for employees' severance and retirement benefits at March 31, 2015 and 2016 based on the estimated amounts of projected benefit obligation and the fair value of the plan assets at those dates.

Prior service costs and actuarial gains and losses are recognized in expenses using the straight-line method over mainly 12 years, which is within the average of the estimated remaining service years of the employees, commencing with the current and the following period, respectively.

(Application of Accounting Standard for Retirement Benefits)

Effective from fiscal 2014, the Company has applied the accounting rules stipulated in Clause 35 of the "Accounting Standard for Retirement Benefits" (Accounting Standards Board of Japan (ASBJ) Statement No. 26, issued on May 17, 2012) and the guidelines outlined in Clause 67 of the "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25, issued on March 26, 2015). Accordingly, the method of attributing expected benefits to periods has been changed from the straight-line basis to the benefit formula basis and the basis for determining the discount rate has been amended from the expected average remaining working lives of employees and average period up to the estimated timing of benefit payment to a single weighted-average discount rate that reflects the estimated timing and amount of benefit payment.

The application of the new accounting standard and its accompanying guidance is subject to the transitional accounting treatment set forth in Clause 37 of the standard. At the beginning of the period under review, remeasurements of defined benefit plans were included in retained earnings to reflect the impact of this change in method of accounting. This change added ¥574 million to the "other" component of investments and other assets, reduced net defined benefit liability by ¥1,589 million and increased retained earnings by ¥1,465 million in the period. The effect of this change on operating income, and loss before income taxes and non-controlling interests was negligible. The effect of this change on segment information was also negligible and has thus not been reported.

Liabilities arising from the application of the equity method

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

Provision for business structure improvement

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

(Change in accounting estimates)

In the first half of fiscal 2014, the Company resolved to withdraw from the business of a consolidated subsidiary, Teijin Polycarbonate Singapore Pte Ltd. As a consequence, the expected remaining contract term for the real estate leased by the Company was shortened to a more practical number of years, thus facilitating a more precise estimate of asset retirement obligations—namely, an obligation of restoration to original condition—associated therewith. Owing to the revision of this estimate, the balance of asset retirement obligations as of September 30, 2014 was ¥8,142 million higher than would have been the case had the estimate not changed. In addition, because the Company applied impairment accounting to the accompanying tangible fixed assets, the effect of this change in accounting estimate was to increase loss before income taxes and non-controlling interests in the first half by an identical amount.

In light of newly available information as of March 31, 2015, including that related to methods used for demolition and removal, the Company subsequently revised its estimate of asset retirement obligations associated therewith. Owing to this revision, the balance of asset retirement obligations as of March 31, 2015 was ¥4,450 million lower than as of September 30, 2014. Concomitantly, the Company also revised the amount of its impairment loss in the first half. The effect of the aforementioned changes in fiscal 2014 was to increase loss before income taxes and non-controlling interests by ¥4,252 million.

(Change in accounting estimates)

In the year ended March 31, 2015, the Company resolved to withdraw from the business of a consolidated subsidiary, Teijin Polycarbonate Singapore Pte Ltd., and revised its estimated asset retirement obligations for the obligation of restoration to original condition under real estate leasing contracts. In the year ended March 31, 2016, the Company has once again revised its estimated restoration costs based on restoration contracts with third parties.

As a result of the revision of this estimate, the balance of asset retirement obligations as of March 31, 2016 was ¥2,488 million ($22,082 thousand) lower than the estimated balance as of March 31, 2015. The effect of the aforementioned change in estimate was to increase income before income taxes and non-controlling interests for the year ended March 31, 2016 by ¥2,653 million ($23,545 thousand).

Derivatives and hedge accounting

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

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

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

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

Income taxes

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

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

Translation of foreign currency

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

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

Net income (loss) per share

Computations of net income (loss) per share of common stock are based on the weighted-average number of shares outstanding during each period. Diluted net income per share is calculated based on the assumption that all dilutive convertible debentures and stock warrants were converted or exercised at the beginning of the year or at the time of issue.

Net income (loss) per share for the years ended March 31, 2015 and 2016 is calculated based on the following factors:

Year ended March 31, 2015

(a) Loss attributable to owners of parent	¥	8,086 million
(b) Amount not attributable to common shareholders:	¥	— million
(c) Bonuses to directors and statutory auditors included in (b):	¥	— million
(d) Loss attributable to owners of parent allocated to common stock:	¥	8,086 million
(e) Average number of shares outstanding during the period:		982,749 thousand shares
(f) Increase in number of shares:		—
(g) Increase in number of subscription rights to shares included in (f):		—
(h) Summary of outstanding potential shares excluded from the computation of diluted EPS, if calculated for the period, since such potential shares do not have a dilutive effect:		—

Year ended March 31, 2016

(a) Profit attributable to owners of parent	¥	31,090	million	($ 275,914	thousand)
(b) Amount not attributable to common shareholders:	¥	—	million	($ —	thousand)
(c) Bonuses to directors and statutory auditors included in (b):	¥	—	million	($ —	thousand)
(d) Profit attributable to owners of parent allocated to common stock:	¥	31,090	million	($ 275,914	thousand)
(e) Average number of shares outstanding during the period:		982,948	thousand shares		
(f) Increase in number of shares:		99,893			
(g) Increase in number of subscription rights to shares included in (f):		99,893			
(h) Summary of outstanding potential shares excluded from the computation of diluted EPS, if calculated for the period, since such potential shares do not have a dilutive effect:		—			

(Changes in accounting principles, procedures and presentation methods)

(1) Application of Revised Accounting Standard for Business Combinations

Effective from the year ended March 31, 2016, the Company applied the "Revised Accounting Standard for Business Combinations" (Accounting Standards Board of Japan (ASBJ) Statement No. 21, issued on September 13, 2013), "Revised Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22, issued on September 13, 2013) and "Revised Accounting Standard for Business Divestitures" (ASBJ Statement No. 7, issued on September 13, 2013). Accordingly, the Company changed to an accounting method whereby it records differences arising from changes in its ownership interests in companies in which it retains control in capital surplus and charges acquisition-related costs as expenses in the fiscal year in which they are incurred. Additionally, for business combinations implemented on or after April 1, 2015, the Company changed to an accounting method whereby any revisions to the allocation of acquisition costs pursuant to the final determination of provisional accounting treatments are reflected in the consolidated financial statements for the fiscal year in which the relevant business combination occurred. Furthermore, a change in the presentation of net income in the financial statements was implemented and the term "minority interests" was amended to "non-controlling interests." The Company has recast its consolidated financial statements for the fiscal year ended March 31, 2015, to reflect these changes.

In the consolidated statements of cash flows for the year ended March 31, 2016, the Company changed to an accounting method whereby cash flows related to the acquisition or sale of subsidiaries' shares that do not result in a change in the scope of consolidation are shown under "Cash flows from financing activities." Cash flows related to acquisition-related costs for subsidiaries' shares that result in a change in the scope of consolidation or cash flows related to expenses incurred in conjunction with the acquisition or sale of subsidiaries' shares that do not result in a change in the scope of consolidation are shown under "Cash flows from operating activities."

Application of ASBJ Statement No. 21 and its related standards is in accordance with transitional provisions stipulated in Clause 58, Paragraph 2 (4) of ASBJ Statement No. 21; Clause 44, Paragraph 5 (4) of ASBJ Statement No. 22; and Clause 57, Paragraph 4 (4) of ASBJ Statement No. 7. The Company applied these standards effective from April 1, 2015. This application had no material impact on consolidated net income for the year ended March 31, 2016.

(Accounting standards issued but not yet effective)

(1) Implementation Guidance on Recoverability of Deferred Tax Assets

On March 28, 2015, the ASBJ issued ASBJ Guidance No. 26, "Implementation Guidance on Recoverability of Deferred Tax Assets" (the "Implementation Guidance")

1. Outline

   The Implementation Guidance basically continues to apply the framework used in the Japanese Institute of Certified Public Accountants Guidance No. 66, where recoverability of deferred tax assets is assessed based on the entities' categorization, but certain accounting treatments were changed. The Implementation Guidance includes the following:

   (i) accounting treatments for entities which are not included in any Category,

   (ii) criteria as to the classification of entities in Category 2 and Category 3,

   (iii) accounting treatments of unscheduled deductible temporary differences for entities in Category 2,

   (iv) accounting treatments for deductible temporary differences for entities in Category 3, which are scheduled to be deductible after five years

   (v) accounting treatments for entities in Category 4 in the current fiscal year, which are expected to be included in Category 2 or Category 3 in the following year.

2. Timing of adoption

   The Company and its domestic consolidated subsidiaries will adopt the revised Implementation Guidance from the beginning of the fiscal year ending March 31, 2017.

3. Impact of the adoption of the Implementation Guidance

   The effect of adoption of the Implementation Guidance is now under assessment at the time of preparation of the accompanying consolidated financial statements.

