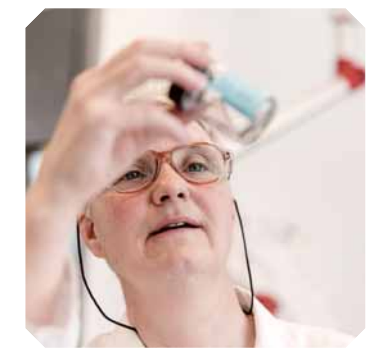
TEIJIN

Human Chemistry, Human Solutions






ALWAYS EVOLVING




2017

INTEGRATED REPORT

Year ended March 31, 2017



TEIJIN

TEIJIN LIMITED

https://www.teijin.com

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Responsible Care®

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Issued 2017.8

The Keystones of the Teijin Group

Ceaseless Evolution and Ambition

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

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

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

Teijin Group Corporate Philosophy

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 (FY2017–FY2019)

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

UN Global Compact

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

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Editorial Policy

The Teijin Group Integrated Report 2017 was prepared as an integrated report to ensure that all stakeholders, including shareholders and investors, are able to obtain and understand the Teijin Group's financial information, such as business results and strategies, as well as non-financial information about the social and environmental aspects of the Group.

Reporting Period

Unless otherwise specified, this report covers the period from April 2016 to March 2017. However, some activities in or after April 2017 are also included.

Reporting Organizations

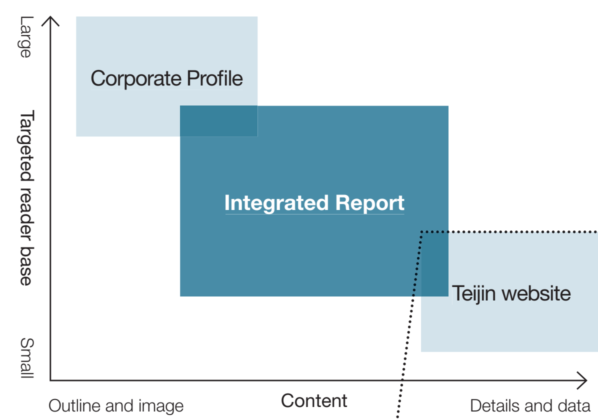
The report covers the entire Teijin Group (Teijin Limited and 58 domestic Group companies, and 111 overseas Group companies).

Guidelines Referred To Regarding Disclosing Non-Financial Information

Environmental Report Guidelines 2012 (Japan's Ministry of the Environment)
The Sustainability Reporting Guidelines (Fourth Edition, Global Reporting Initiative (GRI))
This report contains standard disclosures from the GRI Sustainability Reporting Guidelines.

Materiality and Comprehensiveness

The Teijin Group Integrated Report 2017 provides reporting on highly material issues for the Teijin Group and society as a whole. For more comprehensive and detailed information, please refer to Teijin's corporate website in conjunction with this report.



Financial Information

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

Non-Financial Information

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

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

External Evaluations

Status of inclusion in SRI indices (as of July 2017)

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 leading socially responsible investment (SRI) indices.

Dow Jones Sustainability Indices

FTSE4Good Index Series MSCI ESG Leaders Indexes

Ethibel Investment Register

FTSE Blossom Japan Index

MSCI Japan ESG Select Leaders Index

MSCI Japan Empowering Women Index (WIN)

MEMBER OF Dow Jones Sustainability Indices In Collaboration with RobecoSAM
FTSE4Good
member of the INVESTMENT REGISTER ETHIBEL EXCELLENCE
FTSE Blossom Japan
MSCI 2017 Constituent MSCI Japan ESG Select Leaders Index
MSCI 2017 Constituent MSCI Japan Empowering Women Index (WIN)

Disclaimer Regarding Forward-Looking Statements

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

Desired Communication Points in Each Chapter

CONTENTS

The keystones of the Teijin Group

TEIJIN TODAY

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

SECTION 1 OUR STORY

The Management Team Presents Teijin's Value Creation Story

In this section, the CEO presents Teijin's vision and the aspirations embodied therein, with a focus on the new medium-term management plan for 2017–2019, "ALWAYS EVOLVING." Management also discusses strategies for the future transformation of the Teijin Group.

SECTION 2 BUSINESS REVIEW

Review of Operations and Growth Strategies

This section highlights the market presence of each business underpinning the Teijin Group's core earnings and performance in fiscal 2016, along with presenting strategies for achieving further growth based on the new medium-term management plan for 2017–2019.

SECTION 3 ESG IN ACTION

Aiming For A Higher State of ESG

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

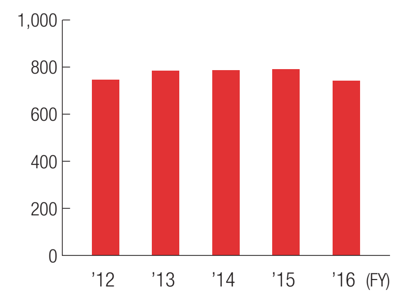
FACT DATA

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

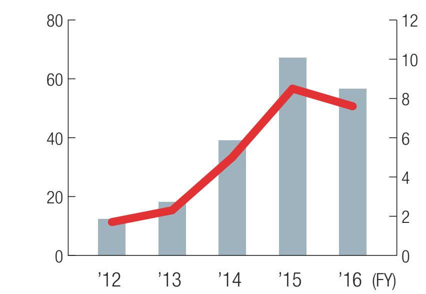
Financial and Non-Financial Information

Financial Information

Net Sales (Billions of yen)

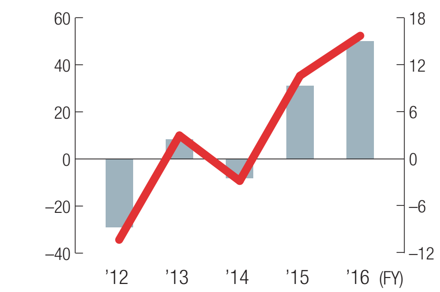


Operating Income (Billions of yen) Operating Margin (%)



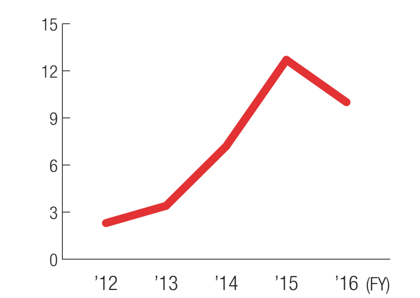
(Left scale) Operating income
(Right scale) Operating margin

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

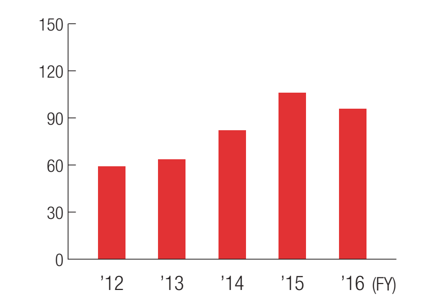


(Left scale) Profit (Loss) attributable to owners of parent
(Right scale) ROE

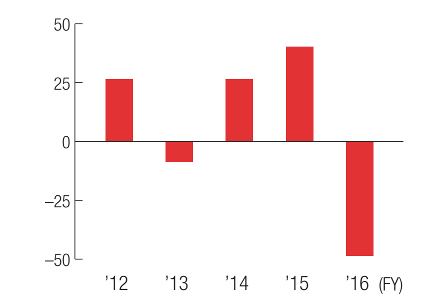
ROIC (based on operating income)*2 (%)



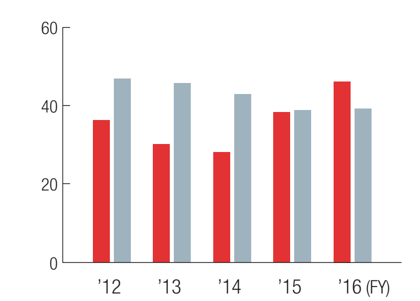
EBITDA*3 (Billions of yen)



Free Cash Flow (Billions of yen)

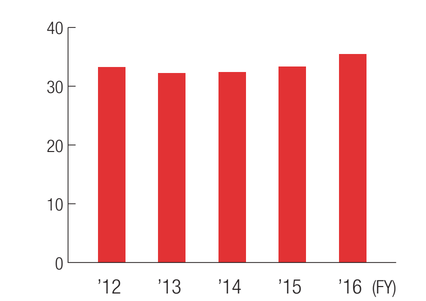


Capital Expenditure and Depreciation and Amortization (Billions of yen)

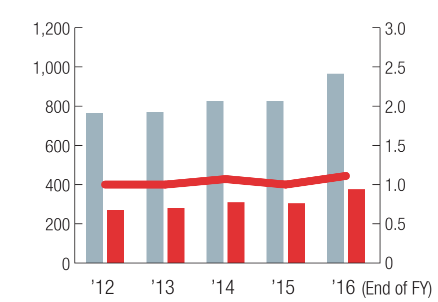


Capital expenditure Depreciation and amortization

R&D Expenses (Billions of yen)



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

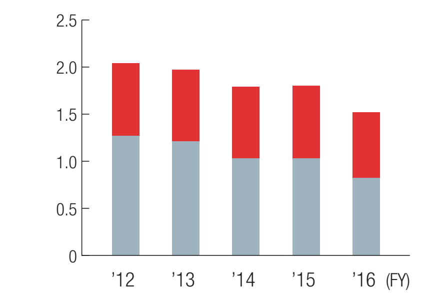


(Left scale) Total assets Interest-bearing debt
(Right scale) Debt-to-equity ratio

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

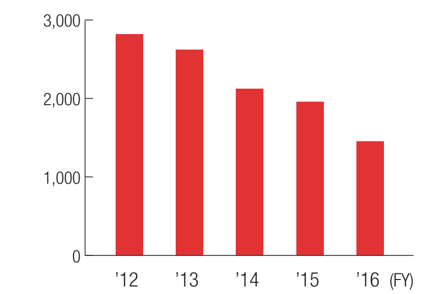
Non-Financial Information

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

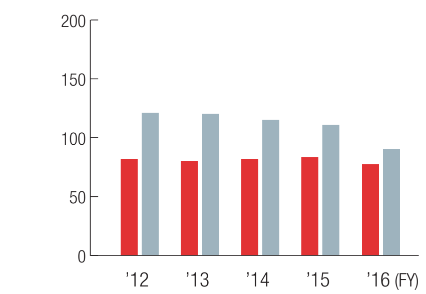


Domestic Overseas

Chemical Substance Emissions*2 (Tons)

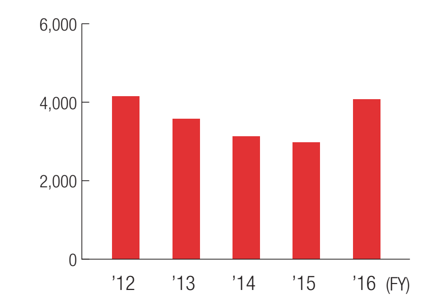


Freshwater Consumption and Total Water Discharged*3 (Millions of Tons)

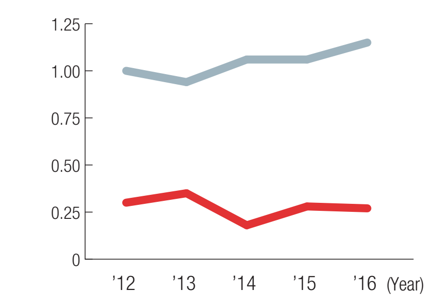


Freshwater consumption Total water discharged

Waste with No Effective Use*4 (Tons)

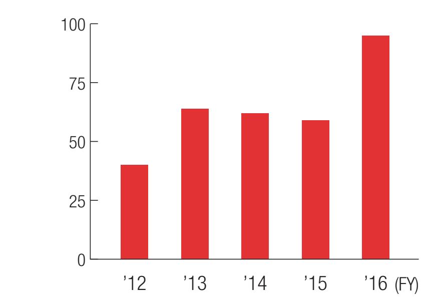


Lost Time Injury Frequency Rates*5

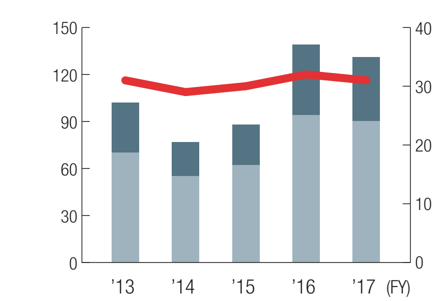


Teijin Group companies Average domestic manufacturing

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

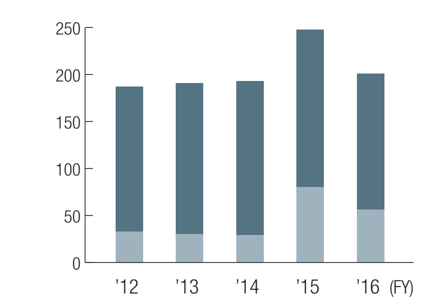


Number and Ratio of Newly Recruited Career-oriented Female University Graduates*6 (People/%)



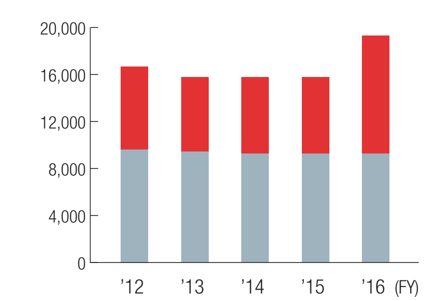
(Left scale) Female Male
(Right scale) Percentage of female employees

Number of Employees Taking Childcare Leave*6 (People)



Female Male

Number of Employees (Total) (People)



Domestic Overseas

*1 Includes CO_2, methane and nitrous oxide. For details about the method for calculating the amount of CO_2 emissions, please refer to page 49.
*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 Businesses

Materials 72.8% (539.8 billion yen)

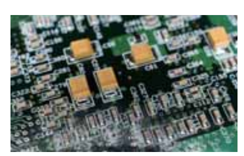
Material Business Group

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

	Principal products	Principal applications
Aramid fibers	▪ Aramid fibers	▪ Para-aramid fibers Friction products, tire reinforcements, rubber reinforcements (hoses, belts), protective clothing, optical fiber reinforcements, civil engineering materials ▪ Meta-aramid fibers Firefighting uniforms, heat-resistant filters
Carbon fibers	▪ Carbon fibers ▪ Oxidized PAN Fiber	▪ Carbon fibers Aircraft (structural and interior components), pressure vessels, sports and leisure equipment
Resin and plastics processing	▪ Polycarbonate resin ▪ PEN resin	▪ 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.)
Films	▪ Polyester film ▪ PEN film ▪ Polycarbonate film and sheet	▪ Polyester film Release film for various processes, laminating film for beverage and food cans ▪ Polycarbonate film and sheet Organic electroluminescent display (OLED) anti-reflective film, automotive instrument panels, dummy cans for vending machines

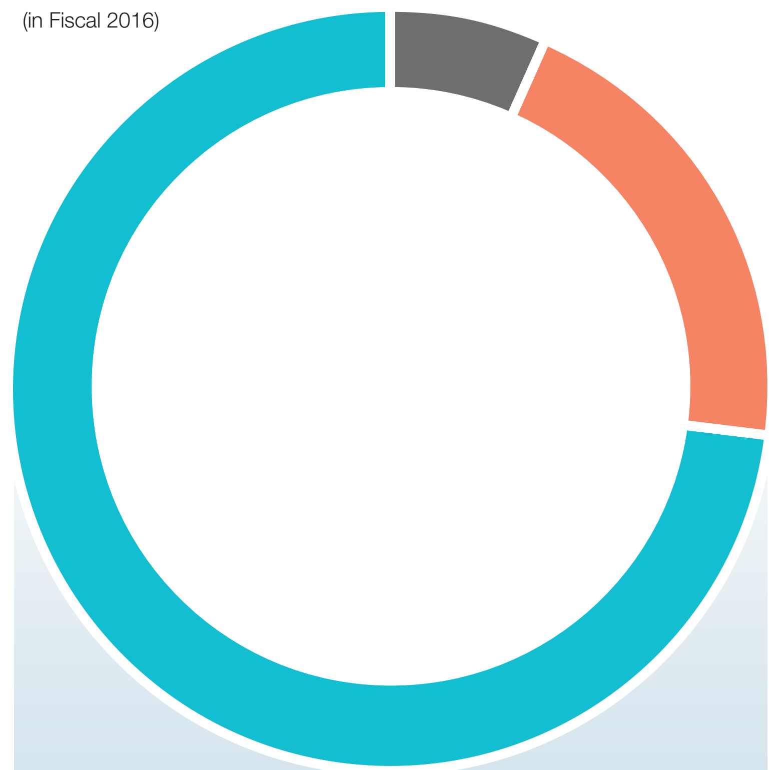
© AIRBUS

OA equipment



Electronic parts (release films used in manufacturing processes)

Breakdown of Consolidated Net Sales
(in Fiscal 2016)



Consolidated net sales (in Fiscal 2016) **741.3** billion yen

Polyester Fibers & Trading and Retail Business Group

We provide a wide range of solutions from materials development to providing products, to meet a variety of needs in markets, in addition to undertaking integrated R&D, production and sales of polyester fibers.

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

TEIJIN MEN'S SHOP Ginza flagship store

Automotive material

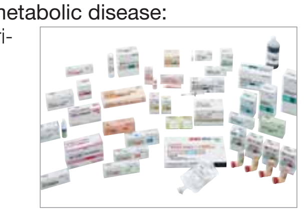
Healthcare 20.3% (150.7 billion yen)

Healthcare Business Group

We provide unique medical solutions by leveraging our strengths in both the pharmaceuticals and home healthcare fields.

Pharmaceuticals

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



Home healthcare

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

New healthcare

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

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

Artificial joints

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

Enhanced barley product *BARLEYmax*

IT and Others 6.9% (50.8 billion yen)

IT Business Group

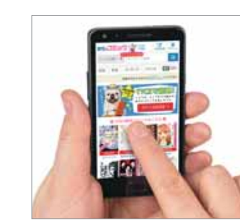
We provide various IT services, along with internet services such as e-comics services.

Business Solutions

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

Digital Entertainment

- e-comics distribution services
- e-commerce services



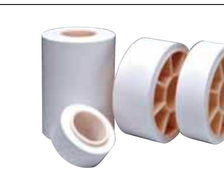
Composites and others

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

Principal products and services

- Automotive composites
- LIB separator
- Plastic glazing

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



LIB separator *LIELSORT*

The Teijin Group's Global Business Network

Group companies	Products sold in	Overseas sales ratio
169 companies	83 countries	38.8%

(As of March 31, 2017)

The Teijin Group currently sells products in 83 countries around the world from a global network of 169 Group companies. The overseas sales ratio has reached 38.8%.

Europe

Europe hosts aramid and carbon fiber and other business sites.