(Reclassifications and restatements)

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

Note 3 Statements of cash flows

(1) The reconciliations of cash and time deposits in the consolidated balance sheets and cash and cash equivalents in the consolidated statements of cash flows, as of March 31, 2015 and 2016 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Cash and time deposits in the consolidated balance sheets	¥45,719	¥ 72,122	$640,060
Securities	25,000	29,000	257,366
Time deposits with maturities exceeding three months	(157)	(167)	(1,482)
Cash and cash equivalents in the consolidated statements of cash flows	¥70,562	¥100,955	$895,944

(2) Important non-cash transactions

The amounts recognized for important asset retirement obligations, as of March 31, 2015 and 2016 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Important asset retirement obligations recognized	¥5,420	¥(2,397)	$(21,273)

Note 4 Fair value of financial instruments

(1) Qualitative information on financial instruments

(a) Policies for using financial instruments

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

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

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

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

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

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

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

The Companies use derivative transactions of, for example, forward currency exchange and currency swaps that are used to hedge the risk of fluctuation in foreign currency exchange rates with respect to monetary receivables and payables denominated in foreign currencies resulting from import and export transactions. With respect to other derivative transactions, interest rate swap transactions are used to hedge the risk of fluctuation in interest rates. The Companies evaluate hedge effectiveness by comparing the cumulative changes in cash flows from, or the changes in fair value of, hedged items with the corresponding changes in the hedging derivative instruments.

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

(c) Supplementary information on fair values

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

(2) Fair values of financial instruments

The following tables summarize fair value and book value of the financial instruments, and the difference between them, as of March 31, 2015 and 2016. Items for which fair value is difficult to estimate are not included in the following tables.

	Millions of yen		
	2015		
	Book value	Fair value	Difference
(1) Cash and time deposits	¥ 45,719	¥ 45,719	¥ —
(2) Receivables	172,140	172,140	—
(3) Short-term loans receivable	16,277	16,277	—
(4) Marketable securities and investment securities	110,840	110,840	—
(5) Long-term loans receivable	2,345	—	—
Allowance for doubtful accounts*	(529)	—	—
	1,816	1,816	—
Total	¥346,792	¥346,792	¥ —
(1) Payables	¥ 75,495	¥ 75,495	¥ —
(2) Short-term loans payable	56,427	56,427	—
(3) Bonds	76,248	83,094	6,846
(4) Long-term loans payable	174,087	175,291	1,204
Total	¥382,257	¥390,307	¥8,050
Derivative transactions†			
(1) For which hedge accounting is not applied	¥ 7,768	¥ 7,768	¥ —
(2) For which hedge accounting is applied	(3,355)	(3,355)	—
Total	¥ 4,413	¥ 4,413	¥ —

	Millions of yen		
	2016		
	Book value	Fair value	Difference
(1) Cash and time deposits	¥ 72,122	¥ 72,122	¥ —
(2) Receivables	164,536	164,536	—
(3) Short-term loans receivable	15,757	15,757	—
(4) Marketable securities and investment securities	103,692	103,692	—
(5) Long-term loans receivable	2,325	—	—
Allowance for doubtful accounts*	(519)	—	—
	1,806	1,806	—
Total	¥357,913	¥357,913	¥ —
(1) Payables	¥ 71,394	¥ 71,394	¥ —
(2) Short-term loans payable	55,528	55,528	—
(3) Bonds	55,149	61,368	6,219
(4) Long-term loans payable	191,138	193,205	2,067
Total	¥373,209	¥381,495	¥8,286
Derivative transactions†			
(1) For which hedge accounting is not applied	¥ 5,110	¥ 5,110	¥ —
(2) For which hedge accounting is applied	(1,814)	(1,814)	—
Total	¥ 3,296	¥ 3,296	¥ —

	Thousands of U.S. dollars		
	2016		
	Book value	Fair value	Difference
(1) Cash and time deposits	$ 640,060	$ 640,060	$ —
(2) Receivables	1,460,206	1,460,206	—
(3) Short-term loans receivable	139,838	139,838	—
(4) Marketable securities and investment securities	920,234	920,234	—
(5) Long-term loans receivable	20,634	—	—
Allowance for doubtful accounts*	(4,606)	—	—
	16,028	16,028	—
Total	$3,176,366	$3,176,366	$ —
(1) Payables	$ 633,599	$ 633,599	$ —
(2) Short-term loans payable	492,794	492,794	—
(3) Bonds	489,430	544,622	55,192
(4) Long-term loans payable	1,696,291	1,714,635	18,344
Total	$3,312,114	$3,385,650	$73,536
Derivative transactions†			
(1) For which hedge accounting is not applied	$ 45,350	$ 45,350	$ —
(2) For which hedge accounting is applied	(16,099)	(16,099)	—
Total	$ 29,251	$ 29,251	$ —

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

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

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

Assets

(1) Cash and time deposits, (2) Receivables and (3) Short-term loans receivable

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

(4) Marketable securities and investment securities

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

(5) Long-term loans receivable

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

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

Liabilities

(1) Payables and (2) Short-term loans payable

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

(3) Bonds

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

(4) Long-term loans payable

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

Derivative transactions

See Note 6, "Derivative transactions."

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

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Unlisted shares	¥ 4,379	¥ 5,388	$ 47,817
Shares in affiliated companies	29,696	28,973	257,126
Total	¥34,075	¥34,361	$304,943

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

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

	Millions of yen		
	2015		
	Within one year	One year to five years	Over five years
Cash and time deposits	¥ 45,719	¥ —	¥ —
Receivables	172,140	—	—
Short-term loans receivable	16,277	—	—
Long-term loans receivable	144	1,700	500

	Millions of yen		
	2016		
	Within one year	One year to five years	Over five years
Cash and time deposits	¥ 72,122	¥ —	¥ —
Receivables	164,536	—	—
Short-term loans receivable	15,757	—	—
Long-term loans receivable	54	1,772	500

	Thousands of U.S. dollars		
	2016		
	Within one year	One year to five years	Over five years
Cash and time deposits	$ 640,060	$ —	$ —
Receivables	1,460,206	—	—
Short-term loans receivable	139,838	—	—
Long-term loans receivable	479	15,727	4,437

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

See Note 8, "Loans payable."

Note 5 Marketable securities and investment securities

(1) Information on securities held by the Companies at March 31, 2015, is as follows:

(a) There were no held-to-maturity debt securities with fair values at March 31, 2015.

(b) The following table summarizes acquisition costs and book values (fair values) of available-for-sale securities with fair values as of March 31, 2015.

	Millions of yen		
	2015		
	Acquisition cost	Book value	Difference
Securities with book values exceeding acquisition costs:			
Corporate shares	¥48,460	¥ 83,696	¥35,236
Securities with book values not exceeding acquisition costs:			
Corporate shares	2,364	2,144	(220)
Negotiable certificates of deposit	25,000	25,000	—
Total	¥75,824	¥110,840	¥35,016

(c) Total sales of available-for-sale securities in the year ended March 31, 2015, and the related gains and losses amounted to ¥1,576 million, ¥95 million and ¥134 million, respectively.

(d) Available-for-sale securities with no fair values as of March 31, 2015, consisted mostly of non-listed equity securities, bonds and others amounting to ¥3,132 million, ¥2 million and ¥1,245 million, respectively.

(e) Impairment loss on available-for-sale securities of ¥0 million was recognized as of March 31, 2015.

(2) Information on securities held by the Companies at March 31, 2016, is as follows:

(a) There were no held-to-maturity debt securities with fair values at March 31, 2016.

(b) The following table summarizes acquisition costs and book values (fair values) of available-for-sale securities with fair values as of March 31, 2016.

	Millions of yen		
	2016		
	Acquisition cost	Book value	Difference
Securities with book values exceeding acquisition costs:			
Corporate shares	¥12,576	¥ 41,851	¥29,275
Securities with book values not exceeding acquisition costs:			
Corporate shares	37,471	32,841	(4,630)
Negotiable certificates of deposit	29,000	29,000	—
Total	¥79,047	¥103,692	¥24,645

	Thousands of U.S. dollars		
	2016		
	Acquisition cost	Book value	Difference
Securities with book values exceeding acquisition costs:			
Corporate shares	$111,608	$371,415	$259,807
Securities with book values not exceeding acquisition costs:			
Corporate shares	332,543	291,453	(41,090)
Negotiable certificates of deposit	257,366	257,366	—
Total	$701,517	$920,234	$218,717

(c) Total sales of available-for-sale securities in the year ended March 31, 2016, and the related gains and losses amounted to ¥848 million ($7,526 thousand), ¥71 million ($630 thousand) and ¥81 million ($719 thousand), respectively.
(d) Available-for-sale securities with no fair values as of March 31, 2016, consisted mostly of non-listed equity securities and others amounting to ¥3,813 million ($33,839 thousand) and ¥1,575 million ($13,978 thousand), respectively.
(e) Impairment loss on available-for-sale securities of ¥567 million ($ 5,032 thousand) was recognized as of March 31, 2016.

Note 6 Derivative transactions

(1) The following tables summarize market value information of outstanding derivative transactions as of March 31, 2015 for which hedge accounting is not applied.