Teijin Aramid B.V. (Netherlands)

Toho Tenax Europe GmbH

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 Polyester (Thailand) Limited

P.T. Indonesia Teijin Film Solutions

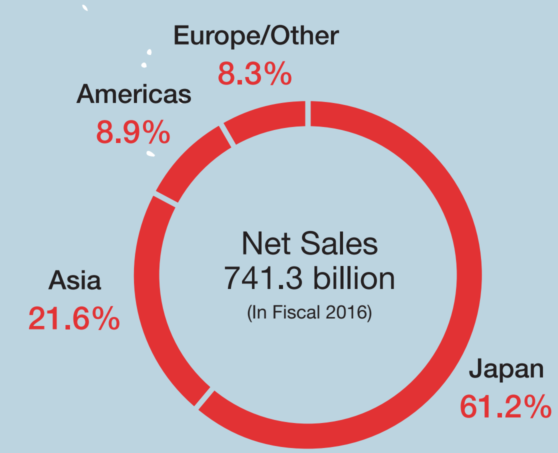
Japan

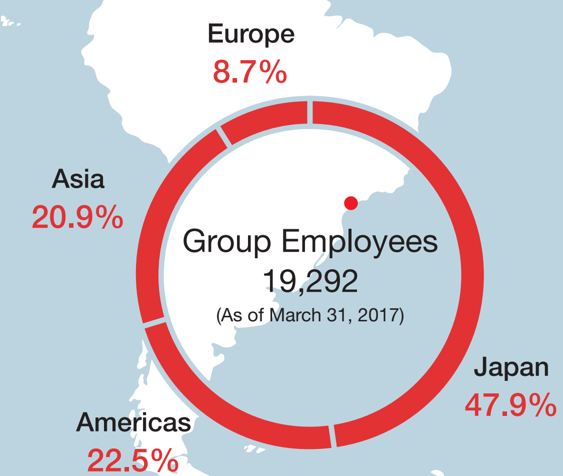
Japan hosts carbon fiber, polyester fiber, film and other business sites, and also provides a solid foundation for the health-care business.

Americas

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

Continental Structural Plastics Holdings Corporation





SECTION

1

OUR STORY

The Management Team Presents Teijin's Value Creation Story

How Will the Teijin Group Create New Value?
In this section, the CEO presents Teijin's vision and the aspirations embodied therein, with a focus on the new medium-term management plan for 2017–2019, "ALWAYS EVOLVING." Management also discusses strategies for the future transformation of the Teijin Group.

Jun Suzuki, President and CEO

SECTION : 1
OUR STORY

CEO Message

To Be an "Enterprise That Is Essential to Tomorrow's Society" Driven by the Creation of Value Through Ceaseless Evolution and Ambition

In February 2017, the Teijin Group announced a new medium-term management plan, titled "ALWAYS EVOLVING" Medium-Term Management Plan For 2017–2019. The plan clearly articulates our aspirations and the actions we must take to be an "Enterprise that is Essential to Tomorrow's Society," as set forth in our long-term vision.

Our path to the future will involve many different changes, and will not merely be a continuation of current conditions. In order for Teijin to truly be an "Enterprise that is Essential to Tomorrow's Society," it will be imperative for us to identify and anticipate those changes as we continuously transform our own businesses. Moreover, I would like us to create new value and contribute to the evolution of society. These aspirations are embodied in the plan's slogan, "ALWAYS EVOLVING (Ceaseless Evolution and Ambition)." The Teijin Group will mark its founding centennial in fiscal 2018. Over our past history of nearly a century, we have constantly embraced the spirit of ambition, and have pressed ahead with expanding business, entering new fields and advancing globalization. We remain committed to ceaselessly surveying the future and being a challenge seeker that initiates self-transformation. In the following pages, I would like to discuss the Teijin Group's evolution and ambition.

Fiscal 2016 Business Performance and the Status of Achievement Against the Previous Medium-Term Management Plan

The Teijin Group Has Almost Completed Laying a Foundation for Advancing to its Next Stage of Growth

In fiscal 2014, the Group announced the revised medium-term management plan for fiscal 2014–2016. Under this plan, we have been implementing initiatives based on two key priorities, specifically restructuring initiatives and transformation and growth strategies.

Our first priority was to dramatically restructure unprofitable businesses. I believe that the Teijin Group has made progress on restructuring initiatives largely as planned (1) and that it has developed the core earnings power needed to steadily generating operating income of over ¥50.0 billion. Our second priority was transformation and growth strategies. The Teijin Group has strategically allocated resources to realize a solutions-oriented business (2) by making investments of around ¥100.0 billion over the past three years, beginning with the acquisition of CSP*.

Moreover, for fiscal 2016, the final fiscal year of the revised medium-term management plan, we targeted operating income of ¥50 billion and ROE of at least 8%. Looking at our business results for fiscal 2016, we recorded operating income of ¥56.5 billion, surpassing our target. In addition, we posted record-high profit attributable to owners of parent of ¥50.1 billion, helped by the additional factor of deferred tax assets recorded in connection with the withdrawal from the U.S. home healthcare business. We also posted ROE of 15.7%. However, we see this performance as just a milestone. The Teijin Group is transforming into a business portfolio with new highly profitable businesses at the core. I believe we have largely finished laying a foundation and securing the core earnings power needed to achieve that transformation. Indeed, the Teijin Group is now standing on the threshold of a new beginning.

* Continental Structural Plastics Holdings Corporation, Headquarters: Michigan, U.S.A.

1 Progress on Restructuring Initiatives

Business	FY2015	FY2016	FY2017
Plastics	☑ Shut down Singapore plant		Specialize in high-value-added applications
Films	Successively transfer production form Gifu to Utsunomiya in Japan →	☑ Integrate domestic production ☑ Convert film business joint ventures in Japan and Indonesia into wholly owned subsidiaries	
Home Healthcare	Streamline operations →	→	☑ Withdraw from the business in the U.S.*
Polyester Fibers	Successively transfer production to Thailand	Progressing as planned	→ Close and cease production at certain domestic plants
Raw Materials and Polymerization	Cease DMT production ☑	☑ Reorganize polymerization plant	

* By transferring its entire equity interest in Braden Partners L.P. and Associated Healthcare Systems, Inc., both of which are consolidated subsidiaries, to an affiliate of Quadrant Management, Inc., which is an investment company in the U.S.

2 Progress on Transformation and Growth Strategies

Intensively allocated resources to realize a solutions-oriented business

Made strategic investments of around **¥100 billion** (FY2014–16 total)

- **Acquired CSP** (Composites Business)
- **Founded Teijin Nakashima Medical Co., Ltd.** (Artificial Joint Business)
- **Established the Technology Integrated Pharmaceutics Center** (Advanced Medical Materials Business)

For details about the underlined phrases, please refer to the following.
• Growth Strategy ⇨ P31
• Transformation Strategy ⇨ P21

New Medium-Term Management Plan

Envisioning the Teijin Group Ten Years in the Future and Clarifying the Actions We Must Now Take

In February 2017, the Teijin Group announced a new medium-term management plan for 2017–2019. This plan was not developed by merely projecting current conditions into the future. Rather, it was drawn up by first envisioning the Teijin Group ten years in the future and then clarifying our action plans for the next three years to realize this vision.

Corporate Philosophy and Vision

We have long embraced the Teijin Group Corporate Philosophy, **"Quality of Life,"** and it has served as a crucial reference point for envisioning the Teijin Group ten years in the future. In order to continue to realize this Corporate Philosophy as society faces many issues and needs, we have reformulated our long-term vision as follows: **"Teijin will become an enterprise that is essential to tomorrow's society by continuously creating value."** Put differently, being "an enterprise that is essential to tomorrow's society" means being a "QOL Innovator" that creates innovation to enhance people's quality of life through the delivery of solutions that accurately capture ever-changing social trends and consumer needs. The following three points clarify our vision for the type of enterprise we aspire to be:

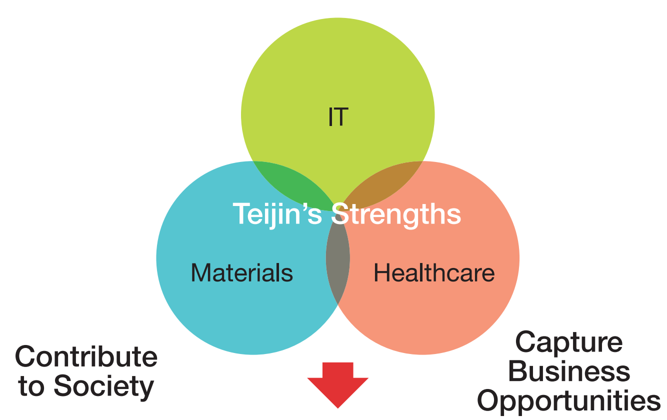
1. An enterprise that helps to solve social issues
2. An enterprise that achieves continuous transformation by anticipating changes in the external environment
3. An enterprise that continues to create new value at all times

Identifying our Core Priority Fields

How should we address the various demands of society, and how can we help to solve the issues it faces?

Taking a fresh look at the nature of our characteristics and strengths, we believe that the Teijin Group has built up a unique business platform spanning the three different fields of **Materials, Healthcare and IT**. We have identified **environmental value; safety, security and disaster mitigation; and demographic changes and increased health consciousness** as our three core priority fields where we will be able to leverage our strengths and capture business opportunities.

I'm confident that we will make an even greater contribution to solving social issues by delivering solutions in these core priority fields. While maximizing business opportunities, we will take the initiative **to accomplish business portfolio transformation** through ceaseless evolution and ambition. That will be one of our most important themes for achieving sustainable growth over the medium and long terms.



Environmental Value Solutions
Contribute by supplying weight-reducing materials that help to enhance the environmental performance of transportation

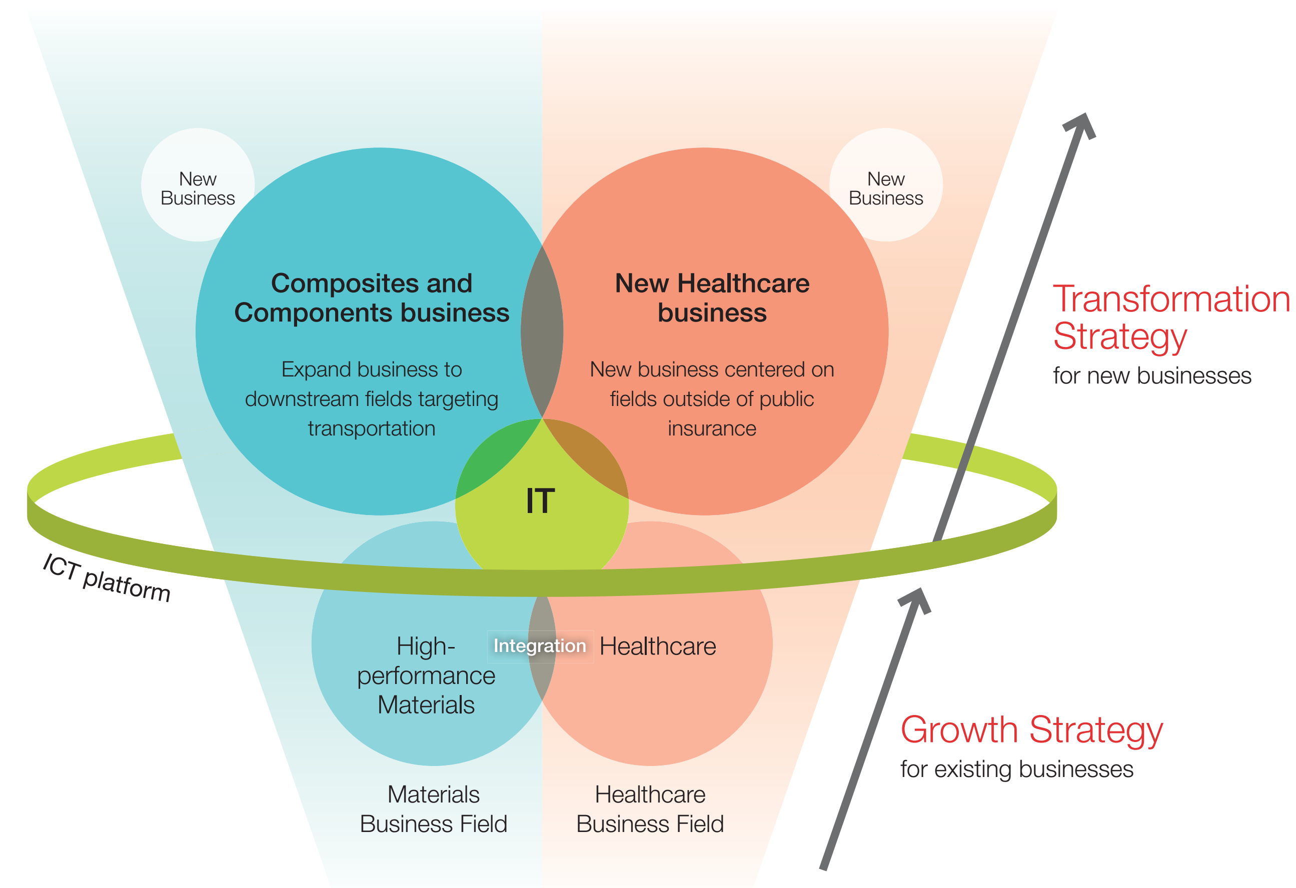
Safety, Security and Disaster Mitigation Solutions
Help to enhance safety with respect to disaster-readiness measures and social infrastructure development

Demographic Change and Increased Health Consciousness Solutions
Support health maintenance and enhancement in response to the progression of demographic change and the increase in lifestyle diseases

Transform Businesses and Open a New Chapter

Business Portfolio Transformation

In my vision for Teijin ten years in the future, the Materials and Healthcare business fields will be the company's two major pillars of operations, and these two businesses will be supported by an ICT platform. Besides driving the growth of existing businesses, we will realize this vision by developing new businesses that are not yet contributing to profits at present into new highly profitable businesses that will serve as the core of Teijin, thereby achieving business portfolio transformation.



Transformation and Growth Strategies

Our growth strategy encompasses activities to further strengthen the company's core earnings power by continuously enhancing the competitiveness of our existing businesses. Meanwhile, our transformation strategy encompasses activities to ambitiously enter different fields than our existing businesses and create new products and services through business model transformation. The profits generated by the growth strategy for existing businesses will fund the resources to be allocated to the transformation strategy. **Based on these two strategies, we will strive to continuously create and develop businesses that lead to growth in profits.**

For details about the underlined phrases, please refer to the following.
• Information & Innovation Strategy ⇨ P30
• Global Business Strategy ⇨ P30

As the main pillar of the transformation strategy, we will accelerate expansion of the automotive composites business in the Materials Business field. Teijin will transform its previous business model as a supplier of single types of materials into a supplier of automotive components. That in itself represents a major transformation in our business model. In the Healthcare Business field, we will expand our business to fields outside of public insurance, such as nursing care, disease prevention and pre-symptomatic care. The concrete vision for our transformation strategy is discussed in greater detail by Senior Executive Officers in charge of the Materials and Healthcare businesses later in this report.
(Please refer to page 22 onward.)

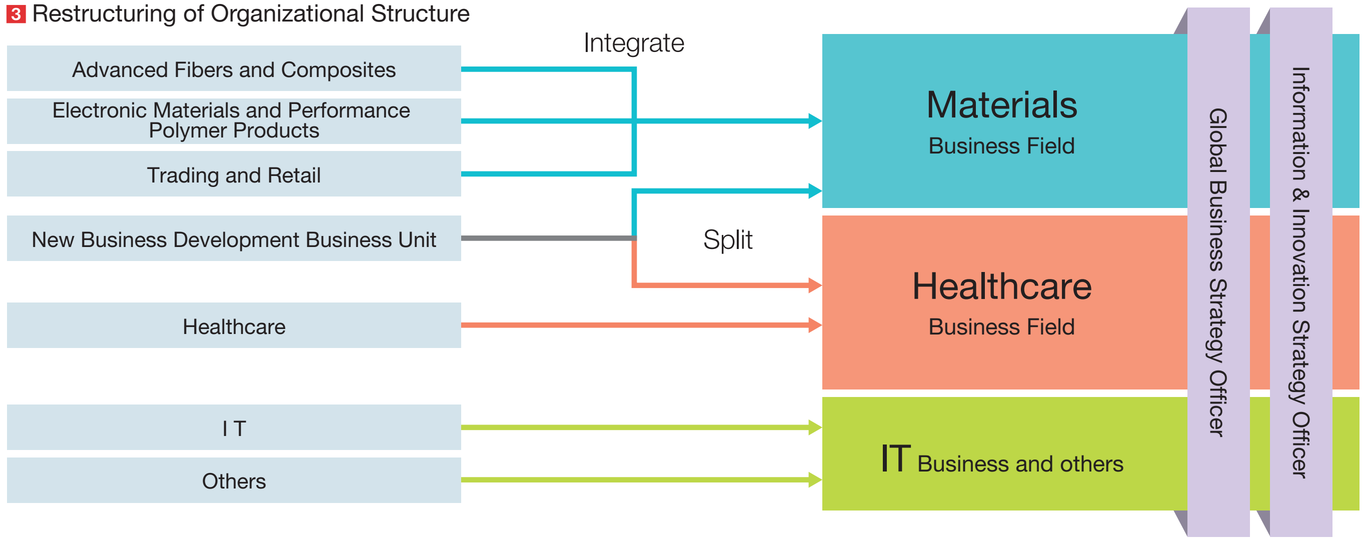
Build a Solid Management System Platform and Accelerate Growth and Transformation Strategies

Strengthen the Management System Platform

On the organizational front, we restructured our organization (3) into two broad business fields, specifically Materials and Healthcare, in order to accelerate our growth and transformation strategies. We will promote inter-business integration by incorporating materials-related businesses into the Materials Business field. In parallel, coordination will be deepened by splitting up New Business Development into units for materials and healthcare businesses. In the process, we will formulate specific strategies with a stronger awareness than before of how we allocate resources for the short term and medium to long term, and how we do so between existing and new businesses.

Additionally, in the course of creating new businesses and changing business styles, we cannot overlook the role of IT, which has recently been evolving exponentially through artificial intelligence (AI) and the Internet of Things (IoT). That is why we have established the new post of Information & Innovation Strategy Officer to provide Group-wide control of various "Smart Projects" designed to proactively introduce and apply cutting-edge IT to our businesses. Going forward, we plan to allocate resources of around ¥10.0 billion primarily to information platform construction. Moreover, we have established the new post of Global Business Strategy Officer in order to control regional strategies across businesses on a global basis.

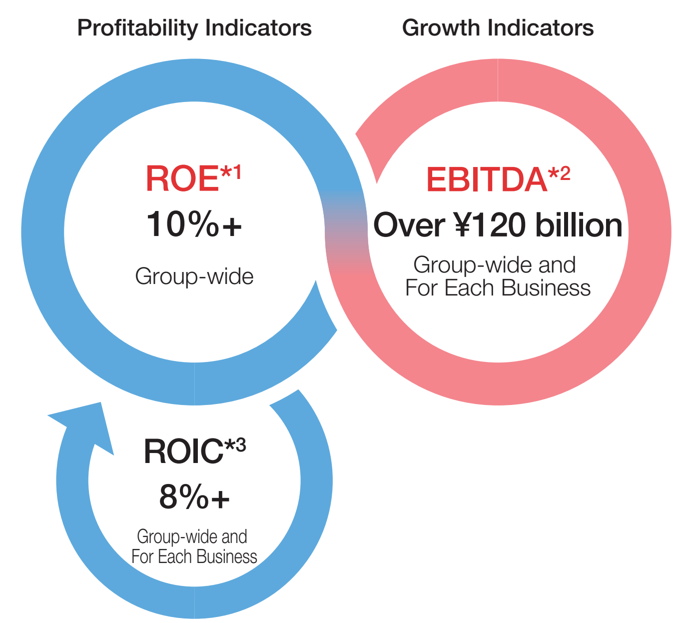
3 Restructuring of Organizational Structure



We aim to realize cost benefits of ¥11.0 billion compared with fiscal 2016 by strengthening product cost competitiveness through such means as productivity enhancements and boosting energy efficiency, in addition to completing restructuring initiatives laid out in the revised medium-term management plan, which was formulated in fiscal 2014. In addition, we aim to realize rationalization benefits of ¥9.0 billion by restructuring into a "Small Head Office" commensurate with business scale after the implementation of restructuring initiatives, along with enhancing productivity through such means as streamlining the organization, centralizing operations, and developing information infrastructure. Through all of these cost restructuring initiatives, we aim to reduce total costs by ¥20.0 billion in the three years from fiscal 2017 to 2019.