Outstanding positions, for which gains and losses were recognized in the consolidated financial statements as of March 31, 2015, were as follows:

Currency-related derivatives

	Millions of yen			
	2015			
	Contract amount	Amount of principal due over one year	Fair value	Recognized gain (loss)
Foreign currency swap transactions:				
Japanese yen received for Euro	¥ 5,672	¥ —	¥ 388	¥ 388
U.S. dollars received for Euro	¥ 7,168	¥ 3,910	¥ 919	¥ 919
U.S. dollars received for Japanese yen	¥12,350	¥12,350	¥6,776	¥6,776
Foreign currency forward contract transactions:				
Sell: U.S. dollars	¥ 4,257	¥ 1,281	¥ (396)	¥ (396)
Sell: Euro	¥ 1,769	¥ —	¥ 91	¥ 91
Sell: Renminbi	¥ 112	¥ —	¥ (6)	¥ (6)
Sell: Japanese yen	¥ 308	¥ —	¥ (3)	¥ (3)
Sell: Thai bahts	¥ 3	¥ —	¥ 0	¥ 0
Buy: U.S. dollars	¥ 521	¥ —	¥ 1	¥ 1
Buy: Euro	¥ 175	¥ —	¥ 0	¥ 0
Buy: Renminbi	¥ 4	¥ —	¥ 0	¥ 0
Buy: British pounds	¥ 0	¥ —	¥ 0	¥ 0
Buy: Japanese yen	¥ 1,828	¥ —	¥ (2)	¥ (2)

(2) The following tables summarize market value information of outstanding derivative transactions as of March 31, 2015 for which hedge accounting is applied.

Currency-related derivatives: Principle-based method

	Millions of yens		
	2015		
	Contract amount	Amount of principal due over one year	Fair value
Foreign currency forward contract transactions:			
Sell: U.S. dollars	¥28,716	¥14,463	¥(3,873)
Sell: Euro	¥ 758	¥ —	¥ 41
Sell: Renminbi	¥ 448	¥ —	¥ (12)
Buy: U.S. dollars	¥16,159	¥ —	¥ 593
Buy: Euro	¥ 4	¥ —	¥ 0
Buy: Renminbi	¥ 13	¥ —	¥ 2

Interest rate-related derivatives: Principle-based method

	Millions of yen		
	2015		
	Contract amount	Amount of principal due over one year	Fair value
Interest rate swap transactions:			
Receive variable rate in Euro, pay fixed rate in Euro	¥3,910	¥3,910	¥(54)
Receive variable rate in Japanese yen, pay variable rate in Euro	¥5,672	¥ —	¥ 14
Receive variable rate in U.S. dollars, pay fixed rate in Euro	¥7,168	¥3,910	¥(66)

Interest rate-related derivatives: Special method

	Millions of yen		
	2015		
	Contract amount	Amount of principal due over one year	Fair value
Interest rate swap transactions:			
Receive variable rate in Japanese yen, pay fixed rate in Japanese yen	¥97,650	¥97,650	¥—

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

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

(5) The following tables summarize market value information of outstanding derivative transactions as of March 31, 2016 for which hedge accounting is not applied.

Outstanding positions, for which gains and losses were recognized in the consolidated financial statements as of March 31, 2016, were as follows:

Currency-related derivatives

	Millions of yen			
	2016			
	Contract amount	Amount of principal due over one year	Fair value	Recognized gain (loss)
Foreign currency swap transactions:				
U.S. dollars received for Euro	¥ 3,831	¥ 3,831	¥ (136)	¥ (136)
U.S. dollars received for Japanese yen	¥12,350	¥12,350	¥5,499	¥5,499
Foreign currency forward contract transactions:				
Sell: U.S. dollars	¥ 6,801	¥ 914	¥ (183)	¥ (183)
Sell: Euro	¥ 1,851	¥ —	¥ 22	¥ 22
Sell: Japanese yen	¥ 465	¥ 145	¥ (6)	¥ (6)
Buy: U.S. dollars	¥ 2,427	¥ —	¥ (98)	¥ (98)
Buy: Euro	¥ 79	¥ —	¥ 1	¥ 1
Buy: Renminbi	¥ 8	¥ —	¥ 0	¥ 0
Buy: British pounds	¥ 0	¥ —	¥ 0	¥ 0
Buy: Thai bahts	¥ 0	¥ —	¥ 0	¥ 0
Buy: Japanese yen	¥ 1,760	¥ —	¥ 11	¥ 11

	Thousands of U.S. dollars			
	2016			
	Contract amount	Amount of principal due over one year	Fair value	Recognized gain (loss)
Foreign currency swap transactions:				
U.S. dollars received for Euro	$ 33,999	$ 33,999	$ (1,207)	$ (1,207)
U.S. dollars received for Japanese yen	$109,602	$109,602	$48,802	$48,802
Foreign currency forward contract transactions:				
Sell: U.S. dollars	$ 60,357	$ 8,111	$ (1,624)	$ (1,624)
Sell: Euro	$ 16,427	$ —	$ 195	$ 195
Sell: Japanese yen	$ 4,127	$ 1,287	$ (53)	$ (53)
Buy: U.S. dollars	$ 21,539	$ —	$ (870)	$ (870)
Buy: Euro	$ 701	$ —	$ 9	$ 9
Buy: Renminbi	$ 71	$ —	$ 0	$ 0
Buy: British pounds	$ 0	$ —	$ 0	$ 0
Buy: Thai bahts	$ 0	$ —	$ 0	$ 0
Buy: Japanese yen	$ 15,619	$ —	$ 98	$ 98

(6) The following tables summarize market value information of outstanding derivative transactions as of March 31, 2016 for which hedge accounting is applied.

Currency-related derivatives: Principle-based method

	Millions of yen		
	2016		
	Contract amount	Amount of principal due over one year	Fair value
Foreign currency forward contract transactions:			
Sell: U.S. dollars	¥21,985	¥7,889	¥ (557)
Sell: Euro	¥ 824	¥ —	¥ 5
Sell: Renminbi	¥ 13	¥ —	¥ 0
Sell: Thai bahts	¥ 0	¥ —	¥ 0
Sell: Japanese yen	¥ 2,093	¥1,317	¥ (20)
Buy: U.S. dollars	¥24,354	¥ —	¥(1,083)
Buy: Euro	¥ 91	¥ —	¥ 0
Buy: British pounds	¥ 4	¥ —	¥ 0
Buy: Thai bahts	¥ 1	¥ —	¥ 0
Buy: Renminbi	¥ 56	¥ —	¥ 0

	Thousands of U.S. dollars		
	2016		
	Contract amount	Amount of principal due over one year	Fair value
Foreign currency forward contract transactions:			
Sell: U.S. dollars	$195,110	$70,012	$(4,943)
Sell: Euro	$ 7,313	$ —	$ 44
Sell: Renminbi	$ 115	$ —	$ 0
Sell: Thai bahts	$ 0	$ —	$ 0
Sell: Japanese yen	$ 18,575	$11,688	$ (177)
Buy: U.S. dollars	$216,134	$ —	$(9,612)
Buy: Euro	$ 808	$ —	$ 0
Buy: British pounds	$ 35	$ —	$ 0
Buy: Thai bahts	$ 9	$ —	$ 0
Buy: Renminbi	$ 497	$ —	$ 0

Interest rate-related derivatives: Principle-based method

	Millions of yen		
	2016		
	Contract amount	Amount of principal due over one year	Fair value
Interest rate swap transactions:			
Receive variable rate in Euro, pay fixed rate in Euro	¥3,831	¥ —	¥ (30)
Receive variable rate in U.S. dollars, pay fixed rate in Euro	¥3,831	¥3,831	¥(129)

	Thousands of U.S. dollars		
	2016		
	Contract amount	Amount of principal due over one year	Fair value
Interest rate swap transactions:			
Receive variable rate in Euro, pay fixed rate in Euro	$33,999	$ —	$ (266)
Receive variable rate in U.S. dollars, pay fixed rate in Euro	$33,999	$33,999	$(1,145)

Interest rate-related derivatives: Special method

	Millions of yen		
	2016		
	Contract amount	Amount of principal due over one year	Fair value
Interest rate swap transactions:			
Receive variable rate in Japanese yen, pay fixed rate in Japanese yen	¥97,650	¥77,650	¥—

	Thousands of U.S. dollars		
	2016		
	Contract amount	Amount of principal due over one year	Fair value
Interest rate swap transactions:			
Receive variable rate in Japanese yen, pay fixed rate in Japanese yen	$866,613	$689,120	$—

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

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

Note 7 Inventories

Inventories at March 31, 2015 and 2016 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Finished goods	¥ 78,358	¥ 85,965	$ 762,913
Work in process	8,194	7,739	68,681
Raw materials	23,635	21,527	191,045
Supplies	5,147	5,212	46,255
Total	¥115,334	¥120,443	$1,068,894

Note 8 Loans payable

Short-term loans payable were represented by bank overdrafts and short-term notes with average annual interest rates of approximately 1.2% and 1.3% in 2015 and 2016, respectively.

Long-term loans payable at March 31, 2015 and 2016 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Unsecured:			
Banks and insurance companies at 0.1–0.7%, maturing serially through 2026	¥123,650	¥148,659	$1,319,303
1.8% bonds, due 2015	15,000	—	—
0.7% bonds, due 2019	15,000	15,000	133,120
Zero coupon convertible bonds, due 2018	20,092	20,067	178,088
Zero coupon convertible bonds, due 2021	20,096	20,081	178,213
0.2% medium-term notes, due 2015	6,060	—	—
Loans denominated in foreign currencies (principally U.S. dollars) at 0.0–2.4%, maturing serially through 2020	50,437	42,480	376,997
Lease obligations at 7.5%, maturing serially through 2047	1,484	1,483	13,161
	251,819	247,770	2,198,882
Less amounts due within one year	41,923	27,800	246,717
Total	¥209,896	¥219,970	$1,952,165

The aggregate annual maturities of long-term loans payable at March 31, 2016, were as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2017	¥ 27,800	$246,717
2018	51,731	459,097
2019	35,823	317,918
2020	21,677	192,376
2021 and thereafter	110,590	981,450

Note 9 Employees' retirement benefits

(1) Funded contributory pension plan as of March 31, 2015

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

	Millions of yen
	2015
Balance at April 1, 2014	¥76,048
Cumulative effects of changes in accounting policies	(2,164)
Restated balance	73,884
Service cost	2,334
Interest cost	591
Actuarial loss (gain)	1,704
Benefits paid	(6,135)
Other	(357)
Balance at March 31, 2015	¥72,021

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

	Millions of yen
	2015
Balance at April 1, 2014	¥75,927
Expected return on plan assets	655
Actuarial loss (gain)	5,300
Contributions paid by the employer	578
Benefits paid	(5,021)
Other	(74)
Balance at March 31, 2015	¥77,365

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

	Millions of yen
	2015
Balance at April 1, 2014	¥1,246
Retirement benefit costs	292
Benefits paid	(105)
Contributions paid by the employer	(263)
Other	(2)
Balance at March 31, 2015	¥1,168

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

	Millions of yen
	2015
Funded retirement benefit obligations	¥ 75,208
Plan assets	(80,228)
	(5,020)
Unfunded retirement benefit obligations	842
Total net liability (asset) for retirement benefits at March 31, 2015	¥ (4,178)
Liability for retirement benefits	¥ 30,407
Asset for retirement benefits	(34,585)
Total net liability (asset) for retirement benefits at March 31, 2015	¥ (4,178)

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

(e) Severance and retirement benefit costs

	Millions of yen
	2015
Service cost	¥ 2,334
Interest cost	591
Expected return on plan assets	(655)
Net actuarial loss amortization	(1,385)
Past service costs amortization	314
Total retirement benefit costs for the fiscal year ended March 31, 2015, based on the simplified method	292
Other (Extra retirement payments, etc.)	3,220
Total retirement benefit costs for the fiscal year ended March 31, 2015	¥ 4,711

(f) Remeasurements of defined benefit plans

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

	Millions of yen
	2015
Past service costs	¥ 314
Actuarial gains and losses	2,412
Total balance at March 31, 2015	¥2,726

(g) Accumulated remeasurements of defined benefit plans

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

	Millions of yen
	2015
Past service costs that are yet to be recognized	¥ (314)
Actuarial gains and losses that are yet to be recognized	1,162
Total balance at March 31, 2015	¥ 848

(h) Composition of plan assets

The composition of plan assets was as follows:

	2015
Equity securities	21%
Debt securities	45%
General accounts	18%
Other	16%
Total	100%

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

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

(j) Actuarial assumptions

Actuarial assumptions used at March 31, 2015, were as follows:

	2015
Discount rate (funded contributory pension plan)	Mainly 0.1%
Debt securities (lump-sum benefit plan)	Mainly 0.8%
Long-term expected rate of return on plan assets	Mainly 0.7%

(2) Defined contribution pension plans as of March 31, 2015

Contributions to the defined contribution pension plans of the Companies totaled ¥3,304 million.

(3) Multi-employer pension plans as of March 31, 2015

The Teijin Group's contributions to multi-employer pension plans, for which contributions are negotiated, as well as contributions to defined contribution plans, totaled ¥1,900 million.

The funded status of the multiemployer contributory funded pension plans at December 31, 2014 (based on information available as of March 31, 2015), for which contributions are recorded as net periodic retirement benefit costs by the Companies, is as follows:

	Millions of yen
	2015
Fair value of plan assets	¥ 2,513,612
Benefit obligation in the calculation of pension financing	(2,414,960)
Difference	¥ 98,652
Companies' contribution percentage for multiemployer contributory funded pension plans*	5.5%

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

(4) Funded contributory pension plan as of March 31, 2016

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

	Millions of yen	Thousands of U.S. dollars
	2016	2016
Balance at April 1, 2015	¥72,021	$639,164
Cumulative effects of changes in accounting policies	—	—
Restated balance	72,021	639,164
Service cost	2,530	22,453
Interest cost	437	3,878
Actuarial loss (gain)	821	7,286
Benefits paid	(6,926)	(61,466)
Other	(153)	(1,358)
Balance at March 31, 2016	¥68,730	$609,957

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

	Millions of yen	Thousands of U.S. dollars
	2016	2016
Balance at April 1, 2015	¥77,365	$686,590
Expected return on plan assets	627	5,564
Actuarial loss (gain)	(1,544)	(13,703)
Contributions paid by the employer	560	4,970
Benefits paid	(4,745)	(42,110)
Other	(17)	(150)
Balance at March 31, 2016	¥72,246	$641,161

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

	Millions of yen	Thousands of U.S. dollars
	2016	2016
Balance at April 1, 2015	¥1,168	$10,366
Retirement benefit costs	420	3,727
Benefits paid	(111)	(985)
Contributions paid by the employer	(267)	(2,370)
Other	194	1,722
Balance at March 31, 2016	¥1,404	$12,460

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

	Millions of yen	Thousands of U.S. dollars
	2016	2016
Funded retirement benefit obligations	¥ 71,386	$ 633,529
Plan assets	(74,499)	(661,155)
	(3,113)	(27,627)
Unfunded retirement benefit obligations	1,000	8,875
Total net liability (asset) for retirement benefits at March 31, 2016	¥ (2,113)	$ (18,752)
Liability for retirement benefits	¥ 30,440	$ 270,146
Asset for retirement benefits	(32,553)	(288,898)
Total net liability (asset) for retirement benefits at March 31, 2016	¥ (2,113)	$ (18,752)

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

(e) Severance and retirement benefit costs

	Millions of yen	Thousands of U.S. dollars
	2016	2016
Service cost	¥ 2,530	$ 22,453
Interest cost	437	3,878
Expected return on plan assets	(627)	(5,564)
Net actuarial loss amortization	(1,220)	(10,827)
Past service costs amortization	314	2,787
Total retirement benefit costs for the fiscal year ended March 31, 2016, based on the simplified method	420	3,727
Other (Extra retirement payments, etc.)	1,162	10,312
Total retirement benefit costs for the fiscal year ended March 31, 2016	¥ 3,016	$ 26,766

(f) Remeasurements of defined benefit plans

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

	Millions of yen	Thousands of U.S. dollars
	2016	2016
Past service costs	¥ 314	$ 2,787
Actuarial gains and losses	(3,573)	(31,709)
Total balance at March 31, 2016	¥(3,259)	$(28,922)

(g) Accumulated remeasurements of defined benefit plans

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

	Millions of yen	Thousands of U.S. dollars
	2016	2016
Past service costs that are yet to be recognized	¥ —	$ —
Actuarial gains and losses that are yet to be recognized	(1,446)	(12,833)
Total balance at March 31, 2016	¥(1,446)	$(12,833)

(h) Composition of plan assets

The composition of plan assets was as follows:

	2016
Equity securities	17%
Debt securities	33%
General accounts	18%
Other	32%
Total	100%

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

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

(j) Actuarial assumptions

Actuarial assumptions used at March 31, 2016, were as follows:

	2016
Discount rate (funded contributory pension plan)	Mainly 0.1%
Debt securities (lump-sum benefit plan)	Mainly 0.8%
Long-term expected rate of return on plan assets	Mainly 0.7%

(5) Defined contribution pension plans as of March 31, 2016

Contributions to the defined contribution pension plans of the Companies totaled ¥2,357 million ($20,918 thousand).

(6) Multi-employer pension plans as of March 31, 2016

The Teijin Group's contributions to multi-employer pension plans, for which contributions are negotiated, as well as contributions to defined contribution plans, totaled ¥1,858 million ($16,489 thousand).

The funded status of the multi-employer contributory funded pension plans at December 31, 2015 (based on information available as of March 31, 2016), for which contributions are recorded as net periodic retirement benefit costs by the Companies, is as follows:

	Millions of yen	Thousands of U.S. dollars
	2016	2016
Fair value of plan assets	¥ 2,723,713	$ 24,172,107
Benefit obligation in the calculation of pension financing	(2,729,715)	(24,225,373)
Difference	¥ (6,002)	$ (53,266)
Companies' contribution percentage for multiemployer contributory funded pension plans*	4.0%	

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

Note 10 Net assets

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

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

Legal earnings reserve and additional paid-in capital may be used to eliminate or reduce a deficit or may be capitalized by a resolution of the shareholders' meeting. All additional paid-in capital and all legal earnings reserve may be transferred to other capital surplus and retained earnings, respectively, which are potentially available for dividends. The maximum amount that the Company can distribute as dividends is calculated based on the unconsolidated financial statements of the Company in accordance with Japanese laws and regulations.