Investment Efficiency and Earnings Power as Top Priorities

Management Targets



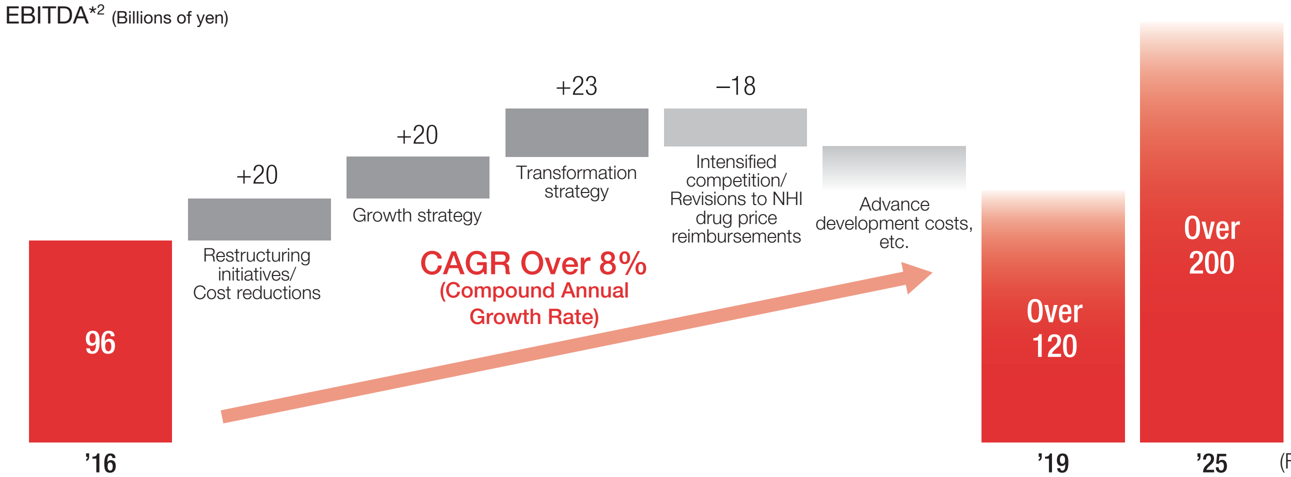
ROE and EBITDA

Under the new medium-term management plan, we have established new key performance indicators with an emphasis on both investment efficiency and earnings power. As our most important indicators, we have set ROE as a profitability indicator and EBITDA as a growth indicator.

Since the revised medium-term management plan was formulated in fiscal 2014, we have been emphasizing profitability, and we intend to retain this approach in the future. We have adopted ROE, which represents the investment returns on funds entrusted to the company by shareholders, as a profitability indicator to pursue investment efficiency. We are targeting an ROE of 10% or more. To ensure that we achieve this ROE target on a Group-wide basis, we will utilize ROIC based on operating income as an indicator of the efficiency of generating profits relative to invested resources. Specifically, through factor analysis of ROIC, we will translate this KPI into targets for the front lines of each business site. Doing so will enable us to make use of ROIC in activities such as investment decisions, inventory management, productivity enhancements, and cost reductions.

Meanwhile, as a means of ensuring growth while avoiding a contraction of business due to an over-emphasis on efficiency, we have set a target for EBITDA, which represents operating income before depreciation and amortization, as a growth indicator. With this target, we will seek to increase our ability to generate cash to fund growth investments and shareholder returns. We are targeting EBITDA of over ¥120 billion in three years. Considering that our transformation strategy will be making a full-scale contribution to earnings ten years in the future, we are targeting EBITDA of over ¥200 billion at that time, which would be more than double the current level. (4)

4 EBITDA*2 (Billions of yen)



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

Resource Allocation and Shareholder Returns

During the medium-term management plan from fiscal 2017 to 2019, we will invest resources of around ¥300 billion, combining capital expenditure and the M&A budget. For our growth strategy, we will allocate resources to increasing carbon fiber production capacity and investing in healthcare systems. For our transformation strategy, we will allocate resources to projects essential to business portfolio transformation, including proactively making use of external resources by M&As, in addition to capital expenditure for composites, LIB separators and membranes in the Materials field, and orthopedic implantable devices in the healthcare field. In addition, we will continuously allocate around 5% of net sales to research and development expenses in order to nurture future core businesses.

	Capital expenditure	R&D expenses	Dividend payout ratio
Medium-term Targets	CAPEX + M&A budget ¥300 billion (FY2017–2019 total) Allocate 50%+ of capital expenditure to growth and transformation strategies	Around 5% of net sales Development budget for transformation strategy: secure approx. 30%	30% of net income
FY2017 Plan	For growth and transformation strategies Approx. 50% • Composites • Increase carbon fiber production capacity (including new plant in the U.S.) • Battery materials, others	For transformation strategy Approx. 25% • Composites/LIB separators and membranes • New healthcare business For growth strategy Approx. 75% • Advance through development phases of drug discovery • Strengthen materials platform technology	Dividend per share of ¥60

While proactively advancing resource allocations, our basic policy on shareholder returns will be to provide a steady dividend in line with consolidated operating results. We will target a consolidated dividend payout ratio of 30% of net income for the medium term. We have built up steady core earnings power through the restructuring initiatives undertaken to date. As a result, we believe we will be able to maintain financial soundness even as we implement both such aforementioned resource allocations and shareholder returns.

To Sustainably Enhance Corporate Value

I have already explained how we will identify business opportunities while contributing to society. Meanwhile, I also believe that our activities to address various requirements from environmental, social, governance and other perspectives will have an equally significant bearing on our corporate value in future. The Teijin Group has identified its material CSR themes (materiality), and is working to address those themes in order to enhance its corporate value. These material CSR themes have been determined based on consideration of the priorities that the international community is making a concerted effort to address, such as the Sustainable Development Goals (SDGs) of the United Nations and the Paris Agreement within the United Nations Framework Convention on Climate Change. Notably, Teijin has identified reduction of environmental impacts, as well as corporate governance and diversity, as core priority fields in the medium-term management plan. Activities in each of these fields will be essential to further strengthening our management base.

With regard to reduction of environmental impacts, Teijin has long worked to address this issue as a chemicals manufacturer. Going forward, we will step up our efforts to reduce greenhouse gas emissions based on the Paris Agreement, and to practice sustainable water use and management, which is included in the SDGs.

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

In addition, strengthening human resources and harnessing the strengths of diverse personnel are vital to our future. Under the medium-term management plan, diversity, including women's advancement, has been defined as a transformation theme. Accordingly, we intend to step up the promotion of diversity more than ever. The Teijin Group endorses and is a member of the United Nations Global Compact, which sets forth ten 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.

For details about the underlined phrases, please refer to the following.
• Reduction of Environmental Impact ⇨ P48
• Corporate Governance ⇨ P53
• Diversity ⇨ P50

Count on the Teijin Group to Make Major Strides Toward its Next Centennial

Three years have passed since I was appointed as the CEO of the Teijin Group. **We can view the past few years as a rebuilding period focused on reestablishing our profitability and laying the groundwork for new growth and transformation strategies. The next three years, which will span Teijin's founding centennial in 2018, will mark a new beginning for the Teijin Group—one that will see us make major strides towards the Teijin Group's next centennial.** In the new medium-term management plan, we have clarified anew our vision for the Teijin Group. Accordingly, we are sincerely determined to make steadfast efforts to bring the Teijin Group closer to our vision.

We look forward to our stakeholders' ongoing support and understanding as we endeavor to drive ceaseless evolution and ambition.

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

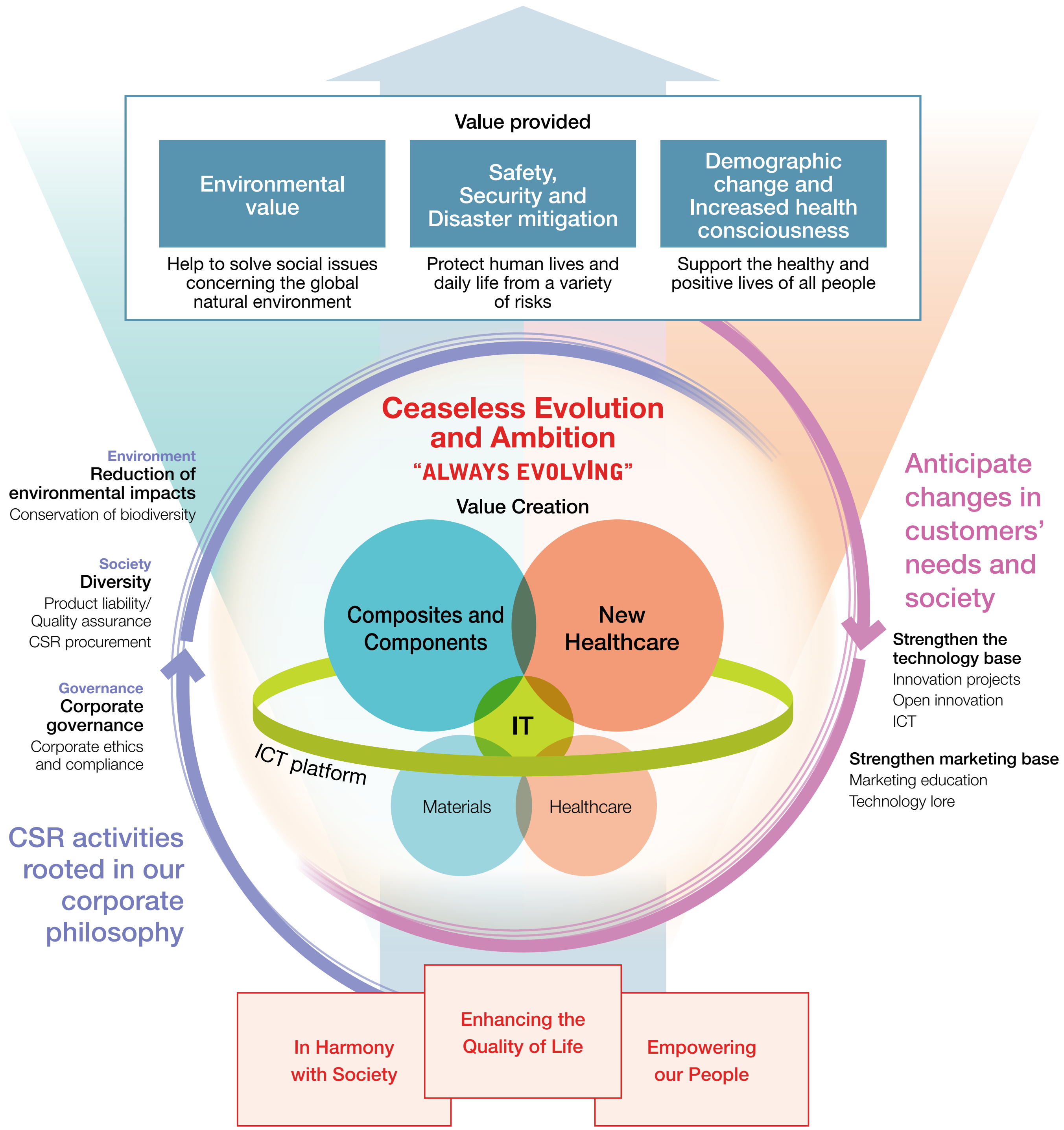
SECTION : 1
OUR STORY

Value Creation Model

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

Long-term Vision

An Enterprise That Is Essential To Tomorrow's Society



Corporate Philosophy

Materials Business Field
P22

Healthcare Business Field
P26

Feature
Establish New Businesses to Reshape the Future and the Supporting Management Base

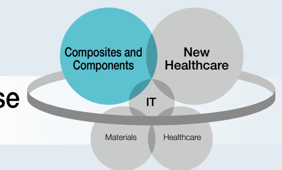
Transformation Strategy Envisioned by Management

Global Strategy
P30

Information Strategy
P30

Feature

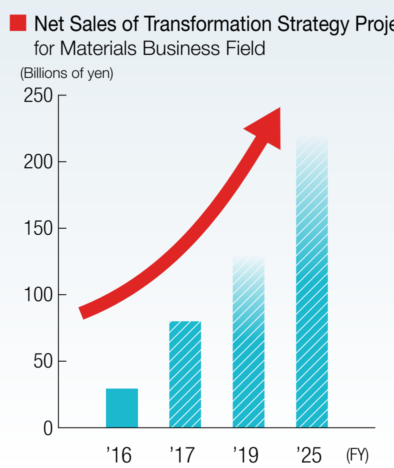
Establish New Businesses to Reshape the Future and the Supporting Management Base
Transformation Strategy Envisioned by Management



Materials Business Field

Transforming from a single-type Materials Supplier to

a Multi-Material Component Supply Partner



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

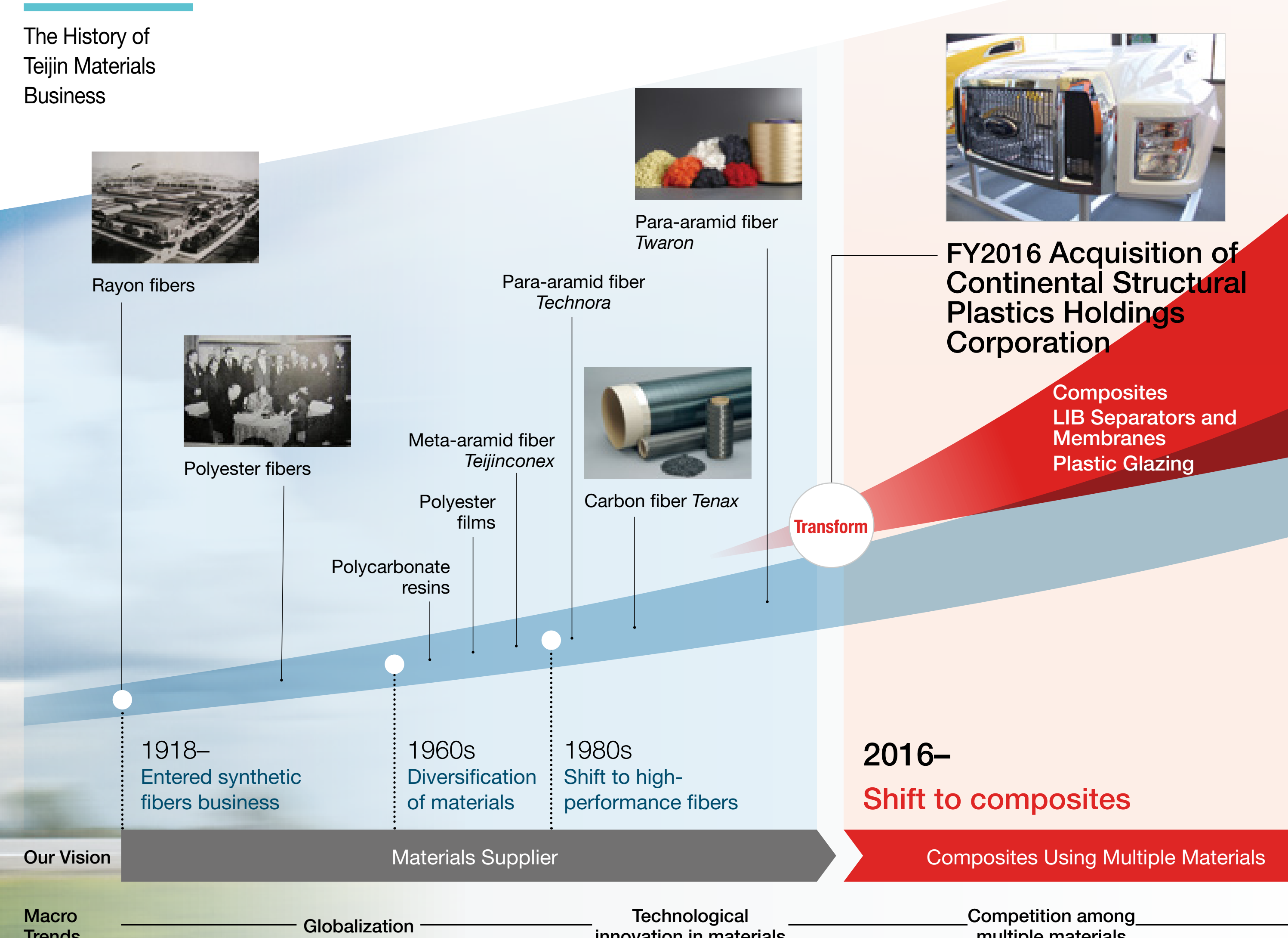
Ceaseless Evolution and Ambition Lies in Our Genes

We have ceaselessly advanced measures targeting multiple materials and composites ahead of contemporary trends.

Teijin was founded as 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. After World War II, Teijin's main operations underwent an evolution from rayon to polyester. The Company then worked to commercialize new materials in stride with the changing times. Our strengths lie in our basic technologies for materials that we have developed by pursuing cutting-edge technology development. Since its founding, Teijin has handed down an entrepreneurial spirit that compels us to pioneer new businesses, and this evolution and ambition has been inherited in our genes.

To rise above the increasingly fierce competition among multiple materials, we will strive to transform our business model by integrating various high-performance materials and by developing composites from those materials. In the process, we will continue to deliver new value to our customers.

The History of Teijin Materials Business



Feature

Establish New Businesses to Reshape the Future and the Supporting Management Base
Transformation Strategy Envisioned by Management

Expanding the Automotive Composites Business

Expectations for Reducing Vehicle Weight Are Rising

Looking ahead, environmental regulations are expected to become even more stringent around the world. Therefore, improving fuel economy and reducing CO_2 emissions have become an urgent priority for all automakers.

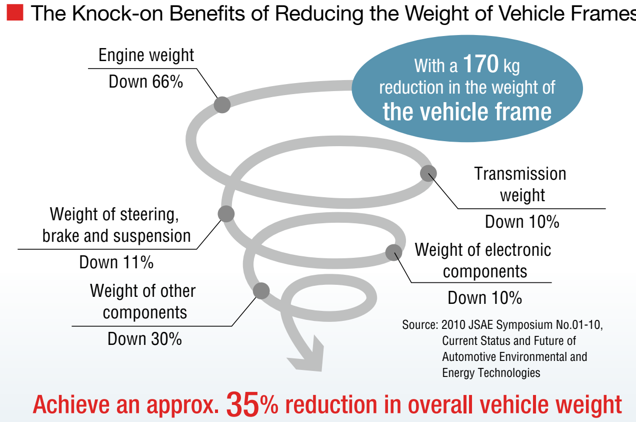
Technological innovation is currently being pursued on many different fronts to improve fuel economy. In this environment, one of the most promising approaches to improving fuel economy is to reduce vehicle weight. Reducing the weight not only of gasoline vehicles, but also of hybrid and electric vehicles, is eagerly expected to offer significant benefits in terms of fuel economy.