At the Board of Directors' meeting held on May 6, 2016, appropriations of retained earnings for year-end dividends applicable to the year ended March 31, 2016, were duly approved as follows:

	Millions of yen	Thousands of U.S. dollars
Cash dividends: ¥4.00 ($0.04) per share	¥3,933	$34,904

Note 11 Impairment loss

The Companies accounted for impairment losses for the year ended March 31, 2015 as follows:

Impairment loss

Location	Purpose of use	Type of assets	Millions of yen
Singapore	Performance Polymer Products facilities	Machinery, etc.	¥ 9,563
Anpachi Town in Gifu Prefecture and others	Performance Polymer Products facilities	Machinery, goodwill, etc.	5,972
Matsuyama City in Ehime Prefecture	Polymerization facilities, etc.	Machinery, etc.	5,062
California, the U.S.	Pharmaceuticals and home healthcare business	Goodwill, etc.	4,558
Tokuyama City in Yamaguchi Prefecture	Power facilities, etc.	Machinery, etc.	1,150
Others	—	—	4,071
		Total	¥30,376

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

Among the assets used for business purposes, certain production facilities were devalued to the recoverable amount. The difference between carrying amounts and recoverable amounts was recorded as "Impairment loss" amounting to ¥30,376 million. The recoverable amount was measured at net sale value or value in use. Net sale value is calculated based on the current sales price of the asset and other factors. Value in use is calculated based on the discounted future cash flows with discount rates of 6–20%.

Certain consolidated subsidiaries accounted for impairment losses for the year ended March 31, 2016, as follows:

Impairment loss

Location	Purpose of use	Type of assets	Millions of yen	Thousands of U.S. dollars
Utsunomiya City in Tochigi Prefecture and others	Performance Polymer Products facilities	Machinery, etc.	¥4,801	$42,607
California, the U.S.	Pharmaceuticals and home healthcare business	Goodwill, etc.	1,295	11,493
Others	—	—	1,469	13,037
		Total	¥7,565	$67,137

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

Among the assets used for business purposes, certain production facilities were devalued to the recoverable amount. The difference between carrying and recoverable amounts was recorded as "Impairment loss" amounting to ¥7,565 million ($67,137 thousand). The recoverable amount was measured at net sale value or value in use. Net sale value is calculated based on the current sales price of the asset and other factors. Value in use is calculated based on the discounted future cash flows with discount rates of 5–15%.

Note 12 Consolidated statements of comprehensive income

Components of other comprehensive income for the years ended March 31, 2015 and 2016 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Valuation difference on available-for-sale securities:			
Increase (decrease) during the year	¥19,212	¥(10,420)	$ (92,474)
Reclassification adjustments	(26)	25	222
Subtotal, before tax	¥19,186	¥(10,395)	$ (92,252)
Tax (expense) or benefit	(5,718)	3,912	34,717
Subtotal, net of tax	¥13,468	¥ (6,483)	$ (57,535)
Deferred gains (losses) on hedges:			
Increase (decrease) during the year	¥ (3,846)	¥ 4,196	$ 37,238
Reclassification adjustments	(873)	(2,674)	(23,731)
Subtotal, before tax	¥ (4,719)	¥ 1,522	$ 13,507
Tax (expense) or benefit	1,132	(256)	(2,272)
Subtotal, net of tax	¥ (3,587)	¥ 1,266	$ 11,235
Foreign currency translation adjustments:			
Increase (decrease) during the year	¥ 1,137	¥ (6,059)	$ (53,772)
Reclassification adjustments	—	215	1,908
Subtotal, before tax	¥ 1,137	¥ (5,844)	$ (51,864)
Tax (expense) or benefit	2,859	(212)	(1,880)
Subtotal, net of tax	¥ 3,996	¥ (6,056)	$ (53,744)
Remeasurements of defined benefit plans:			
Increase (decrease) during the year	¥ 3,773	¥ (2,396)	$ (21,264)
Reclassification adjustments	(1,047)	(864)	(7,667)
Subtotal, before tax	¥ 2,726	¥ (3,260)	$ (28,931)
Tax (expense) or benefit	(988)	1,185	10,516
Subtotal, net of tax	¥ 1,738	¥ (2,075)	$ (18,415)
Share of other comprehensive income of associates accounted for using the equity method:			
Increase (decrease) during the year	¥ 396	¥ (194)	$ (1,722)
Reclassification adjustments	25	120	1,065
Subtotal	¥ 421	¥ (74)	$ (657)
Total other comprehensive income	¥16,036	¥(13,422)	$(119,116)

Note 13 Income taxes

The Company is subject to a number of taxes based on income, which, in the aggregate, indicate a statutory rate in Japan of approximately 32.9% for the year ended March 31, 2016. The following table summarizes the significant differences between the Company's effective tax rate and the actual income tax rate for financial statement purposes for the year ended March 31, 2016.

Due to loss before income tax for the year ended March 31, 2015, reconciliation between the effective tax rate and the actual income tax rate is omitted.

	2015	2016
Effective tax rate	—	32.9%
Non-deductible expenses	—	0.5
Per capita inhabitants' taxes	—	0.4
Difference in statutory tax rate between Japan and other countries	—	(7.0)
Equity in earnings of affiliates	—	2.1
Amortization of goodwill	—	0.9
Changes in valuation allowance	—	9.0
Refund of income taxes	—	(6.2)
Decrease in statutory tax rate	—	2.0
Other	—	1.3
Actual income tax rate	—	35.9%

The Act on the Partial Amendment of the Income Tax Act, etc. (Act No. 15, 2016) and the Act on the Partial Amendment of the Local Tax Act, etc. (Act No. 13, 2016) were enacted in the Diet session on March 29, 2016. Accordingly, the income tax rate and other related matters for fiscal years commencing on or after April 1, 2016, have been revised. Thus, the effective statutory tax rate used to calculate deferred tax assets and deferred tax liabilities was changed from the previous 32.1% to 30.7% in connection with the temporary difference that is expected to be recovered or settled in the fiscal years commencing on April 1, 2016 and 2017. The effective statutory tax rate used to calculate deferred tax assets and deferred tax liabilities was changed from 32.1% to 30.5% in connection with the temporary difference that is expected to be recovered or settled in the fiscal year commencing on April 1, 2018.

As a result of this change in tax rate, the amount of deferred tax assets (less the amount of deferred tax liabilities) declined by ¥704 million ($6,250 thousand), while income taxes-deferred posted in the current fiscal year increased by ¥920 million ($8,163 thousand). Valuation difference on available-for-sale securities increased by ¥364 million ($3,234 thousand), and remeasurements of defined benefit plans increased by ¥9 million ($76 thousand). Deferred gains (losses) on hedges increased by ¥16 million ($141 thousand), and foreign currency translation adjustments declined by ¥141 million ($1,256 thousand).

Furthermore, the limit for deductions of loss carryforwards has been amended to an amount equivalent to 60% of taxable income before deduction of loss carryforwards for fiscal years commencing on or after April 1, 2016, an amount equivalent to 55% of taxable income before deduction of loss carryforwards for fiscal years commencing on or after April 1, 2017, and an amount equivalent to 50% of taxable income before deduction of loss carryforwards for fiscal years commencing on or after April 1, 2018. Accordingly, the amount of deferred tax assets decreased by ¥10 million ($91 thousand) and income taxes-deferred posted in the current fiscal year declined by the same amount.

Significant components of the Companies' deferred tax assets and liabilities as of March 31, 2015 and 2016 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Deferred tax assets:			
Excess bonuses accrued	¥ 3,784	¥ 4,530	$ 40,202
Provision for loss on guarantees	154	143	1,269
Write-down of investment securities	2,696	1,379	12,238
Retirement benefits	6,583	6,699	59,452
Accumulated impairment loss	12,538	12,494	110,880
Net operating loss carry forwards	47,071	44,393	393,974
Other	22,998	21,456	190,415
Total	¥ 95,824	¥ 91,094	$ 808,430
Valuation allowance	(65,187)	(62,402)	(553,798)
Total deferred tax assets	¥ 30,637	¥ 28,692	$ 254,632
Offset with deferred tax liabilities	(19,639)	(16,157)	(143,388)
Net deferred tax assets	¥ 10,998	¥ 12,535	$ 111,244
Deferred tax liabilities:			
Adjustments to fixed assets based on Corporate Tax Law	¥ (4,790)	¥ (4,469)	$ (39,661)
Accelerated depreciation of foreign subsidiaries' fixed assets	(1,276)	(980)	(8,697)
Tax effect of foreign subsidiaries' undistributed earnings	(2,305)	(3,085)	(27,378)
Adjustment of carrying amount based on fair value	(4,474)	(4,236)	(37,593)
Valuation difference on available-for-sale securities	(10,647)	(6,732)	(59,745)
Other	(2,470)	(2,347)	(20,829)
Total deferred tax liabilities	¥(25,962)	¥(21,849)	$(193,903)
Offset with deferred tax assets	19,639	16,157	143,388
Net deferred tax liabilities	¥ (6,323)	¥ (5,692)	$ (50,515)

Note 14 Leases

Operating leases as lessee

Future minimum lease payments for the remaining lease periods as of March 31, 2015 and 2016 are as follows.

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Due within one year	¥ 385	¥200	$1,775
Due over one year	2,649	702	6,230
Total	¥3,034	¥902	$8,005

Note 15 Stock option plans

Information on stock option plans at March 31, 2016, is as shown below.

Teijin Limited

The account and the amounts related to stock options in the years ended March 31, 2015 and 2016 are as follows:

	Millions of yen		Thousands of U.S. dollars
Account	2015	2016	2016
Selling, general and administrative expenses	¥146	¥99	$879

The following tables summarize the contents of stock options as of March 31, 2016.

Company name	Teijin Limited
Position and number of grantees	Directors and Corporate Officers: 54
Class and number of stock	Common Stock: 146,000
Date of issue	July 10, 2006
Condition of settlement of rights	No provisions
Period grantees provide service in return for stock options	No provisions
Period subscription rights are to be exercised	From July 10, 2006 to July 9, 2026

Company name	Teijin Limited
Position and number of grantees	Directors and Corporate Officers: 55
Class and number of stock	Common Stock: 207,000
Date of issue	July 5, 2007
Condition of settlement of rights	No provisions
Period grantees provide service in return for stock options	No provisions
Period subscription rights are to be exercised	From July 5, 2007 to July 4, 2027

Company name	Teijin Limited
Position and number of grantees	Directors and Corporate Officers: 57
Class and number of stock	Common Stock: 328,000
Date of issue	July 7, 2008
Condition of settlement of rights	No provisions
Period grantees provide service in return for stock options	No provisions
Period subscription rights are to be exercised	From July 7, 2008 to July 6, 2028

Company name	Teijin Limited
Position and number of grantees	Directors and Corporate Officers: 57
Class and number of stock	Common Stock: 420,000
Date of issue	July 9, 2009
Condition of settlement of rights	No provisions
Period grantees provide service in return for stock options	No provisions
Period subscription rights are to be exercised	From July 9, 2009 to July 8, 2029

Company name	Teijin Limited
Position and number of grantees	Directors and Corporate Officers: 55
Class and number of stock	Common Stock: 349,000
Date of issue	July 9, 2010
Condition of settlement of rights	No provisions
Period grantees provide service in return for stock options	No provisions
Period subscription rights are to be exercised	From July 9, 2010 to July 8, 2030

Company name	Teijin Limited
Position and number of grantees	Directors and Corporate Officers: 47
Class and number of stock	Common Stock: 737,000
Date of issue	March 12, 2012
Condition of settlement of rights	No provisions
Period grantees provide service in return for stock options	No provisions
Period subscription rights are to be exercised	From March 12, 2012 to March 11, 2032

Company name	Teijin Limited
Position and number of grantees	Directors and Corporate Officers: 38
Class and number of stock	Common Stock: 698,000
Date of issue	March 15, 2013
Condition of settlement of rights	No provisions
Period grantees provide service in return for stock options	No provisions
Period subscription rights are to be exercised	From March 15, 2013 to March 14, 2033

Company name	Teijin Limited
Position and number of grantees	Directors and Corporate Officers: 40
Class and number of stock	Common Stock: 618,000
Date of issue	March 14, 2014
Condition of settlement of rights	No provisions
Period grantees provide service in return for stock options	No provisions
Period subscription rights are to be exercised	From March 14, 2014 to March 13, 2034

Company name	Teijin Limited
Position and number of grantees	Directors and Corporate Officers: 32
Class and number of stock	Common Stock: 379,000
Date of issue	March 18, 2015
Condition of settlement of rights	No provisions
Period grantees provide service in return for stock options	No provisions
Period subscription rights are to be exercised	From March 18, 2015 to March 17, 2035

Company name	Teijin Limited
Position and number of grantees	Directors and Corporate Officers: 29
Class and number of stock	Common Stock: 274,000
Date of issue	March 16, 2016
Condition of settlement of rights	No provisions
Period grantees provide service in return for stock options	No provisions
Period subscription rights are to be exercised	From March 16, 2016 to March 15, 2036

The following tables summarize the numbers and movements of stock options as of March 31, 2016.

Non-exercisable stock options

	Shares									
Company name	Teijin Limited									
	2006	2007	2008	2009	2010	2011	2013	2014	2015	2016
Stock options outstanding at April 1, 2015	—	—	—	—	—	—	—	—	—	—
Stock options granted	—	—	—	—	—	—	—	—	—	274,000
Forfeitures	—	—	—	—	—	—	—	—	—	—
Conversion to exercisable stock options	—	—	—	—	—	—	—	—	—	274,000
Stock options outstanding at March 31, 2016	—	—	—	—	—	—	—	—	—	—

Exercisable stock options

Company name	Shares									
	Teijin Limited									
	2006	2007	2008	2009	2010	2012	2013	2014	2015	2016
Stock options outstanding at April 1, 2015	32,000	60,000	138,000	261,000	262,000	630,000	643,000	618,000	379,000	—
Conversion from non-exercisable stock options	—	—	—	—	—	—	—	—	—	274,000
Stock options exercised	13,000	28,000	55,000	88,000	90,000	109,000	71,000	33,000	—	—
Forfeitures	—	—	—	—	—	—	—	—	—	—
Stock options outstanding at March 31, 2016	19,000	32,000	83,000	173,000	172,000	521,000	572,000	585,000	379,000	274,000

The following table summarizes value information of stock options as of March 31, 2016.

Company name	Yen									
	Teijin Limited									
	2006	2007	2008	2009	2010	2012	2013	2014	2015	2016
Paid-in value	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1
Average market price of the stock at the time of exercise	¥433	¥428	¥428	¥427	¥423	¥426	¥420	¥420	¥ —	¥ —
Fair value at the date of grant	¥663	¥610	¥307	¥253	¥261	¥245	¥196	¥228	¥385	¥360

The method of estimation for the fair value of stock options granted in the year ended March 31, 2016, is as follows:

Method of valuation	Black–Scholes Model
Volatility	31%
Expected remaining period	5.5 years
Expected dividend	¥5.00 per share
Interest rate without any risks	0.18%

Infocom Corporation

The account and the amounts related to stock options in the years ended March 31, 2015 and 2016 are as follows:

Account	Millions of yen 2015	Millions of yen 2016	Thousands of U.S. dollars 2016
Selling, general and administrative expenses	¥16	¥30	$266

The following tables summarize the contents of stock options as of March 31, 2016.

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

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

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

The following tables summarize the number and movements of stock options as of March 31 2016.

Non-exercisable stock options

	Shares		
Company name	Infocom Corporation		
	2014	2015	2016
Stock options outstanding at April 1, 2015	—	—	—
Stock options granted	—	—	26,800
Forfeitures	—	—	—
Conversion to exercisable stock options	—	—	26,800
Stock options outstanding at March 31, 2016	—	—	—

Exercisable stock options

	Stocks		
Company name	Infocom Corporation		
	2014	2015	2016
Stock options outstanding at April 1, 2015	36,200	23,000	—
Conversion from non- exercisable stock options	—	—	26,800
Stock options exercised	—	—	—
Forfeitures	—	—	—
Stock options outstanding at March 31, 2016	36,200	23,000	26,800

The following table summarizes value information of stock options as of March 31, 2016.

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

The method of estimation for the fair value of stock options granted in the year ended March 31, 2016, is as follows:

Method of valuation	Black–Scholes Model
Volatility	42.6%
Expected remaining period	8.6 years
Expected dividend rate	1.37%
Interest rate without any risks	0.39%

Note 16 Segment information

(1) Reportable operating segment information

The Company's reportable operating segments are components of an entity for which separate financial information is available and evaluated regularly by its chief decision-making authority in determining the allocation of management resources and in assessing performance. Up to and including the year ended March 31, 2016, the Company has divided its operations into business groups based on the type of product, nature of business and services provided. The business groups formulate product and service strategies in a comprehensive manner in Japan and overseas. Accordingly, the Company divided its operations into four reportable operating segments on the same basis as applied internally: Advanced Fibers and Composites; Electronics Materials and Performance Polymer Products; Healthcare; and Trading and Retail.

The description of each segment is as follows:

Advanced Fibers and Composites:

- Production and sales of aramid fibers, carbon fibers, polyester fibers and composites for industrial applications

Electronics Materials and Performance Polymer Products:

- Production and sales of films and resins for various industrial applications

Healthcare:

- Production and sales of prescription and non-prescription drugs and production, sales and rental of home healthcare devices

Trading and Retail:

- Trading and retail of polyester filaments, other fibers and polymer products

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

Accounts for reportable operating segments are for the most part calculated in line with generally accepted standards for the preparation of consolidated financial statements. Segment income for reportable operating segments is based on operating income. Amounts for intersegment transactions or transfers are calculated based on market prices or on prices determined using the cost-plus method.