Reducing Vehicle Weight Through New Materials

There is a growing movement to reduce the weight of vehicles by replacing metals in automotive components with new materials.

Carbon fiber reinforced plastic (CFRP) is attracting significant promise as a material capable of reducing vehicle weight to the bare minimum without compromising safety. If CFRP could be used to reduce the weight of the vehicle frame, which is the heaviest structural component of a vehicle, we would be able to further reduce the size and weight of engines and other components. This would lead to a dramatic reduction in overall vehicle weight. For this reason, various ways of adopting CFRP in vehicle frames are now being considered.

■ The Knock-on Benefits of Reducing the Weight of Vehicle Frames



Composites Will Transform Automobiles

The ecosystem of the automobile industry is being changed dramatically by trends such as innovation in engines and drive systems, technological advances such as ICT and automated driving, and increasingly stringent environment regulations. In automotive components, competition is expected to intensify among various materials as integrating multiple materials according to safety and cost requirements becomes mainstream. However, we see this increased competition as a business opportunity, not a threat.

By making CSP a member of the Teijin Group through the acquisition, Teijin has expanded its business fields, transforming itself from a single-type materials supplier into a components supplier. Leveraging our strengths in composites technologies developed to date, we will evolve into a "component supply partner" for automakers—a partner that is able to address the use of multiple materials and propose various products including composites such as GFRP*1 and CFRP*2.

*1 Glass fiber reinforced plastic (GFRP) *2 Carbon fiber reinforced plastic (CFRP)

Acquisition of CSP

Accelerate the Expansion of the Composites Business

In January 2017, Teijin acquired all of the shares of CSP, the world's largest sheet molding compound (SMC) manufacturer for automakers. The company is a leading automotive composite supplier in North America and Tier 1 manufacturer of automobile components using thermoset composites such as glass fiber reinforced plastic (GFRP).

Moreover, CSP is a global industry leader in well-designed external components known as Class A components in the automotive industry. CSP already has an extensive track record based on the supply of numerous components to not only U.S. but also European and Japanese automakers.

Looking ahead, we will make full use of CSP's superior component design, production technology, quality control and expertise to strengthen our ability to propose component solutions encompassing materials selection to component design. These solutions will utilize CSP's GFRP and Teijin's CFRP, and will also consider the use of many other different materials.

Concurrently, we will work to establish a stable supply configuration on a global basis by taking full advantage of Teijin's global network.

Thermoplastic CFRP *Sereebo*

The Immense Potential of Thermoplastic CFRP

One of the major challenges facing conventional CFRP was the difficulty of mass production.

In response, Teijin has successfully developed thermoplastic CFRP using thermoplastic resin, which had been considered difficult to apply to CFRP. As a result, we have realized one-minute takt time technology for thermoplastic CFRP by dramatically simplifying the manufacturing process, thereby paving the way for its use in mass-produced vehicles.

Thermoplastic CFRP can be easily reshaped after molding, making this material ideal for reuse and reforming. Therefore, thermoplastic CFRP could potentially help to reduce environmental impact across the entire product life cycle, including after product use.

Concept car body-framework using thermoplastic CFRP

We are currently pursuing joint development of Teijin's thermoplastic CFRP brand *Sereebo* together with several automakers worldwide, in anticipation of its application to mass-produced automotive components.

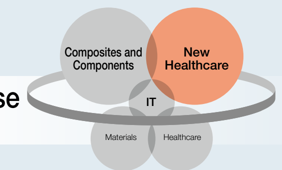
LIB Separator and Membrane Business

Demand is also expected to grow for separators used in lithium-ion batteries (LIBs), in step with the expansion of markets for smartphones, tablets, and automotive batteries.

LIELSORT is an LIB separator developed by Teijin using proprietary polymer and coating technologies. It has earned a strong reputation for its superior heat resistance and adhesion performance. Ever since the start of *LIELSORT* production in 2012, Teijin has been posting steady growth in *LIELSORT* sales as a leading supplier of coated separators.

Looking ahead, we will work to further deploy LIB separators in automotive applications and applications for large-scale storage batteries, in addition to growing sales for use in smartphones and tablets.

Meanwhile, we have also started to commercialize high-performance microporous membranes, based on our molding technologies and related expertise developed over the years. Beginning with semiconductor applications, we aim to deploy them in a broad range of applications, from energy applications to medical devices.



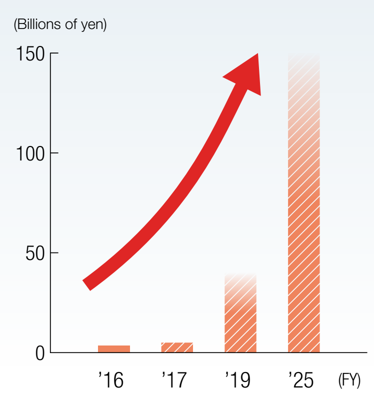
Feature **Establish New Businesses to Reshape the Future and the Supporting Management Base**
Transformation Strategy Envisioned by Management

Healthcare Business Field

Delivering New Comprehensive Healthcare Services

Beyond Existing Insurance-Based Services

Net Sales of Transformation Strategy Projects for Healthcare Business Field



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

Ceaseless Evolution and Ambition Lies in Our Genes

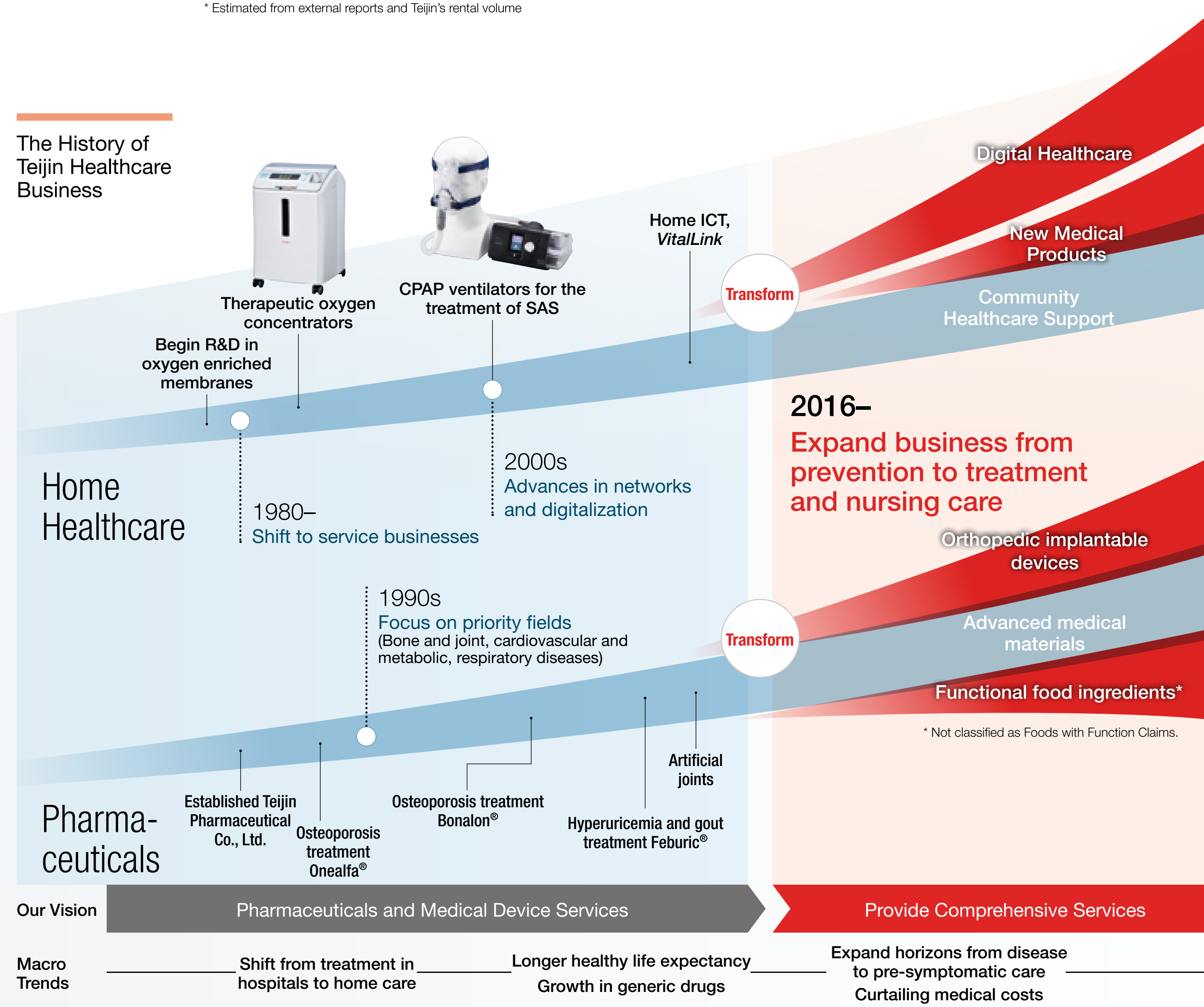
We aim to drive further business expansion based on our business platform in pharmaceuticals and home healthcare with a history of over 40 years.

Our launch of the healthcare business can be traced back to the 1970s. Since then, we have steadily undertaken in-house research and development activities spanning both pharmaceuticals and medical devices, in conjunction with focusing on priority fields, specifically bone and joint, cardiovascular and metabolic and respiratory diseases. In addition, the Teijin Group became a pioneer by developing Japan's first home oxygen therapy (HOT) business and today boasts a customer base with the top market share* in Japan. As healthcare needs continue to diversify, Teijin will work to establish an even more innovative business platform for healthcare by leveraging technologies and expertise amassed over the past 40 plus years.

To address diversifying needs, we will strive to transform our business model by expanding our business to new fields without restricting ourselves to existing insurance-based healthcare services.

* Estimated from external reports and Teijin's rental volume

The History of Teijin Healthcare Business



Feature

Establish New Businesses to Reshape the Future and the Supporting Management Base
Transformation Strategy Envisioned by Management

Provide Comprehensive Healthcare Services

Impacts of a Progressively Aging Society

With the aging of society progressing apace in Japan, the number of people contracting lifestyle diseases, multiple diseases is expected to increase sharply. Burgeoning medical costs in line with the increase in the number of people requiring care presents a major issue for society as a whole.

In terms of medical infrastructure, shortfalls in the number of hospital beds and nursing care facilities are expected to become increasingly acute in step with the increase in the number of people requiring care in such facilities. As a result, the need for home medical and nursing care is anticipated to increase further in the years ahead.

How to Address New Healthcare Needs

Disease prevention is rapidly becoming more and more important as a means of curtailing medical costs and responding to people's desire to lead long lives due to good health. It has also become necessary to develop a social environment that encourages behavior that is beneficial to health, including a proper diet, and suitable levels of exercise and sleep, to prevent the onset of lifestyle diseases and the aggravation of those diseases.

Another major theme is to develop a comprehensive community healthcare system. This is essentially a platform that will allow people to comprehensively receive prevention and nursing care, as well as treatment for diseases, in the familiar surroundings of their local communities. Comprehensive community healthcare will also provide an important means of countering the anticipated shortfall in hospital beds and nursing care facilities going forward.

Furthermore, the use of artificial intelligence (AI) and analysis of big data driven by innovation in IT are expected to contribute immensely to the development of preventive healthcare, including guidance on healthy lifestyles. With significant advances being made in digital healthcare and telemedicine, the application of IT to healthcare is opening up new possibilities for generating previously unseen solutions.

Targeting Comprehensive Services Encompassing Non-Insurance Fields

The concept of healthcare businesses is set to undergo a dramatic change. In this environment, companies such as Teijin that are developing healthcare businesses must also significantly change their approaches.

We envision a future in which we meet the many and varied healthcare needs of people by expanding our business from the insurance-based healthcare services centered on the treatment of diseases we have undertaken to date, to non-insurance business fields such as pre-symptomatic, preventive care and nursing care.

Over the years, the Healthcare Business has developed strengths such as the expertise needed to obtain clinical evidence and the capability of foreseeing the benefits that will be generated by new services. We are determined to expand our comprehensive healthcare services based on those strengths.

We will proactively allocate resources to new fields. For example, we will pursue collaboration on a nursing care platform with Infocom Corporation, an IT subsidiary, as well as provide digital support services for health management and develop rehabilitation equipment.

Strengthening Our Cutting-Edge Healthcare Business Platform

Establishing Data Platforms Using AI and IoT

Looking ahead, we will work to enhance patient care support through in-home nursing care services and clinical support using communication devices. At the same time, we will take steps to ensure our medical products are IoT enabled and to apply AI to home healthcare call centers. Through these steps, we aim to establish healthcare data platforms.

In addition, in 2015, we commenced sales of *VitalLink*, a multidisciplinary collaboration and information sharing system. *VitalLink* will serve as a platform to provide the aforementioned cutting-edge healthcare services, and is positioned as a crucial infrastructure that will support our transformation strategy. By supporting team-based healthcare involving both doctors and medical staff, these efforts are expected to help realize high-quality care for patients along with improving the productivity of medical professionals.

Through this organic collaboration between services and data, we will establish a cutting-edge healthcare business platform. Combined with regional healthcare networks, we aim to provide even higher caliber healthcare services.

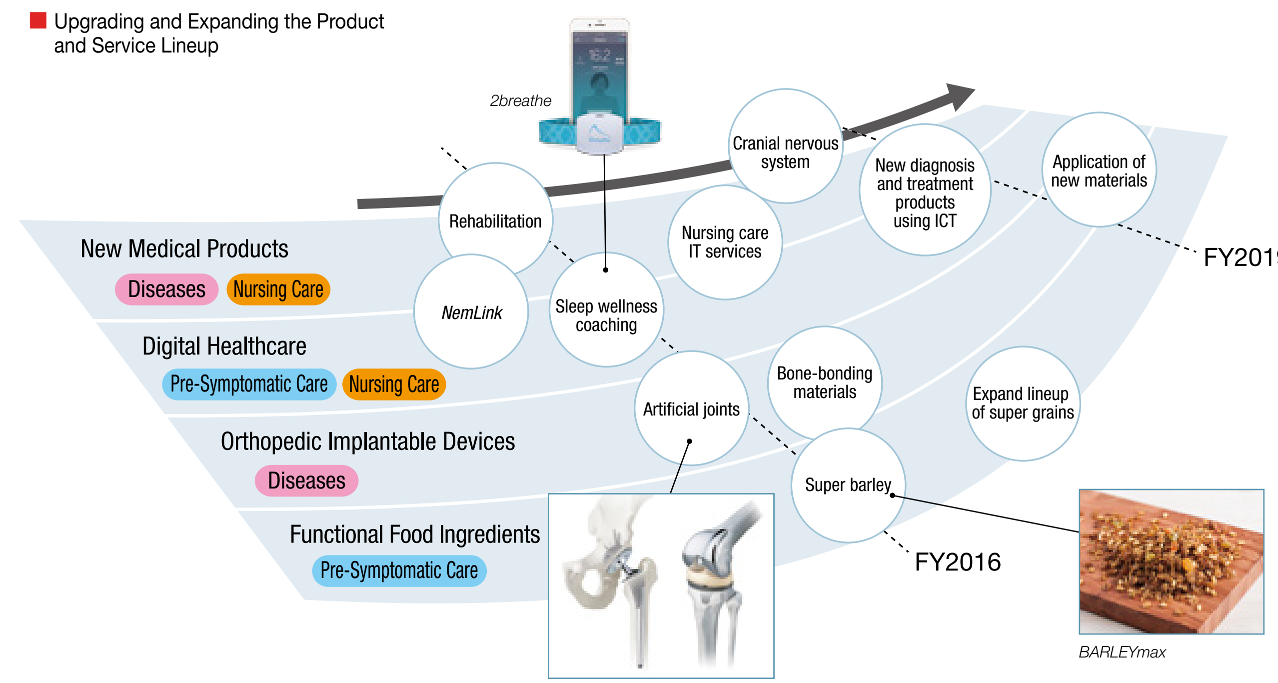
Diversify the Lineup of Products and Services

Delivering New Products and Services Using Our Own Business Platform

In addition to those new medical products, including rehabilitation robotics, that we have already begun marketing, we aim to introduce and supply diagnostic and treatment products using ICT in fields such as the cranial nervous system in the near future. Moreover, as the use of digital healthcare continues to increase, we aim to expand new services in fields such as sleep wellness and nursing care.

Furthermore, in the orthopedic implantable devices business, we will press ahead with business expansion in the fields of artificial joints and bone-bonding materials, led by Teijin Nakashima Medical Co., Ltd. In other areas, specifically the functional food ingredients business, we will expand our product lineup alongside the enhanced barley product that is currently on the market.

■ Upgrading and Expanding the Product and Service Lineup



Feature

Establish New Businesses to Reshape the Future and the Supporting Management Base

Transformation Strategy Envisioned by Management

Global Strategy Regional Strategies Based on the Characteristics of Each Business

To date, Teijin has been working tirelessly to advance the globalization of its operations. In fiscal 2016, overseas sales represented around 40% of net sales. Following the acquisition of CSP in the U.S. in January 2017, the ratio of overseas sales is expected to increase even further.

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

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

The Need for Globalization (Low → High)

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

The Importance of Addressing Individual Regions (Low → High)

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

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

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

Current Initiatives

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

Objectively capture and harness innovations in IT technology

Medium-term Actions and Targets

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

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

SECTION 2

BUSINESS REVIEW

Review of Operations and Growth Strategies

This section highlights the market presence of each business underpinning the Teijin Group's core earnings and performance in fiscal 2016, along with presenting strategies for achieving further growth based on the new medium-term management plan for fiscal 2017–2019.

Materials Business Field
(Billions of yen)
Net Sales
Operating Income
539.8
640.0
31.2
35.0
'16
'17 (Forecast)
'16
'17 (Forecast)
(FY)

Healthcare Business Field
(Billions of yen)
Net Sales
Operating Income
150.7
155.0
24.8
30.0
'16
'17 (Forecast)
'16
'17 (Forecast)
(FY)

* Forecast announced on August 1, 2017

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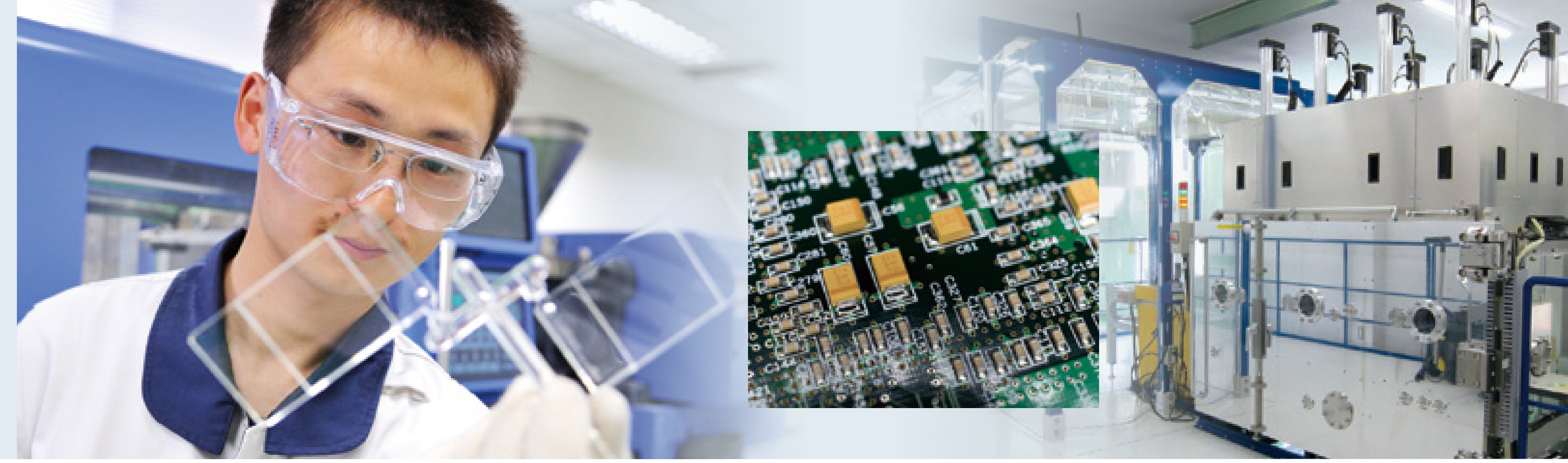
MATERIALS



Material Business Group

Aramid Fibers

■ Market Presence & Business Opportunities

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

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

Aramid fibers possess outstanding features such as high-strength, heat resistance, dimensional stability and chemical resistance properties. They can be divided into two broad categories: para-aramid fibers and meta-aramid fibers.

Para-aramid fibers are particularly outstanding in terms of strength and heat resistance. Accordingly, they are mainly used as reinforcement for tires and friction material for automobile brake pads, 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 3%.

Meta-aramid fibers 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.

■ Fiscal 2016 Performance

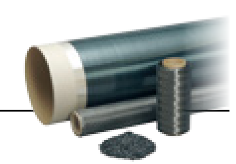
Solid performance mainly in automotive applications

In para-aramid fibers, sales of *Twaron* expanded firmly for automotive applications in Europe, but sales of oil drilling and ballistic protection applications were weak. *Technora* is being used in an expanding range of applications. Sales were firm both for automotive applications in Japan and also for infrastructure-related applications overseas.

In meta-aramid fibers, sales of *Teijinconex* were robust for use in automotive applications, as well as protective clothing and industrial applications.

■ Production Sites

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



Carbon Fibers

■ Market Presence & Business Opportunities

Global share of carbon fibers
2nd

Contributing to
Energy conservation and CO_2 emissions cuts
through weight reduction

Carbon fiber is about ten times stronger and three-quarters lighter than steel. It is attracting interest as an environmentally friendly material that will contribute to energy conservation, CO_2 emissions cuts and provide other benefits. This growing interest has driven rapid expansion in demand particularly for aerospace applications and industrial applications. 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, carbon fiber is expected to see rapid growth in applications as automotive components going forward. We are working together with automakers on various technological developments.

■ Fiscal 2016 Performance

Sales for use in aircraft grew steadily

Sales of *TENAX* carbon fibers continued to grow steadily for use in aircraft. In addition, sales for wind power generation in the Americas and Europe were robust, but the supply-demand balance softened for general industrial use, and for sports and leisure applications in Asia.

Pyromex Oxidized PAN fiber has continued to post steady sales mainly for use in aircraft brake pads.

■ Production Sites

Carbon fibers................. Japan, Germany

For information on composites, please refer to "Feature: Establish New Businesses to Reshape the Future and the Supporting Management Base" beginning on page 22 of this report.

Resin and Plastics Processing

■ Market Presence & Business Opportunities

Polycarbonate resins in Asia
Top share

Providing high added value through
Teijin's proprietary technologies

Polycarbonate resins possess an impact resistance 200 times greater than glass, but are lighter at just half the weight. Other properties include outstanding heat resistance, transparency and weatherability. These resins are now widely used in the markets of the electronics and automotive fields.

The market is 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 polymers, and we also have large-scale molding and coating technologies.

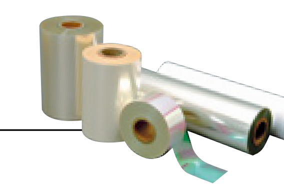
■ Fiscal 2016 Performance

Steady performance by polycarbonate resins

Our mainstay *Panlite* and *Multilon* polycarbonate resin products saw firm supply-demand dynamics, and maintained high capacity utilization at both production sites in China and Japan. To further expand high-performance applications, we are actively expanding sales in the automotive market. We are also pushing ahead with sales in growing markets such as housing, along with promoting composite materials that combine polycarbonate resins with high-performance fibers. In high-performance resins, we are working to upgrade and expand our lineup of specialty polycarbonate resins for camera lenses in order to offer optimal products for smartphones as well as for use in vehicle and surveillance cameras expected to see market expansion.

■ Production Sites

Polycarbonate resins ..... Japan, China



Films

■ Market Presence & Business Opportunities

Expanded Teijin's proprietary
PEN film products
to automotive applications

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

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

Polycarbonate sheets and films are also used in products that leverage their outstanding functionality due to factors including sophisticated optical control technologies.

■ Fiscal 2016 Performance

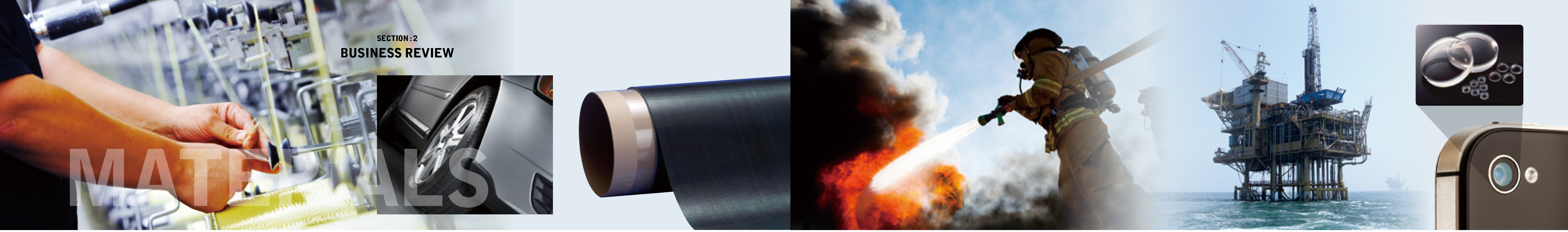
Integrated our domestic polyester film production facilities and converted joint ventures in Japan and Indonesia into wholly owned subsidiaries

We posted relatively firm sales of *Purex* release films for use in manufacturing processes for parts used in smartphones, as well as special packaging application exports and polyethylene-naphthalate (PEN) film for use in magnetic materials. In addition, *PURE-ACE* optical film using specialty polycarbonate resin saw expanded sales for reverse-dispersion solvent-cast retardation film for use as an organic electroluminescent display (OLED) antireflective film.

We have been working to strengthen competitiveness by advancing restructuring initiatives. Specifically, we halted production at the Gifu Factory at the end of September 2016, and converted film joint ventures in Japan and Indonesia into wholly owned subsidiaries.

■ Production Sites

Polyester films .... Japan, Indonesia
Polycarbonate films and sheets .... Japan



MATERIALS

Medium- and Long-Term Strategies

"We will accelerate the expansion of solutions-oriented businesses using our competitive, high-performance materials."

Toshiya Koyama
General Manager,
Material Business Group

Environmental Value Solutions

Focus on the Aircraft and Automotive Businesses

In the aircraft field, global demand for aircraft has been increasing, and the number of aircraft produced, centered on smaller aircraft models, will continue to hold steady or increase. In the automotive field, the market environment has been changing. Specific developments have included stricter environmental regulations, the adoption of electric vehicles, and a transformation in design philosophy driven by technological innovation.

In response to these conditions, Teijin **will drive the expansion of the strong yet lightweight high-performance materials business in order to achieve higher fuel efficiency through weight reduction. Through these measures, Teijin will strive** to maintain and enhance profitability.

▶ Aircraft Field

In **carbon fibers**, we will intensively allocate resources to intermediate materials. We will build a competitive edge by accelerating the expansion of thermoplastic prepreg and the textile materials business, thereby steadily expanding sales. For *Pyromex* Oxidized PAN fiber, we are expanding production capacity in response to favorable demand for use in aircraft brake pads.

In **para-aramid** fibers, we will work to develop air freight containers with high durability and fire resistance using *Twaron*, for the purpose of realizing safer and more efficient air freight transportation.

▶ Automotive field

In **para-aramid fibers**, particularly *Twaron*, we will focus on expanding products to address demands for weight reduction and higher performance, including tire reinforcement materials and rubber materials. We will also use *Technora* to respond to the expansion of demand for the reinforcement of rubber materials.

In **resins**, we will propose weight reduction and design improvements using our high-performance compound products, along with the "super engineering plastic" polyphenylene sulfide (PPS) resin, in addition to polycarbonate resins.

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Safety, Security and Disaster Mitigation Solutions

Address Growing Needs for Social Infrastructure

In Japan, following a succession of natural disasters, there are growing needs for measures to address aging social infrastructure and for further earthquake countermeasures. In addition, demand is expanding in Asia and emerging countries for high-performance fibers for use in the development of the infrastructure base and in protective clothing.

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

▶ Infrastructure

In **para-aramid fibers**, we will expand sales of optical fiber cable in China and India. *Technora* has outstanding corrosion, humidity and heat resistance properties in extreme environments. Demand for *Technora* is thus anticipated in a wide range of applications, such as rope and deep sea oil drilling.

In **carbon fibers**, we will address growing needs for use in the infrastructure and energy fields. Specifically, we will work to expand sales of pressure vessels for the transportation of shale gas, along with sales of products and materials for wind turbine blades.

▶ Protective clothing

In fiscal 2015, we began production and sales of **the meta-aramid fiber *Teijinconex neo*** at our new factory in Thailand. In addition to offering heat resistance, *Teijinconex neo* achieves stable dyeability, enabling it to be used in various textiles according to user needs. We will drive growth in demand for protective clothing in Asia and emerging countries, where high growth is expected against the backdrop of increasingly stringent regulations pertaining to flame-retardant materials and environmental safety.

Develop a Growth Platform

In each business, we will also work to develop a growth platform to support steady execution of our strategies.

▶ Aramid fibers

We will enhance our cost competitiveness by working to increase productivity and production capacity through the automation of production processes at existing plants.

▶ Carbon fibers

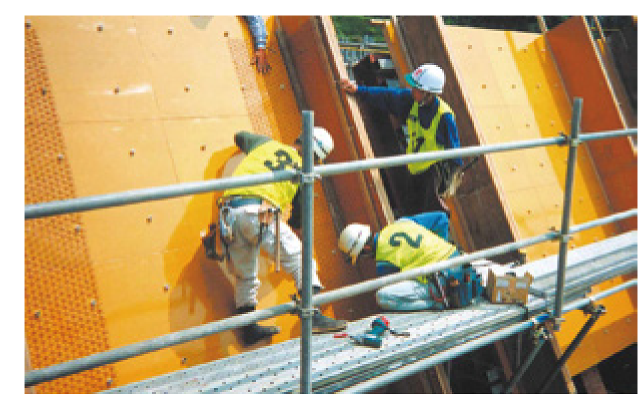
To address further growth in demand for carbon fiber primarily in North America, we are studying investment in a new plant in the U.S., and have completed the acquisition of land for the construction of the new U.S. plant.

▶ Resin and plastics processing

We will specialize in fields with high profitability that are difficult for competitors to enter, as we advance measures to further improve the sales mix.

▶ Films

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



Polyester Fibers & Trading and Retail Business Group

■ Market Presence & Business Opportunities

Specialized textiles trading company
Among the **top class** in Japan

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

Teijin Frontier Co., Ltd. is among the top class of specialized textiles trading companies in Japan and develops a wide array of products. These products include fiber materials and sewn products in the fashion and apparel field. In the industrial textiles and materials field, products include automotive materials and components, materials for tents, and living-related materials.

One of our strengths in this business is our integrated global production and sales structure, from materials development to production and sales. In April 2017, we integrated polyester fiber production, sales and R&D functions into the trading and retail business. This will enable us to further strengthen our integrated production and sales structure.

■ Fiscal 2016 Performance

Steady growth in sales of materials for sports and outdoor use and automotive materials

In fiber materials and apparel, sales of high-performance materials for sports and outdoor use grew in the Americas and Europe, and the Japanese market. In apparel, where the environment remained under pressure, we strengthened the operating structure through such means as promoting production at optimal sites, and pushed ahead with differentiated businesses centered on our proprietary materials.

In industrial textiles and materials, sales of automotive materials such as reinforcement materials for tires and civil engineering materials were firm. Sales were also solid for materials for agriculture, fisheries, and the environment, and for water treatment membrane applications.

■ Production Sites

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

Medium- and Long-Term Strategies

"With a constant pioneering spirit, we aim to identify needs at the forefront of the markets and develop and supply materials and products that fit those needs."

Shinji Nikko
General Manager,
Fibers & Products
Converting Business Group

Further Strengthening Our Ability to Deliver Solutions Through Business Integration

To rigorously pursue a customer-focused approach, that is, to further advance its solutions-oriented business model, Teijin has integrated the polyester fibers business and the trading and retail business. By strengthening collaboration between manufacturing and sales even more than before, we will drive further evolution in our ability to deliver solutions.

Our strengths lie in our global supply chain spanning manufacturing to retail. We will create and supply products that meet customer needs, as well as products that are not currently available on the market, by developing even more sophisticated differentiated products.

Teijin will continue to reinforce its production capabilities through proactive M&A and alliances in pursuit of globally optimized local production for local consumption. Notably, in automotive materials, we are working to strengthen supply chains in the four key regions of Japan, China, ASEAN and North America, in conjunction with expanding our production sites further.

In the environmental field, we formulated *THINK ECO* as an activity guideline based on 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 environmental-burdening substances. With this in mind, we are working to build and expand our environment-conscious business, in addition to focusing on CSR procurement activities.

Healthcare Business Group

Pharmaceuticals

■ Market Presence & Business Opportunities

Hyperuricemia and gout treatments
Top share* in Japan

Countries or regions where the Teijin Group has business alliances
117

Operating conditions remained harsh for the recently developed drugs business owing to the downward revisions of Japan's National Health Insurance drug reimbursement prices for prescription pharmaceuticals and higher sales of generic drugs. However, the Teijin Group's originally developed hyperuricemia and gout treatment febuxostat, its first novel global treatment in 40 years, has already secured the top share of the domestic market. Sales are forecast to continue to the extent that they will be a driver of business growth. In addition, we have secured exclusive distributorship agreements for febuxostat covering 117 countries and regions overseas and sales have already started in more than 70 of these places as of June 2017, with plans to expand the sales area going forward.

* Copyright 2017 Quintiles IMS.
Source: IMS, Japan Pharmaceuticals Market Statistics, April 2016–March 2017
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■ Fiscal 2016 Performance

Sales of our novel treatment for hyperuricemia and gout expanded favorably

The domestic pharmaceuticals market continues to face a challenging business environment. In this climate, sales of hyperuricemia and gout treatment *FEBURIC* (febuxostat) and *Somatuline*, a treatment for acromegaly, continued to expand steadily. We posted firm sales of new formulations of existing drugs. In addition, we are working to expand sales of the transdermal anti-inflammatory analgesic patch formulation *LOQOA* Tape.

In August 2016, we signed an exclusive license and supply agreement with Versartis, Inc., a biopharmaceutical company based in the U.S., for the development and marketing of *Somavaratan* (VRS-317), a novel, long-acting form of recombinant growth hormone (rhGH), in Japan. VRS-317 was developed by Versartis, Inc. Going forward, Teijin will work closely with Versartis, Inc. to advance the development of this drug.

■ Business Sites

70 sales offices in Japan

Home Healthcare

■ Market Presence & Business Opportunities

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

Number of users
Over 300,000

In Japan, Teijin was a pioneer in home oxygen therapy (HOT) services. Teijin's strengths are its customer base, the largest in the sector, and its extensive domestic structure, which can support patients 24 hours a day, 365 days a year. Teijin provides home healthcare services to over 300,000 patients inside and outside of Japan. We have also secured the No.1 share in Japan for the rapidly growing market for continuous positive airway pressure (CPAP) ventilators for the treatment of sleep apnea syndrome (SAS), the same as with our HOT services.

* Estimated from external reports and Teijin's rental volume

■ Fiscal 2016 Performance

Rental volumes either remained high or increased for all offerings

In Japan, we firmly maintained a high level of rental volume for therapeutic oxygen concentrators for HOT. Rental volume for CPAP ventilators for the treatment of SAS continued to increase favorably, due to increasing the appeal of *NemLink*, a monitoring system for CPAP ventilators that uses mobile phone networks, and to the use of the *SAS-2100* sleep disorder diagnostic system. Moreover, we have steadily expanded sales of *VitalLink*, a multidisciplinary collaboration and information sharing system supporting comprehensive community healthcare, for which sales commenced in 2015.

Meanwhile, in April 2017, we withdrew from the home healthcare business in the U.S., where the business environment had come under severe pressure, by transferring this business to a peer company in this sector in the U.S.

■ Business Sites

65 sales offices in Japan

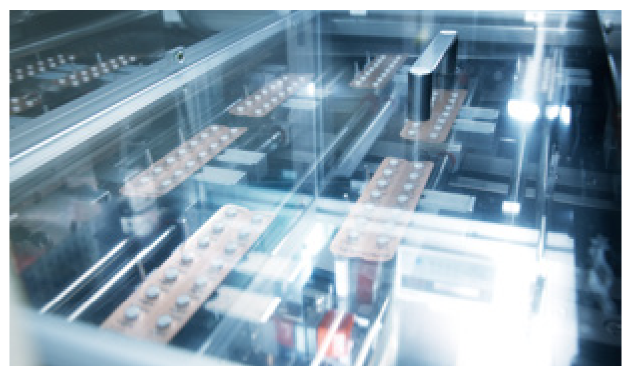
Medium- and Long-Term Strategies

"We will strive to capture synergies between both the pharmaceuticals and home healthcare businesses. Our goal is to provide peace of mind for our patients and their families."

Akihisa Nabeshima
General Manager,
Healthcare Business Group

Demographic change and increased health consciousness solutions

Strengthen Growth Domains



Drug discovery has become increasingly important in response to growing needs for advanced medical care in step with the progression of demographic change. Moreover, with the number of patients for home healthcare continuing to increase, community healthcare based on collaboration between medical and nursing care, has become more crucial than ever.

In this environment, the Teijin Group is **working to maximize earnings from existing growth drivers, while focusing on drug discovery research and striving to strengthen home healthcare using IoT**. The Teijin Group will proactively support comprehensive and efficient community healthcare, an approach that aids in preventing diseases and monitoring signs of exacerbation and other parameters.