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

Segment information for the years ended March 31, 2015 and 2016 is as shown below:

	Millions of yen						
	2015						
	Advanced Fibers and Composites	Electronics Materials and Performance Polymer Products	Healthcare	Trading and Retail	Total	Others	Consolidated total
Sales:							
1) External customers	¥135,529	¥184,767	¥141,723	¥259,380	¥721,399	¥64,772	¥786,171
2) Intersegment net sales and transfer	27,657	4,509	—	4,687	36,853	20,096	56,949
Net sales	163,186	189,276	141,723	264,067	758,252	84,868	843,120
Segment income	14,353	3,402	24,829	4,249	46,833	3,983	50,816
Segment assets	193,894	151,978	147,931	133,329	627,132	79,121	706,253
Other items:							
Depreciation	15,462	8,154	10,935	2,021	36,572	2,213	38,785
Amortization of goodwill	1,410	95	763	41	2,309	(48)	2,261
Investments in associates accounted for using the equity method	7,368	21,694	1,062	1,823	31,947	10,535	42,482
Increase in tangible and intangible fixed assets	10,034	1,676	11,232	2,025	24,967	2,296	27,263

	Millions of yen						
	2016						
	Advanced Fibers and Composites	Electronics Materials and Performance Polymer Products	Healthcare	Trading and Retail	Total	Others	Consolidated total
Sales:							
1) External customers	¥133,017	¥163,699	¥147,501	¥270,934	¥715,151	¥75,597	¥790,748
2) Intersegment net sales and transfer	26,458	3,753	—	3,763	33,974	17,220	51,194
Net sales	159,475	167,452	147,501	274,697	749,125	92,817	841,942
Segment income	18,499	22,298	28,802	5,330	74,929	6,488	81,417
Segment assets	185,915	134,113	144,990	133,580	598,598	92,145	690,743
Other items:							
Depreciation	14,320	4,981	11,524	1,980	32,805	2,413	35,218
Amortization of goodwill	1,429	—	364	25	1,818	(113)	1,931
Investments in associates accounted for using the equity method	4,432	21,131	1,157	2,027	28,747	10,583	39,330
Increase in tangible and intangible fixed assets	12,575	2,505	13,793	2,930	31,803	4,910	36,713

	Thousands of U.S. dollars						
	2016						
	Advanced Fibers and Composites	Electronics Materials and Performance Polymer Products	Healthcare	Trading and Retail	Total	Others	Consolidated total
Sales:							
1) External customers	$1,180,484	$1,452,778	$1,309,026	$2,404,455	$6,346,743	$670,900	$7,017,643
2) Intersegment net sales and transfer	234,807	33,306	—	33,396	301,509	152,822	454,331
Net sales	1,415,291	1,486,084	1,309,026	2,437,851	6,648,252	823,722	7,471,331
Segment income	164,137	197,888	255,609	47,302	664,972	57,579	722,551
Segment assets	1,649,938	1,190,211	1,286,741	1,185,481	5,312,371	817,759	6,130,130
Other items:							
Depreciation	127,085	44,205	102,272	17,572	291,134	21,415	312,549
Amortization of goodwill	12,682	—	3,230	222	16,134	1,003	17,137
Investments in associates accounted for using the equity method	39,333	187,531	10,268	17,989	255,121	93,921	349,042
Increase in tangible and intangible fixed assets	111,599	22,231	122,409	26,003	282,242	43,575	325,817

Notes
1. "Others" includes the Company's IT business and does not qualify as a reportable operating segment.
2. "Depreciation" and "Increase in tangible and intangible fixed assets" include long-term prepaid expenses and their amortization.

Reconciliations of published figures and aggregates of reportable operating segments for the years ended March 31, 2015 and 2016 are as shown below:

	Millions of yen		Thousands of U.S. dollars
Adjustment for net sales	2015	2016	2016
Reportable operating segments	¥758,252	¥749,125	$6,648,252
Others	84,868	92,817	823,722
Elimination of intersegment transactions	(56,949)	(51,194)	(454,331)
Net sales	¥786,171	¥790,748	$7,017,643

	Millions of yen		Thousands of U.S. dollars
Adjustment for operating income	2015	2016	2016
Reportable operating segments	¥ 46,833	¥ 74,929	¥ 664,973
Others	3,983	6,489	57,587
Elimination of intersegment transactions	129	(257)	(2,281)
Corporate expenses*	(11,859)	(14,031)	(124,521)
Operating income	¥ 39,086	¥ 67,130	¥ 595,758

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

Reconciliations of published figures and aggregates of reportable operating segments as of March 31, 2015 and 2016 are as shown below:

Adjustment for assets	Millions of yen 2015	Millions of yen 2016	Thousands of U.S. dollars 2016
Reportable operating segments	$627,132	$598,598	$5,312,371
Others	79,121	92,145	817,758
Elimination of intersegment transactions	164,236	175,854	1,560,650
Corporate assets†	(46,794)	(43,168)	(383,102)
Total assets	$823,695	$823,429	$7,307,677

† Corporate assets are assets that cannot be allocated to individual reportable operating segments and are primarily related to investments of the parent company in "Cash and time deposits" and "Investment securities," etc.

	Millions of yen			
	2015			
Other items	Reportable operating segments	Others	Adjustment	Total
Depreciation	¥36,572	¥2,213	¥1,985	¥40,770
Amortization of goodwill	2,309	(48)	—	2,261
Investments in associates accounted for using the equity method	31,947	10,535	—	42,482
Increase in tangible and intangible fixed assets	24,967	2,296	835	28,098

	Millions of yen			
	2016			
Other items	Reportable operating segments	Others	Adjustment	Total
Depreciation	¥32,805	¥2,413	¥1,745	¥36,963
Amortization of goodwill	1,818	113	—	1,931
Investments in associates accounted for using the equity method	28,747	10,583	—	39,330
Increase in tangible and intangible fixed assets	31,803	4,910	1,628	38,341

	Thousands of U.S. dollars			
	2016			
Other items	Reportable operating segments	Others	Adjustment	Total
Depreciation	$291,134	$21,415	$15,486	$328,035
Amortization of goodwill	16,134	1,003	—	17,137
Investments in associates accounted for using the equity method	253,594	123,376	—	376,970
Increase in tangible and intangible fixed assets	282,242	43,575	14,447	340,264

(4) Information by geographical segment

1. Net sales by region for the years ended March 31, 2015 and 2016 are as shown below:

Millions of yen					
2015					
Japan	China	Asia	Americas	Europe and others	Consolidated total
¥465,413	¥121,286	¥78,811	¥56,534	¥64,127	¥786,171

Millions of yen					
2016					
Japan	China	Asia	Americas	Europe and others	Consolidated total
¥473,320	¥116,833	¥76,362	¥56,645	¥67,588	¥790,748

Thousands of U.S. dollars					
2016					
Japan	China	Asia	Americas	Europe and others	Consolidated total
$4,200,568	$1,036,857	$677,689	$502,707	$599,822	$7,017,643

2. Tangible fixed assets by region as of March 31, 2015 and 2016 are as shown below:

Millions of yen						
2015						
Japan	China	Netherlands	Asia	Americas	Europe	Consolidated total
¥124,938	¥22,235	¥37,421	¥16,144	¥2,560	¥5,585	¥208,883

Millions of yen						
2016						
Japan	China	Netherlands	Asia	Americas	Europe	Consolidated total
¥124,030	¥18,370	¥31,663	¥20,602	¥3,299	¥5,303	¥203,267

Thousands of U.S. dollars						
2016						
Japan	China	Netherlands	Asia	Americas	Europe	Consolidated total
$1,100,728	$163,028	$280,999	$182,836	$29,278	$47,062	$1,803,931

(5) Information by major customer

Information for the year ended March 31, 2016, is omitted as no single customer accounted for more than 10% of consolidated net sales as reported in the consolidated statements of operations.

(6) Loss on impairment and goodwill by reportable operating segment

Losses on impairment by reportable operating segment for the years ended March 31, 2015 and 2016 are as shown below:

	Millions of yen						
	2015						
	Advanced Fibers and Composites	Electronics Materials and Performance Polymer Products	Healthcare	Trading and Retail	Others	Elimination and corporate	Consolidated total
Loss on impairment	¥2,041	¥15,587	¥4,558	¥43	¥8,147	¥—	¥30,376

	Millions of yen						
	2016						
	Advanced Fibers and Composites	Electronics Materials and Performance Polymer Products	Healthcare	Trading and Retail	Others	Elimination and corporate	Consolidated total
Loss on impairment	¥500	¥5,070	¥1,312	¥—	¥471	¥212	¥7,565

	Thousands of U.S. dollars						
	2016						
	Advanced Fibers and Composites	Electronics Materials and Performance Polymer Products	Healthcare	Trading and Retail	Others	Elimination and corporate	Consolidated total
Loss on impairment	$4,437	$44,995	$11,644	$—	$4,180	$1,881	$67,137

Goodwill by reportable operating segment as of March 31, 2015 and 2016 is as shown below:

	Millions of yen						
	2015						
	Advanced Fibers and Composites	Electronics Materials and Performance Polymer Products	Healthcare	Trading and Retail	Others	Elimination and corporate	Consolidated total
Amortization of goodwill	¥1,410	¥95	¥ 763	¥ 41	¥(48)	¥—	¥2,261
Balance as of March 31, 2015	¥8,108	¥ —	¥1,193	¥101	¥ 7	¥—	¥9,409

	Millions of yen						
	2016						
	Advanced Fibers and Composites	Electronics Materials and Performance Polymer Products	Healthcare	Trading and Retail	Others	Elimination and corporate	Consolidated total
Amortization of goodwill	¥1,429	¥—	¥364	¥25	¥112	¥—	¥1,931
Balance as of March 31, 2016	¥6,697	¥—	¥ 98	¥76	¥426	¥—	¥7,297

	Thousands of U.S. dollars						
	2016						
	Advanced Fibers and Composites	Electronics Materials and Performance Polymer Products	Healthcare	Trading and Retail	Others	Elimination and corporate	Consolidated total
Amortization of goodwill	$12,682	$—	$3,230	$222	$1,003	$—	$17,137
Balance as of March 31, 2016	$59,434	$—	$ 870	$674	$3,781	$—	$64,759

Note 17 Contingent liabilities

At March 31, 2015 and 2016, the Companies were contingently liable as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
(a) As endorser of notes discounted or endorsed	¥ 27	¥ 1	$ 9
(b) As guarantors of indebtedness of:			
Unconsolidated subsidiaries and affiliates	¥ 8,896	¥5,030	$44,640
Others	2,538	2,356	20,908
	¥11,434	¥7,386	$65,548
(c) As guarantor of accounts receivable negotiated to third parties	¥ 1,885	¥2,180	$19,347

Note 18 Asset retirement obligations

Asset retirement obligations recorded in the consolidated balance sheets

(1) Outline of asset retirement obligations

Recorded asset retirement obligations are expenses such as costs for removal of asbestos from buildings owned by the Company when they are demolished and costs for restoration under the lease agreements of real estate in connection with land.