■ Pipeline

As of June 2017

Area	Code No.	Target Disease	Phase of Clinical Trials: Phase 1	Phase 2	Phase 3	Filed
Bone and joint disease	ITM-058	Osteoporosis				
	KTP-001	Lumbar disc herniation				
Respiratory disease	PTR-36	Bronchial asthma				
Cardiovascular and metabolic disease	TMX-67TLS	Tumor lysis syndrome				
	TMX-67 (PRC)	Hyperuricemia and gout				
	ITM-014N	Gastro-entero-pancreatic neuroendocrine tumors				
	STM-279	ADA deficiency				
	VRS-317	Pediatric growth hormone deficiency (GHD)				
	TMG-123	Type 2 diabetes				
	TMX-049	Hyperuricemia and gout				
	TMX-049DN	Diabetic nephropathy in Type 2 diabetes				
Others	GGS-ON, -MPA, -CIDP	Optic neuritis, Microscopic polyangiitis, Chronic inflammatory demyelinating polyneuropathy				

▶ Pharmaceuticals

Sales of febuxostat, a treatment for hyperuricemia and gout, have been increasing steadily worldwide. Aiming to maximize earnings from febuxostat, we will work to raise disease awareness based on clinical research and to boost recognition of the importance of treatment. We will also strive to provide patients with a wider range of choices through new formulations. Examples include an oral jelly and an intravenous drip of the osteoporosis treatment *Bonalon*, and *Mucosolvan* L Tablet 45 mg, a novel reduced-sized tablet-form version of the sustained-release expectorant *Mucosolvan*. Efforts are also being made to expand sales of the transdermal anti-inflammatory analgesic patch formulation *LOQOA* Tape.

In drug discovery research, we are working to expand drug discovery fields. Specifically, we are conducting R&D activities focused on advanced medical materials based on the integration of materials and healthcare technologies, and also including areas such as nuclear receptor drug discovery, and macrocyclic and constrained peptide drug discovery. Another priority is to pursue regenerative medicine initiatives related to treatments for neurological diseases. We will also maximize value by promoting alliances on a global scale. For example, in December 2016, we entered into a collaboration and license agreement with Amgen Inc. of the U.S. regarding research and development of new therapeutic agents for kidney diseases and disorders. In addition, we entered into a worldwide license agreement with Merck & Co., Inc. for the development, manufacture and commercialization of an investigational preclinical antibody candidate targeting tau protein for a possible treatment of Alzheimer's disease.

▶ Home Healthcare

In CPAP ventilators for the treatment of SAS, we will strengthen *NemLink* functions for monitoring treatment conditions, expand sales of *SLEEPMATE10*, a model featuring a built-in heater-humidifier, and improve our ability to respond to patient needs by capitalizing on our home healthcare call centers.

In therapeutic oxygen concentrators for HOT, we will develop relationships with general practitioners and strengthen monitoring functions for signs of exacerbation and other parameters. We will also strive to further boost rental volume by enhancing and expanding the lineup of portable oxygen concentrators as well as achieving the same for non-portable oxygen concentrators.

VitalLink is a multidisciplinary collaboration and information sharing system used by medical professionals as a tool to support comprehensive community healthcare. We have been steadily expanding sales of *VitalLink* by making progress on signing agreements with general practitioners through medical associations, in addition to signing agreements directly with primary care physicians.

IT

R&D

IT Business Group

Market Presence & Business Opportunities

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

Surpassed 1 million subscribers

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

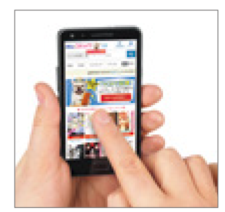
With Infocom Corporation at the core, we are engaged in Business Solutions (B2B) and the Digital Entertainment (B2C). With our Business Solutions (B2B), we provide corporate, medical, and public institutions with high value-added services, leveraging our know-how and development technology in the medical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

Fiscal 2016 Performance

Growth in sales of the *MECCHA COMICS* e-comics distribution service

In Business Solutions, specifically in the healthcare business, we bolstered sales of medical information systems including the *iRad* radiology imaging software. At the same time, we are taking steps to expand into the nursing care field. Notably, we began providing monitoring services using IoT and a nursing care recordkeeping system.

In Digital Entertainment, we posted a steady performance, mainly due to steady growth in sales of *MECCHA COMICS*.



Medium- and Long-Term Strategies

"We will contribute to social innovation by harnessing advances in ICT, thereby raising our market presence."

Norihiro Takehara
General Manager,
IT Business Group

Accelerate Growth in the e-Comics Business and Healthcare-Related Business

Smartphones and tablets are now spreading rapidly among the public. Besides general consumers, corporations, healthcare providers, and public institutions have also been making greater use of smartphones and tablets. In this environment, **we have positioned the e-comics business and the healthcare-related business as priority businesses, and we are strengthening our competitiveness and expanding the content of our operations.**

In Business Solutions, specifically the healthcare-related field, we are working to strengthen the functionality, improve the quality and bolster the competitiveness of existing services for hospitals and pharmaceutical companies. At the same time, we are driving business expansion in the comprehensive community healthcare and nursing care. For example, we are building networks that will support the development of comprehensive community healthcare and are creating new IoT-driven services that will realize higher efficiency at medical and nursing care sites.

In Digital Entertainment, we are working to further popularize *MECCHA COMICS* by airing TV commercials in major urban areas across Japan. Concurrently, we aim to capture the top share of the market by enhancing user satisfaction. Measures include using AI technology to improve quality and strengthen security, supporting vertical scroll reading, and enhancing exclusive pre-release distribution and content.

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

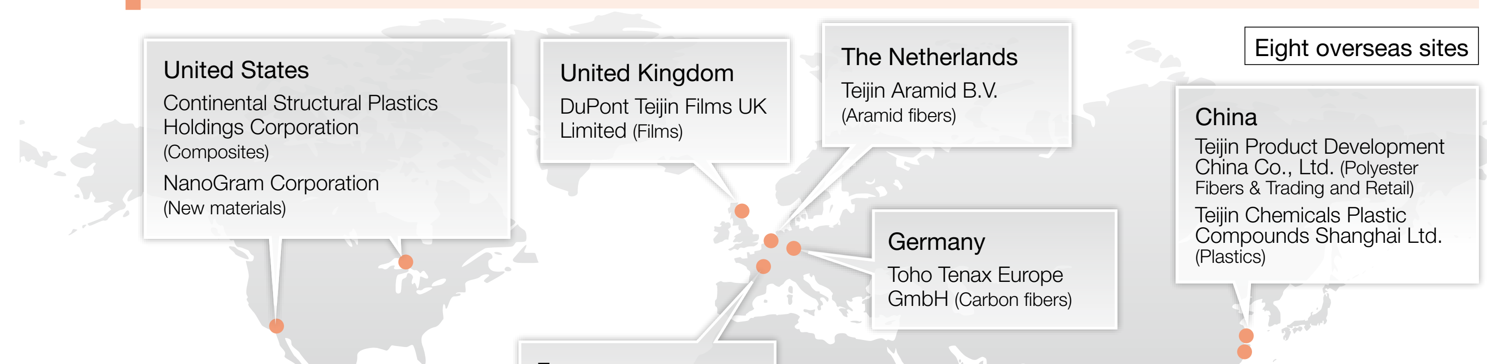
Research and Development Strategy

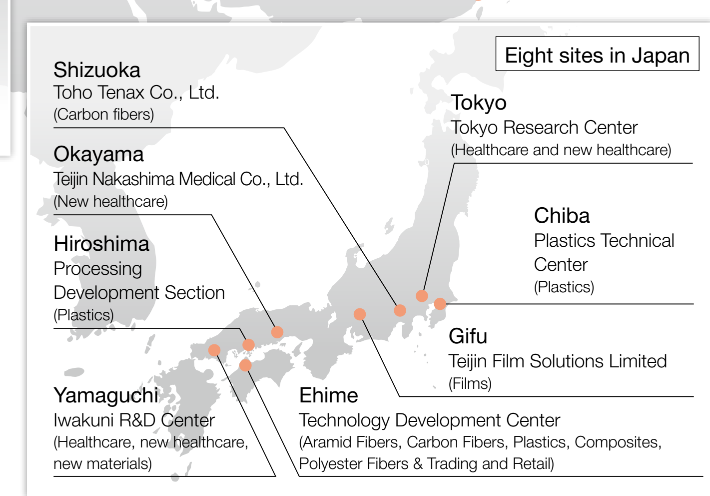
The Teijin Group has embraced a long-term vision laid out as follows: "Teijin aims to be an enterprise that is essential to tomorrow's society by continuously creating new value." To realize its aspirations for the Group ten years from now, Teijin is advancing research and development from a global perspective.

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

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

Research and Development Sites





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

(As of March 31, 2017)

Investment in Research and Development

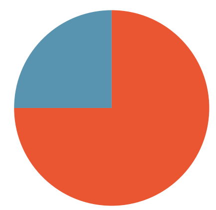
Teijin's policy is to continuously allocate approximately 5% of net sales to R&D. Under this policy, we intend to effectively allocate resources to R&D with an emphasis on core priority fields.

In fiscal 2016, ¥35.4 billion was spent on R&D, up ¥2.1 billion compared to the previous fiscal year.

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

Fiscal 2017 Allocation Plan

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



Fostering R&D Personnel

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

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

Open Innovation

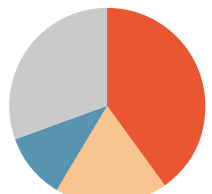
Teijin has embraced an open innovation strategy to strengthen partnerships with researchers both within and outside the Company, in an effort to spur R&D activities aimed at creating new businesses. This is not confined to being only within R&D conducted in the Teijin Group. We are undertaking joint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

Intellectual Property Strategy

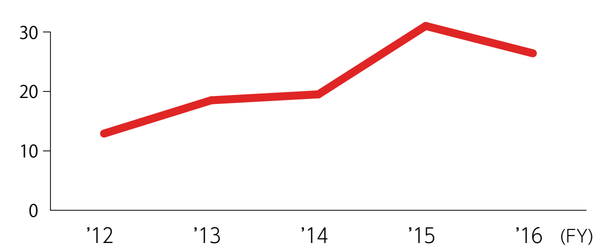
Teijin is strengthening its execution of intellectual property activities from a strategic perspective, with a view to advance integrated management of business, technology and intellectual property strategies. In addition, we will continue to push ahead with initiatives to increase overseas patent applications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

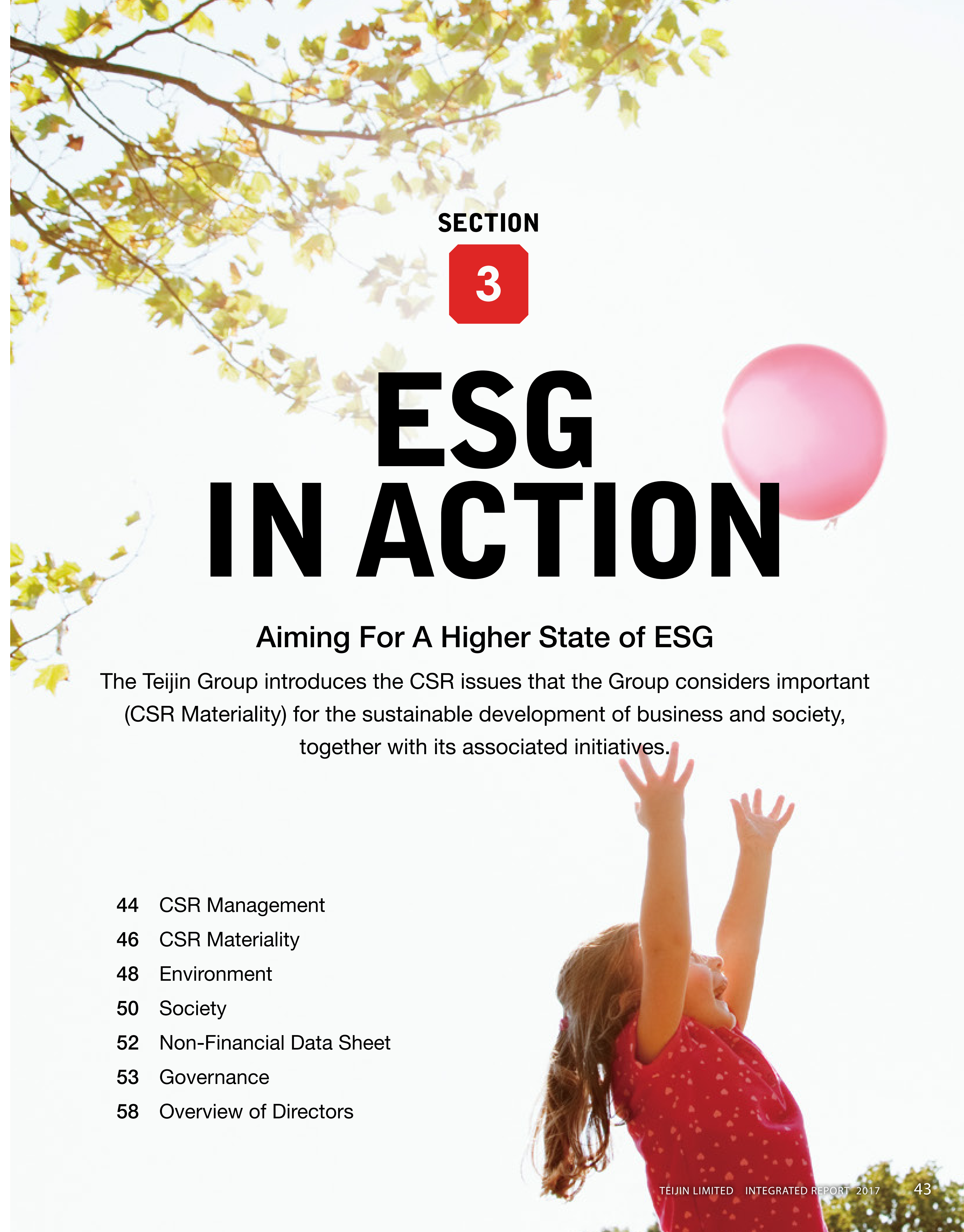
Patent Applications in Japan in Fiscal 2016

Advanced Fibers and Composites	120
Electronics Materials and Performance Polymer Products	55
Healthcare	32
New Businesses and Others	91
Total	298



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





SECTION 3

ESG IN ACTION

Aiming For A Higher State of ESG

The Teijin Group introduces the CSR issues that the Group considers important (CSR Materiality) for the sustainable development of business and society, together with its associated initiatives.

CSR Management

Message from the Chief Social Responsibility Officer

The Teijin Group leverages its CSR perspective to be "an enterprise that is essential to tomorrow's society."

Just what is CSR? Teijin has clarified it simply as (1) having a keen understanding of society's requirements and expectations, (2) objectively ascertaining our own capabilities and possibilities, (3) identifying opportunities and risks in light of both (1) and (2), and (4) taking opportunities to challenge and dealing with risks to realize sustainable business and social development. We are working to disseminate this awareness of CSR.

We have been looking at social issues alongside the Teijin Group's strengths to identify our very core priority fields in environmental, social, and governance areas that we should focus on in our medium-term management plan for 2017–2019. While utilizing a CSR perspective, holding numerous dialogues with various stakeholders, and appropriately responding to diverse risks, we contribute to society through our business. By practicing CSR in this way, we will earn society's credence and approval. That, in turn, will bring pride to us and motivate us for further initiatives. We aim to make this virtuous circle a reality and become "an enterprise that is essential to tomorrow's society."

Chief Social Responsibility Officer Nobuyuki Takakura

CSR Materiality and SDGs

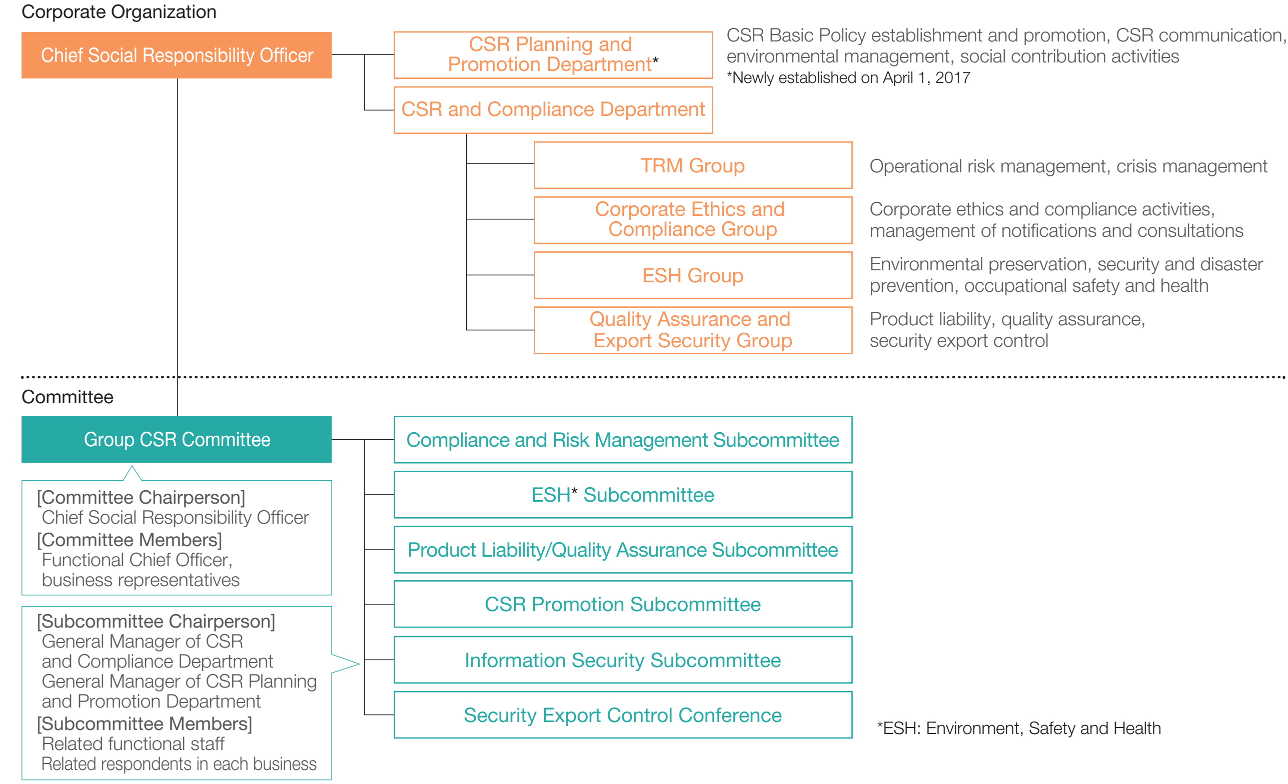
As a member of global society, the Teijin Group is contributing to achievement of the sustainable development goals (SDGs), which are the goals in 17 fields that all members of the United Nations will tackle by 2030. We refer to the social issues shown by the SDGs in identifying CSR Materiality (key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

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

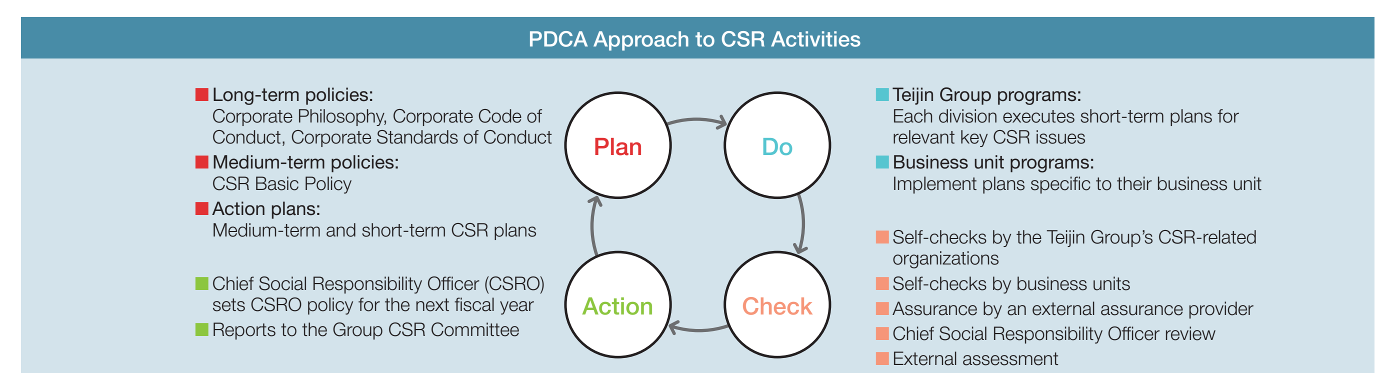
CSR Management System (as of April 1, 2017)

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

The Group CSR Committee meets biannually to discuss and promote actions on key Group-wide CSR issues and initiatives. In fiscal 2016, it debated topics including additional CSR Materiality and newly identified CSR procurement as CSR Materiality. Subcommittees of the Group CSR Committee take the lead in advancing steps addressing each CSR Materiality issue identified.



Every February, the Chief Social Responsibility Officer reviews the CSR activities of business groups and Group companies. The review focuses on achievements of activities related to areas such as compliance and risk management, as well as verifying whether there were any material legal violations, incidents, or accidents. In fiscal 2016, none of the major incidents or accidents reported to the CEO and/or Chief Social Responsibility Officer were severe.



CSR Materiality

CSR Materiality of the Teijin Group

Aiming for the sustainable development of our business and society, the Teijin Group identified the following CSR Materiality from within a variety of issues related to corporate social responsibilities, and is advancing CSR management that is integrated with our business strategies. In fiscal 2016, Teijin newly identified CSR procurement as CSR Materiality, as well as the following areas as core priority fields for its new medium-term management plan: areas that can be captured as business opportunities by leveraging its strength, and areas that will strengthen its management base.

		Environment	Society	Governance
Core priority fields (medium-term management plan)	Capture business opportunities	● Environmental value solutions (➡P22~, 34)	● Safety, security and disaster mitigation solutions (➡P35) ● Demographic change and increased health consciousness solutions (➡P28~, 38・39)	
	Strengthen the management base	● Reduction of environmental impacts (➡P48・49)	● Diversity (➡P50・51)	● Corporate governance (➡P53~)
Fields requiring continuing efforts	Enhance the management base	● Conservation of biodiversity	● Information security ● Product liability/Quality assurance ● Disaster prevention activities ● Occupational safety and hygiene ● CSR procurement	● Corporate ethics and compliance ● CSR communication

Process of Identifying CSR Materiality

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

STEP 1 Grasp and screen
The Teijin Group has positioned as fundamental the issues that the Teijin Group is already working on, and also Creating Shared Value (CSV) issues that were identified as business opportunities in line with management strategies. These issues are then cross-checked against social issues indicated in relevant international documents such as the ISO 26000 guidance on social responsibility, Global Reporting Initiative (GRI) Guidelines, the United Nations (UN) Global Compact, the UN's sustainable development goals (SDGs), and the Paris Agreement on climate change, and evaluation items of major socially responsible investment (SRI) indices, to grasp and screen CSR issues.

STEP 2 Analyze materiality
The screened CSR issues are analyzed and mapped two-dimensionally, with importance of the CSR issues to the Teijin Group in ascending order along the horizontal axis, and impact on stakeholders in ascending order along the vertical axis.

STEP 3 Select material CSR issues
From the issues analyzed in STEP 2, we select those issues which have a high importance to the Teijin Group and a high degree of impact on stakeholders.

STEP 4 Dialogues with external experts
We conduct dialogues with external experts about the Teijin Group's process of identifying CSR Materiality and the selected issues.

STEP 5 Identify CSR Materiality
The Group Management Committee deliberates, confirms, and identifies the Teijin Group's CSR Materiality.

Review

STEP 2 Analyze materiality

(vertical axis)

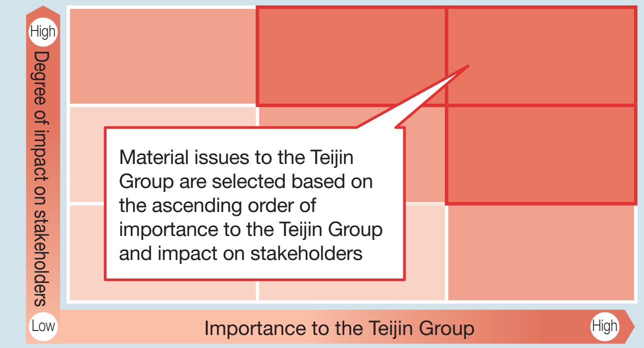
Method for determining impact on stakeholders

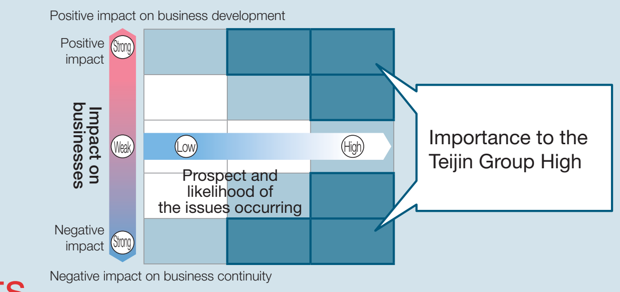
Stakeholders are categorized into (1) shareholders and investors, (2) employees, (3) customers, (4) suppliers, and (5) local residents. The ascending order of degree of impact on stakeholders is determined by whether a CSR issue is of particular interest to each stakeholder category and then tallying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

(horizontal axis)

Method for determining degree of importance to the Teijin Group

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 4 Dialogues with external experts

We are proactively adopting viewpoints from outside the Company by having dialogues with external experts (March 2017). We have got valuable opinions from a wide range of perspectives, including expectations for the future, not just about the establishment of materiality.

Hidemi Tomita,
Director, Lloyd's Register Japan K.K.

Clarifying how the material issues relate to business raises awareness to resolve social issues.

Nowadays, determining how companies can contribute to social issues through their technological capabilities, new business, and so forth is a major priority. Teijin's new medium-term management plan sets out three types of solutions and a roadmap for that. In particular, I think it is fantastic that Teijin has clarified its approach to social issues. Furthermore, where each business unit comes into play is also clear. For employees as well, I think that making the results of the initiatives visible both heightens sensitivity to CSR thinking and can also be tied to value creation.

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

Next step is to diversify storytellers

I learned from the latest round of dialogue that Teijin's initiatives are making headway and becoming broader in scope. I think the next step is to diversify our storytellers. Teijin's board members are clearly very conscious of CSR. However, I think it will be important going forward to further visualize its dissemination among employees and to aim to re-entrench CSR thinking. For example, I think traveling around within the company to communicate directly with a group of mainly young employees to spread the word about CSR and incorporating fresh opinions would be effective. This is because a decade or two down the line, today's younger generation will be supporting Teijin.

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

It is important that employees really feel their activities are contributing to sales.

Fostering consciousness about resolving social issues is not something that can be taught. For example, it is important that front-line employees can really get a sense for things like how to tie an eco-product that they have developed to sales and profits. Working environmental and social issues into the targets for product and technology development also leads to higher motivation at worksites. When people take the initiative to think about what they can do themselves, an array of opportunities arise and business units can get the message out about what kinds of developments and innovations are needed. I think making that happen is what fostering consciousness is all about.

Reduction of Environmental Impact

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

Basic Stance

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

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

Environmental Management and Reduction of Environmental Impact

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

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

■ Environmental Impact during Manufacturing in FY2016 by Input/Output ★

★…Items for independent assurance

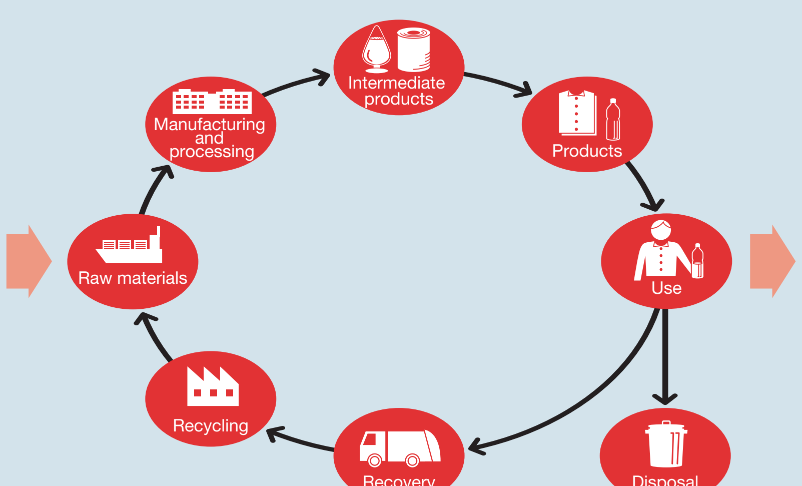
INPUT

Energy*1
23.9×10⁶ GJ

Chemical substances handled
0.435 million tons

Freshwater consumption
77 million tons

Seawater consumption
20 million tons



OUTPUT

CO_2
1.52 million tons

Chemical substances
1,453 tons

Waste with no effective use
4,082 tons

Water discharged
90 million tons

*1 Energy is calculated according to the coefficients specified in the Act on the Rational Use of Energy. We deduct the amount of energy sold to other companies.

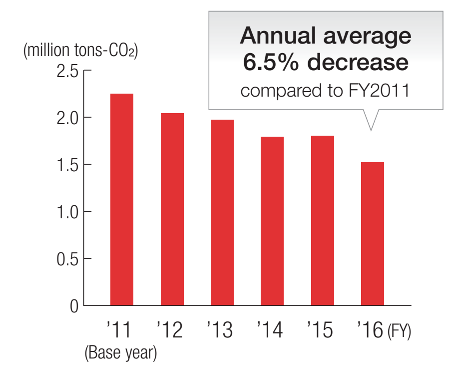
Climate Change Initiatives	Reducing Chemical Substance Emissions	Management and Reduction of Waste

■ Environmental Impact Reduction Targets for FY2012–FY2020

Greenhouse Gas Emissions from Manufacturing Operations*1★	Emissions of Chemical Substances into the Environment*2★	Waste with No Effective Use*3★
Achieve CO_2 emissions reduction ratio of 1% or more per year (compared to the level in the base year in fiscal 2011)	By fiscal 2020, reduce by 80% or more (compared to fiscal 1998 level)	By fiscal 2020, reduce by 85% or more (compared to fiscal 1998 level)

Climate Change Initiatives

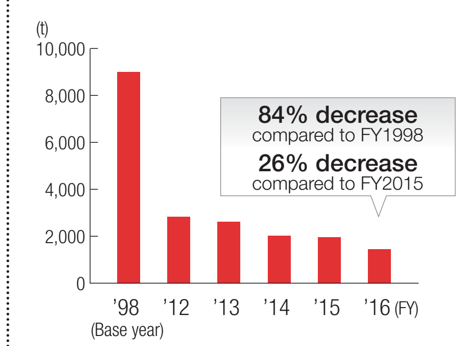
Fiscal 2016
1.52 million tons-CO_2



The Teijin Group is working to reduce its greenhouse gas emissions released during manufacturing, both in Japan and overseas. In fiscal 2016, we decreased CO_2 emissions by a fuel conversion of in-house power generation equipment at the Mishima Factory of Toho Tenax Co., Ltd. In addition the impact of the shutdown of the Singapore plant has been a reduction of CO_2 emissions.

Reducing Chemical Substance Emissions

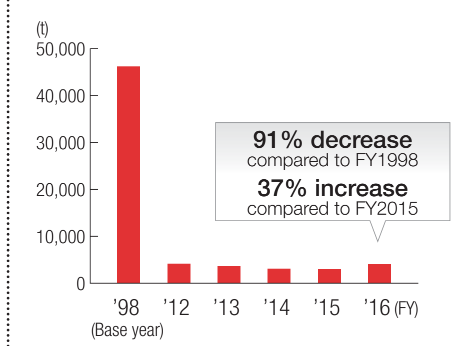
Fiscal 2016
1,453 t



We are actively committed to reducing emissions into the environment, covering 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.)

Management and Reduction of Waste

Fiscal 2016
4,082 t



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. In fiscal 2016, the amount of "waste with no effective use" was increasing due to temporary factors such as the launching of new production lines.

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

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

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

CLOSE - UP

Won EcoBalance Award

We earned the EcoBalance Award for Best Business Practices at the EcoBalance conference in Kyoto in October 2016. We received it for our Customer Benefit Model, a method for increasing benefits for customers including economic value and environment-friendliness, as well as for being an evaluation example of the environmental impact reduction of tire cords by using the model. We were highly commended for comparing with conventional products the two aspects of the effect of the CO_2 emissions reductions and the economic value over the entire life cycle from both the perspective of producers and users.

Diversity

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

Basic Stance

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

Promotion of Diversity

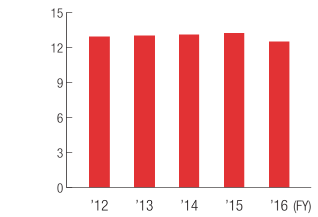
To utilize diversity of human resources as a driving force for enhancing competitiveness, the Teijin Group promotes diversity and inclusion as part of its management strategy. In particular, we focus on important issues, including the dissemination of a basic stance, the promotion of a variety of ways of working, the advancement of female employees in the workplace, and the promotion of the diversification of human resources.

Progress Promoting Diversity

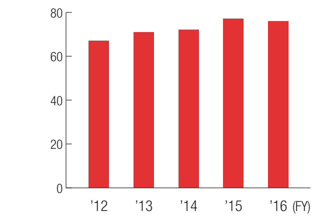
- 1999: Set up Female Employment Advancement Committee
- 2000: Established Female Employee Advancement Section
- 2001: ■ Set a target of 30% or higher ratio of newly recruited career-oriented female university graduates; ■ Introduced a re-employment system
- 2002: Started publishing the diversity handbook
- 2003: Started Women's Intensive Development program
- 2007: Renamed Female Employee Advancement Section Diversity Development Section
- 2008: Introduced a work-at-home system
- 2010: Extended the nursing care leave period to two years (730 days)
- 2011: Started the leadership training program in five regions worldwide
- 2012: ■ Started the Empower Women Advancement program; ■ Set a target of 10% or higher ratio of newly recruited career-oriented university graduates who are foreign nationals
- 2013: Held seminars and conducted a survey on balancing work and nursing care
- 2016: ■ Held training on intercultural communication; ■ Workshop on LGBT

Fiscal 2016 Results

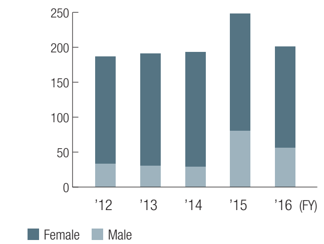
Average overtime hours*1 (hours/month)



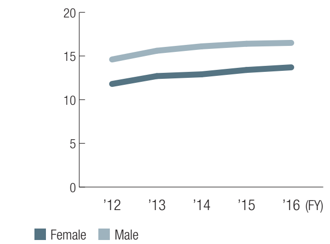
Ratio of annual taken paid holidays*1 (%)



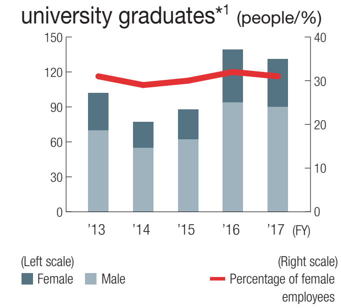
Number of employees taking childcare leave*1



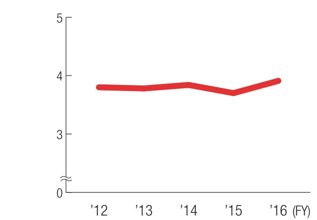
Average years at company*2 (years)



The number and ratio of newly recruited career-oriented female university graduates*1 (people/%)



Ratio of female employees in managerial positions*1 (%)



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

CLOSE-UP

SCEJ Award for Outstanding Women's Activity Won

At the 2016 awards sponsored by the Society of Chemical Engineers, Japan (SCEJ), the Teijin Group's Mie Kamiyama won the SCEJ Award for Outstanding Women's Activity. She received the award in recognition of her contribution to the development of melt spinning technology, made by exercising her talent as a female researcher and as a manager.

We will step up the promotion of workstyle diversity, women's advancement, and personnel diversity more than ever, aiming to realize an organization that fully demonstrates the abilities of diverse human resources with different values and experiences, in order to revitalize the organization and stimulate innovation. In addition to the above, we will newly set KPI from many different perspectives, and we will also promote and follow-up on the utilization of human resources directed at achieving these targets.

Diverse workstyles	Women's advancement		Personnel diversity
Work-at-home system utilization rate **50%**	Number of female executives **10+**	Managerial positions (Japan) 3 times more female managers than now; (Overseas) Ratio of female managers 33%	Number of foreign-national executives **12+**

Degree of Diversity Promotion, Examples of Indicators (Goals to be Achieved in 10 Years)

Diversity recognition rate **100%**

CLOSE-UP

The Teijin Group's LGBT* initiatives

To enliven the organization, encourage innovation, and raise competitiveness, the Teijin Group is taking its diversity promotion initiatives a step further. On the LGBT front, we are working toward proper understanding as well as recognition of the existence of LGBT people and acceptance of such individuals. We aim to be an enterprise where LGBT people feel free to come out but do not even need to as they are naturally recognized and accepted by others.

*An inclusive term for sexual minorities where L stands for lesbian, G for gay, B for bisexual, and T for transgender.

[Key initiatives] ○Revisions to Corporate Code of Conduct and Standards of Conduct ○Establishment of LGBT consultation services ○Start of ally (supporter) activities ○Training on LGBT issues ○System revisions, etc.