(2) Calculation method of asset retirement obligations

The Companies estimate that the period of use is from 1 to 10 years, and calculate the obligations using discount rates between 0.3% to 3.4%.

(3) Changes in the total amount of asset retirement obligations

In the year ended March 31, 2016, the estimated amount of obligation was changed as a more precise estimation, based on restoration contracts with third parties, for restoration to original condition became possible.

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Beginning balance	¥1,246	¥ 6,861	$ 60,889
Reconciliation associated with passage of time	168	79	701
Reconciliation associated with changes in accounting estimates	5,420	(2,397)	(21,273)
Decrease due to the fulfillment of asset retirement obligations	(31)	(312)	(2,769)
Other	58	(553)	(4,907)
Ending balance	¥6,861	¥ 3,678	$ 32,641

Note 19 Subsequent events

Change of the number of shares to constitute one unit and consolidation of shares

The Company resolved at its Board of Directors' meeting held on May 6, 2016 to change the number of shares to constitute one unit and to submit a proposal for consolidation of shares to the 150th Ordinary General Meeting of Shareholders to be held on June 22, 2016 (the "General Meeting of Shareholders"). The proposal was approved at the General Meeting of Shareholders.

1. Change of the number of shares to constitute one unit

(1) Reason for change

Japanese stock exchanges have announced the Action Plan for Consolidating Trading Units, aiming to consolidate one hundred (100) shares of common stock of domestic companies listed on Japanese stock exchanges into one (1) trading unit by October 2018. As a company listed on the Tokyo Stock Exchange ("TSE"), the Company shall respect this intention and change its number of shares to constitute one unit to one hundred (100) shares. ("Change of the Number of Shares to Constitute One Unit").

(2) Particulars of change

The number of shares to constitute one unit will be changed from 1,000 shares to 100 shares.

2. Consolidation of shares

(1) Purpose of consolidation of shares

As stated in "1. Change of the number of shares to constitute one unit" above, the Company has decided to change its number of shares to constitute one unit from one thousand (1,000) to one hundred (100) shares, and to consolidate the Company's shares (five shares into one share) in order to maintain the level of investment unit considered desirable by the stock exchanges (50,000 yen or more and less than 500,000 yen).

The Company decided to reduce its total number of authorized shares from 3,000,000,000 to 600,000,000.

(2) Particulars of consolidation

(i) Type of shares to be consolidated

Common shares

(ii) Consolidation ratio

On October 1, 2016, shares held by shareholders recorded in the latest Shareholder Registry as of September 30, 2016 will be consolidated at the ratio of 5 shares to 1 share.

(iii) Total number of authorized shares on the effective date

600,000,000 shares

Pursuant to the provisions of the Companies Act, it will be deemed that the article which stipulates the total number of authorized shares in the Articles of Incorporation is amended from 3,000,000,000 shares to 600,000,000 shares on the effective date (October 1, 2016) of the consolidation of shares.

(iv) Number of shares reduced through consolidation

Total number of issued shares before consolidation (as of March 31, 2016)	984,758,665 shares
Number of shares reduced through consolidation	787,806,932 shares
Total number of issued shares after consolidation	196,951,733 shares

(Note) The "Number of shares reduced through consolidation" and "Total number of issued shares after consolidation" are theoretical values calculated based on the total number of issued shares before consolidation of shares, and on the consolidation ratio.

(v) Treatment of fractional shares

If any fractional shares arise as a result of the consolidation of shares, pursuant to the provisions of the Companies Act, the Company will sell all such fractional shares and distribute the proceeds to shareholders having fractional shares in proportion to their respective fractions

3. Schedule

May 6, 2016	Resolution at the Board of Directors
June 22, 2016	Resolution at General Meeting of Shareholders
October 1, 2016 (tentative)	Effective date of Change of the Number of Shares Constituting One Share Unit, consolidation of shares, and change in the total number of authorized shares

4. Impact on per share information

Assuming that the consolidation of shares was conducted at the beginning of the year ended March 31, 2015, per share information for the years ended March 31, 2015 and 2016 is as follows.

	Yen		U.S. dollars
	2015	2016	2016
(1) Net assets per share	¥1,460.44	¥1,526.16	$13.54
(2) Net income per share	(41.14)	158.15	1.40
(3) Diluted Net income per share	—	143.42	1.27

(Note) Diluted net income per share for the year ended March 31, 2015 is not calculated because of the net loss for the year although dilutive securities exist.

Year-end dividends

At the Board of Directors' meeting held on May 6, 2016, appropriations of retained earnings for year-end dividends applicable to the year ended March 31, 2016 were duly approved as follows:

	Millions of yen	Thousands of U.S. dollars
Cash dividends: ¥4.00 ($0.04) per share	¥3,933	$34,904

Independent Auditor's Report

Independent Auditor's Report

To the Shareholders and Board of Directors of Teijin Limited:

We have audited the accompanying consolidated financial statements of Teijin Limited and its consolidated subsidiaries, which comprise the consolidated balance sheets as at March 31, 2015 and 2016, and the consolidated income statements, statements of comprehensive income, statements of changes in net assets and statements of cash flows for the years then ended.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Teijin Limited and its consolidated subsidiaries as at March 31, 2015 and 2016, and their financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2016 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

KPMG AZSA LLC

June 22, 2016
Tokyo, Japan

Independent Assurance Report

KPMG

Independent Assurance Report

To the President and CEO of Teijin Limited

We were engaged by Teijin Limited (the "Company") to undertake a limited assurance engagement of the environmental and social performance indicators marked with a red star ★ for the period from April 1, 2015 to March 31, 2016 (the "Indicators") included in its Teijin Group Integrated Report 2016 (the "Report") for the fiscal year ended March 31, 2016.

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, which are derived, among others, from the G4 Sustainability Reporting Guidelines of the Global Reporting Initiative and Environmental Reporting Guidelines of Japan's Ministry of the Environment.

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 'International Standard on Assurance Engagements (ISAE) 3000, Assurance Engagements other than Audits or Reviews of Historical Financial Information', 'ISAE 3410, Assurance Engagements on Greenhouse Gas Statements', issued by the International Auditing and Assurance Standards Board, and the 'Practical Guidelines for the Assurance of Sustainability Information' of the Japanese Association of Assurance Organizations for Sustainability Information. 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 with the Company's responsible personnel to obtain an understanding of its policy for the preparation of 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 reviews of 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 also recalculating the Indicators.
- Visiting to the Company's Iwakuni factory selected on the basis of a risk analysis.
- Evaluating the overall statement in which the Indicators are expressed.

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
August 12, 2016

Corporate Data

As of March 31, 2016

Established	June 17, 1918
Head Offices	Osaka Head Office Teijin Building 6-7, Minami Hommachi 1-chome, Chuo-ku, Osaka 541-8587, Japan Tel: +81-6-6268-2132
	Tokyo Head Office Kasumigaseki Common Gate West Tower, 2-1, Kasumigaseki 3-chome, Chiyoda-ku, Tokyo 100-8585, Japan Tel: +81-3-3506-4529
Fiscal Year-End	March 31
Common Stock Authorized	3,000,000,000 shares
Common Stock Issued	984,758,665 shares
Paid-in Capital	¥70,817 million
Shareholders	94,703
Number of Teijin Group Companies	Japan 60 Overseas 93 Total 153
Number of Teijin Group Employees (Consolidated)	Japan 9,265 Overseas 6,491 Total 15,756
Stock Exchange Listing	Tokyo
Stock Code	3401
Stock Transfer Agent	Mitsubishi UFJ Trust and Banking Corporation
Dividends	Dividends are usually declared in May and November.
Reports Available to Shareholders and Investors	Corporate Profile Integrated Report *Kessan Tanshin* (Japanese summary financial report) The Teijin Group CSR Report, Fact Book (web site)
Annual Meeting of Shareholders	The annual meeting of shareholders is held before the end of June.
Independent Public Accountants	KPMG AZSA LLC
Teijin on the Internet	http://www.teijin.com Teijin's web site offers a wealth of corporate and product information, including the latest Integrated Report, financial results and corporate news.
Investor Relations	If you have any questions or would like copies of any of our reports, please contact: Masahiro Ikeda, General Manager, IR Section, Finance & Investor Relations Department, Kasumigaseki Common Gate West Tower, 2-1, Kasumigaseki 3-chome, Chiyoda-ku, Tokyo 100-8585, Japan Tel: +81-3-3506-4407 Fax: +81-3-5510-7977 E-mail: ir@teijin.co.jp

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TEIJIN LIMITED

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