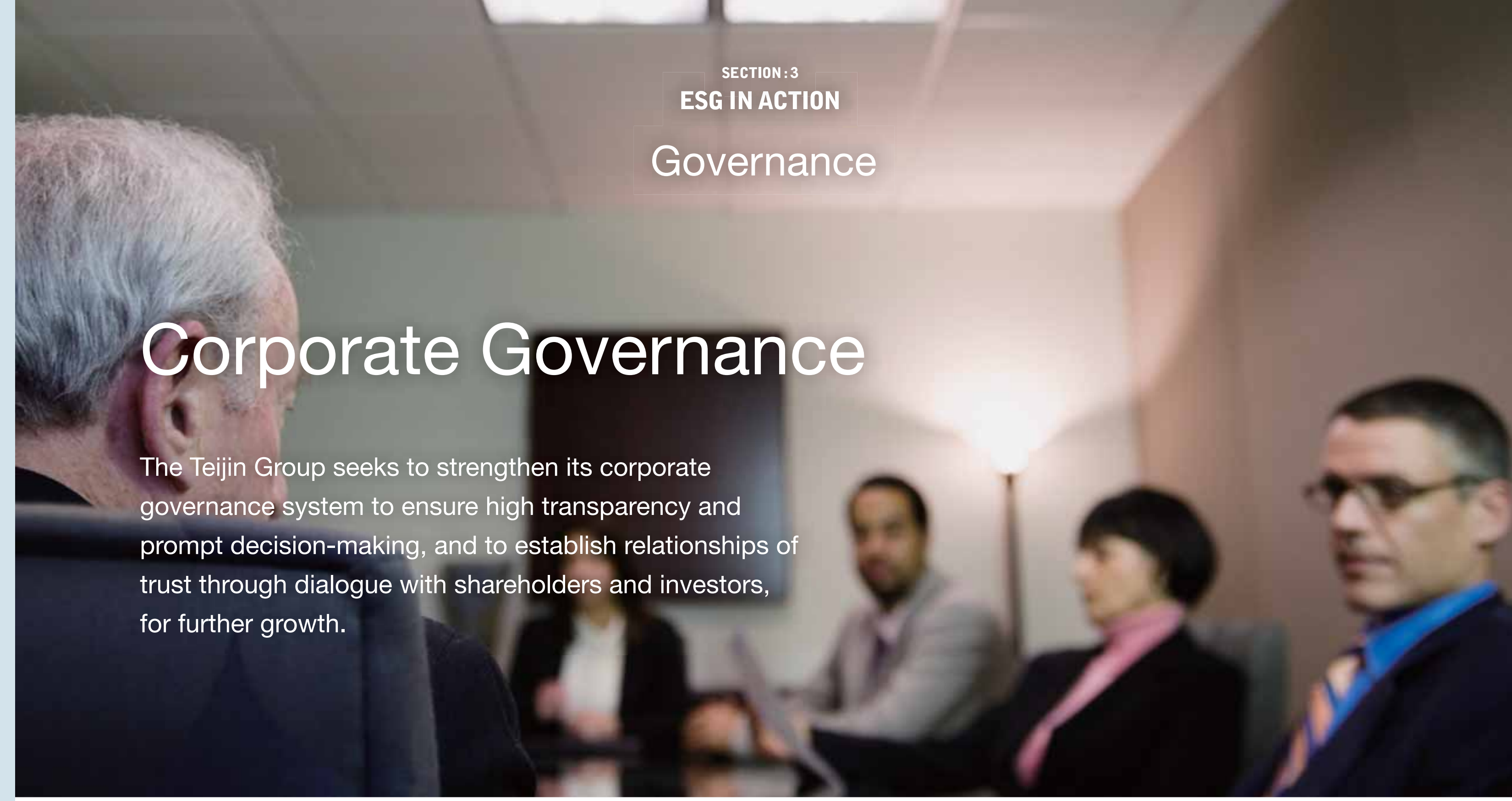
Non-Financial Data Sheet

We show key indicator data for a variety of CSR issues, including the reduction of environmental impact and diversity.
Please refer to the following site for detailed information such as other indicators and descriptions of the initiatives for each issue.
https://www.teijin.com/csr/

★…Indicators for independent assurance

Type of Issue		Indicator	Scope	Unit	FY2014	FY2015	FY2016
Governance Issues	Corporate Ethics and Compliance	Usage of the Consultation & Reporting System★	Japan	Number of cases	62	59	95
		Response rate of "Check Sheets to Survey All Employees at the Corporate Ethics Workshop"★	Japan	%	96	98	98
		Participation rate in Corporate Ethics Workshop for all employees★	Overseas	%	60	54	50
	Risk Management	Number of participants trained to use the emergency safety confirmation system★	Japan	People	13,842	11,993	11,803
Environmental Issues	Reduction of Environmental Impact	(Environmental input) Energy★	Worldwide	GJ	26.9×10^6	28.3×10^6	23.9×10^6
		(Environmental input) Chemical substances handled★	Worldwide	(Million tons)	0.787	0.654	0.435
		(Environmental input) Freshwater consumption★	Worldwide	(Million tons)	81	83	77
		(Environmental input) Seawater consumption★	Worldwide	(Million tons)	46	39	20
		(Environmental output) CO_2★	Worldwide	(Million tons)	1.79	1.80	1.52
		(Environmental output) Chemical substances★	Worldwide	Tons	2,029	1,956	1,453
		(Environmental output) Waste with no effective use★	Worldwide	Tons	3,086	2,978	4,082
		(Environmental output) Water discharged★	Worldwide	(Million tons)	116	111	90
		COD/BOD load*1★	Worldwide	Tons	538	595	421
		SOx emissions★	Worldwide	Tons	3,100	3,000	2,600
Social Issues	Human Resources Management and Labor CSR	Average overtime per month for employees★	5 Group companies in Japan	Hours per month	13.1	13.2	12.5
		Ratio of annual taken paid holidays★	5 Group companies in Japan	%	72	77	76
		Number of employees taking childcare leave★	5 Group companies in Japan	People	193	248	201
		Number of employees taking childcare leave (male)★	5 Group companies in Japan	People	29	80	56
		Number of employees taking nursing care leave★	2 Group companies in Japan	People	4	3	2
		Number of employees taking volunteer leave★	2 Group companies in Japan	People	8	8	8
		Average years at company (male)★	Japan	Year	16.1	16.4	16.5
		Average years at company (female)★	Japan	Year	12.9	13.4	13.7
		Ratio of newly recruited career-oriented female university graduates*2★	5 Group companies in Japan	%	30	32	31
		Ratio of female employees in managerial positions (equivalent of section manager or above)★	5 Group companies in Japan	%	3.84	3.70	3.91
		Number of employees rehired through re-employment systems (systems enabling employees to continue work after retirement)*3★	Japan	People	90	182	108
		Number of employees with disabilities*4★	Japan	People	242	246	225
	Disaster Prevention Activities	Number of serious accidents and disasters (Explosions/fires)★	Worldwide	Number of cases	0	0	0
		Number of serious accidents and disasters (Leaks/spills/other)★	Worldwide	Number of cases	0	0	0
	Occupational Safety and Health	Lost time injury frequency rates*5★	Worldwide		0.18	0.28	0.27
		Environmental preservation investments★	Worldwide	(Billions of yen)	0.7	5.9	1.6
		Safety and disaster prevention, and health investments★	Worldwide	(Billions of yen)	1.2	1.4	1.4
		Environmental preservation expenses★	Worldwide	(Billions of yen)	8.5	6.2	5.2
		Safety and disaster prevention, and health expenses★	Worldwide	(Billions of yen)	2.2	2.1	2.1
	CSR Procurement	Breakdown of suppliers by rating (for Groups I-III*, designated as "Okay to continue business")★	Japan	%	98	99	87
		Breakdown of purchase value by rating (for Groups I-III*, designated as "Okay to continue business")★	Japan	%	96	96	99
	Social Contributions	Expenses of social contribution activities★	Worldwide	(Billions of yen)	1.04	0.94	0.89
		Number of employees	Worldwide	People	15,780	15,756	19,292

*1 Calculated based on wastewater discharged into rivers, oceans and lakes. COD data is used in cases where both COD and BOD data are available.
*2 The number of newly recruited career-oriented university graduates is calculated based on the number of newly recruited career-oriented university graduates scheduled to join the Company in the next fiscal year.
*3 Figures refer to the number of employees newly rehired through re-employment systems in each fiscal year.
*4 Figures as of April 1, 2015, 2016 and 2017. Calculated for companies that are required to hire employees with disabilities.
*5 The lost time injury frequency rate is the number of lost time injuries per one million work hours (calculated based on calendar years).
*6 The 2 Group companies in Japan in the table are Teijin Limited and Teijin Pharma Limited. The 5 Group companies in Japan that are targeted are Teijin Limited, Toho Tenax Co., Ltd., Teijin Pharma Limited, Teijin Frontier Co., Ltd., and Infocom Corporation.



Corporate Governance

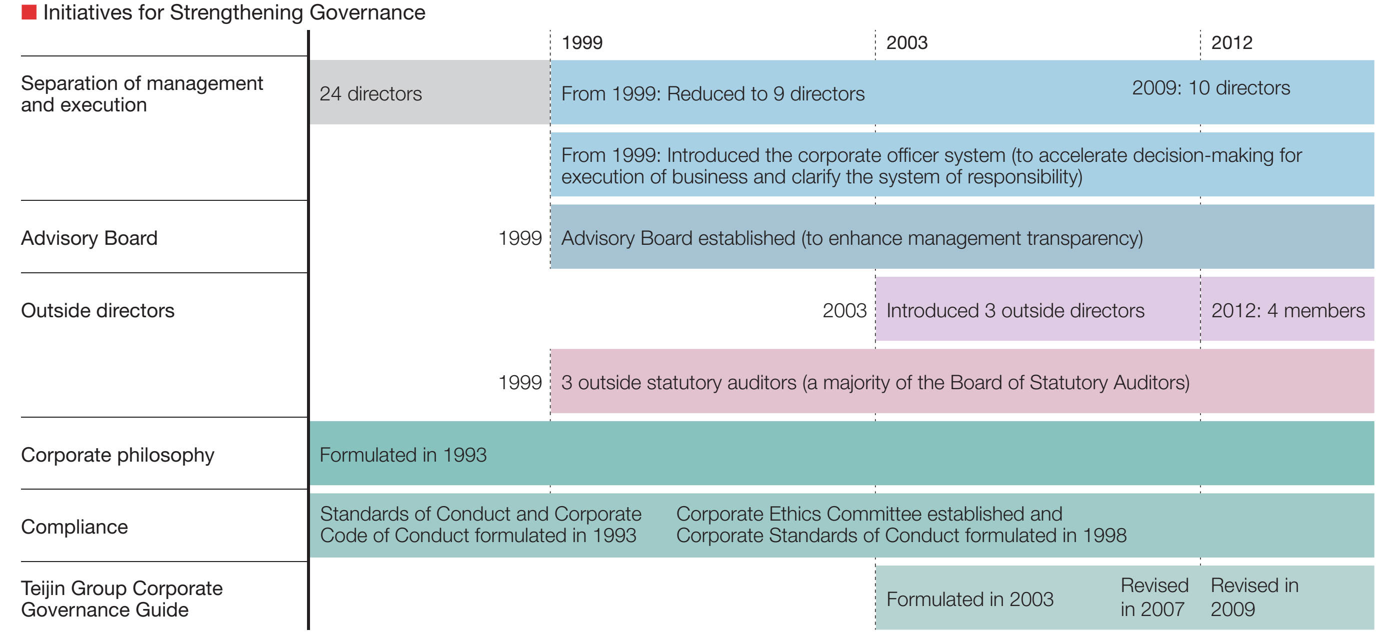
The Teijin Group seeks to strengthen its corporate governance system to ensure high transparency and prompt decision-making, and to establish relationships of trust through dialogue with shareholders and investors, for further growth.

Basic Philosophy

The Teijin Group recognizes that its basic mission as a company is to ensure sustainable growth in shareholder value. On this basis, to fulfill our responsibilities to 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.

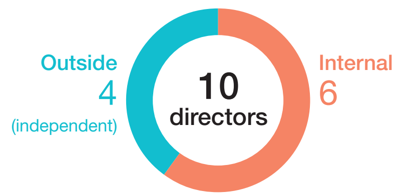
■ Initiatives for Strengthening Governance



■ Overview of the Corporate Governance System

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

■ Board of Directors

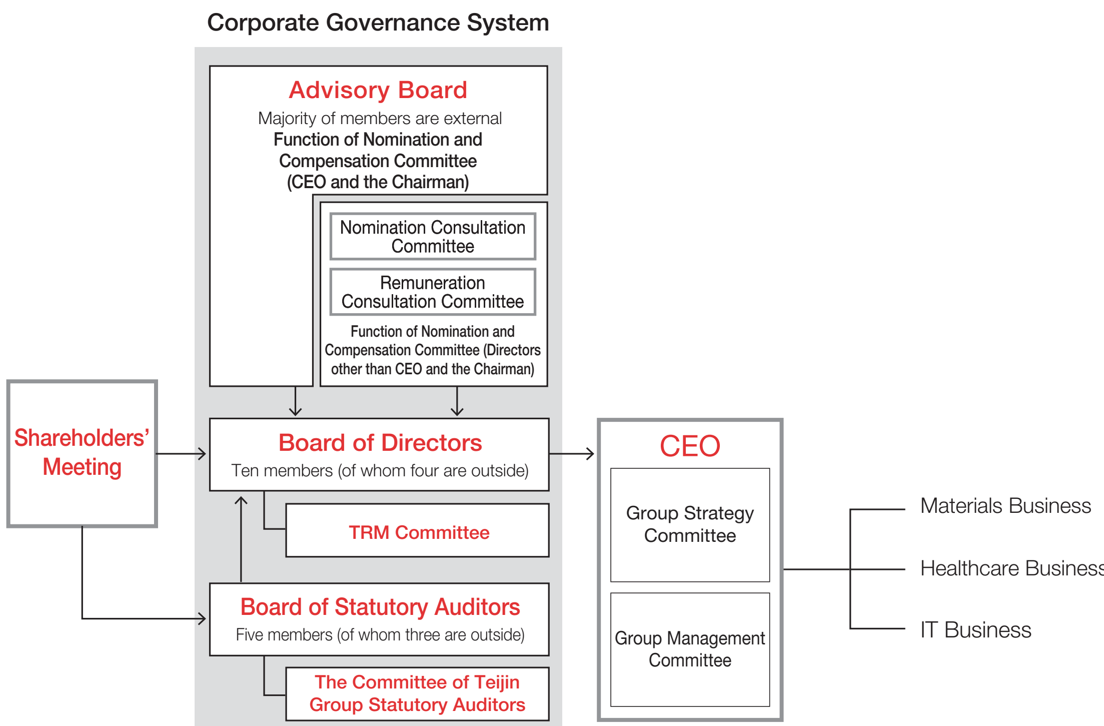


No. stipulated in Articles of Incorporation .. Up to 10
Term .... 1 Year
Chairman of the Board of Directors .... Chairman
(or, in the absence of a chairman, the senior advisor or an outside director)

■ Board of Statutory Auditors

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

The Teijin Group's Corporate Governance System (As of April, 2017)



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 front-line management and monitoring/supervising. The main goal of the Board of Directors is to maximize shareholder value each fiscal year and over the medium and long-term. At the same time, it must pay close attention to the position of stakeholders other than the shareholders. The Board of Directors must also deliberate, determine, and approve any management policies, and the overall plans of the entire Teijin Group, and any other items required by law or other regulations. Furthermore, the Board of Directors is responsible for ensuring accountability. It must also clarify its policies on compliance and how to manage risks surrounding the Teijin Group, and supervise those implementations.

Advisory Board

The Advisory Board is a consultative body to the Board of Directors. It is comprised of five to seven outside 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 it 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 has 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 risks, while the CEO is directly in charge of management strategy risks. The CEO chairs the TRM Committee, whose members are the CSRO and other chief officers assigned by the CEO. The Board of Directors deliberates and determines TRM basic policies and annual plans that are proposed by the TRM Committee, as well as managing significant risks for the Teijin Group, supporting business continuity.

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. 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 statutory auditors, the committees ensure a rapid and highly transparent decision-making process.

Advisory Board (As of July 2017)

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

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

■ Advisory Board Members

Chairman, Member of the Board, Teijin Limited	Shigeo Ohyagi (Board chairman)
Special Assistant to the Minister for Foreign Affairs	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

■ Primary Agenda Items

May 2017

- Report on the Medium-Term Management Plan (Fiscal 2017–2019) and the Fiscal 2017 Short-Term Management Plan
- CEO succession plan
- Deliberations on the performance review and remuneration of the CEO in the previous fiscal year
- Deliberations concerning the CEO's targets for the new fiscal year

Outside Directors and Outside Statutory Auditors

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

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

Independent Director and Independent Statutory Auditor Requirements (Overview)

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

Director Compensation

Compensation for directors is based on consolidated ROA, with consideration also given to consolidated ROE and operating income—specifically to whether targets have been met and improvements seen from the previous year—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.

* Began implementation under a new system governing remuneration for Teijin Group directors, statutory auditors and corporate officers from fiscal 2017.

■ Compensation for Directors in Fiscal 2016

(Millions of yen)

Position	No. of people	Compensation amount
Director	11*1	475
Of which, outside directors	5	57
Statutory auditor	6*2	89
Of which, outside statutory auditors	3	32

*1 The number of salaried directors includes one director who retired in fiscal 2016.
*2 The number of salaried statutory auditors includes one statutory auditor who retired in fiscal 2016.

Investor Relations Activities

The Teijin Group behaves as a company that takes requests from shareholders and society into consideration to achieve a higher degree of accountability. Under the charge of the Chief Financial Officer, we conduct investor relations activities including information disclosure and communication with shareholders and investors. 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.

■ Main Investor Relations (IR) Activities in Fiscal 2016

Activity	Details
Presentations for analysts and institutional investors	Presentations were held every quarter. A presentation on our medium- to long-term strategy was also held. (Fiscal 2016 result: Held 5 presentations in total)
Presentations for overseas institutional investors	The CEO or CFO visited overseas investors and held individual meetings (three times). Apart from this, the CEO or CFO actively participated in conferences held by securities firms (three times).
Presentations for individual investors	Teijin proactively participated in presentations for individual investors organized by securities firms and other parties (ten times). Moreover, at management presentations held every year for individual shareholders, the CEO explains management policies and provides an overview of business operations.
Disclosure of IR materials on website	When quarterly earnings and medium-term management plans are announced, Teijin simultaneously publishes related materials on its website in both Japanese and English. Materials for individual investor presentations and other events are also published on the website. (Japanese: https://www.teijin.co.jp/ir/library/) (English: https://www.teijin.com/ir/library/)

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

	Name	Reason for selection	Advisory Board	Independent director / statutory auditors	Attendance at meetings of the Board of Directors and Board of Statutory Auditors in Fiscal 2016
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 based on the new medium-term management plan formulated in February 2017.	✓	☐	Attended 12 of 12 Board of Directors meetings
	Kazuhiro Yamamoto	Appointed for his knowledge and insight accumulated in the finance and accounting field and management strategies field, together with his business experience in the IT business field, of which we expect him to take full advantage. As CFO, head of the accounting administration field, and CIO, we expect him to put efforts into cost management, IR activities and the promotion of information strategies.	☐	☐	Attended 12 of 12 Board of Directors meetings
	Hiroshi Uno	Appointed for his business experience and insight accumulated in the healthcare business field, of which we expect him to take full advantage. As the Director Responsible for the Healthcare Business of the Teijin Group, we expect him to make efforts to expand the profits of the Healthcare Business, promote the transformation and growth strategy and work on inter-business integration.	☐	☐	Attended 12 of 12 Board of Directors meetings
	Yasumichi Takesue	Appointed for his knowledge and insight accumulated in the human resources and general affairs fields and the electric materials and performance polymer products fields, of which we expect him to take full advantage. As the Director Responsible for the Materials Business of the Teijin Group, we expect him to expand the profits of the Materials Business and put efforts into promoting the transformation and growth strategy.	☐	☐	Assumed the post in June 2017
	Yoshihisa Sonobe	Appointed for his knowledge and insight accumulated in the finance and accounting field and management strategies field, of which we expect him to take full advantage. As the Director Responsible for Corporate Strategy, Legal and Intellectual Property, and Global Strategy, we expect him to make efforts to plan strategies toward the achievement of the execution of restructuring initiatives and the promotion of transformation and growth strategies, which are our most important issues.	☐	☐	Attended 12 of 12 Board of Directors meetings
(Outside)	Yutaka Iimura	Appointed for his considerable knowledge and experience as a diplomat and his global perspective on business management, based on which we expect him to provide us with advice and recommendations on our 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, based on which we expect him to provide us with advice and recommendations on our business operations.	✓	✓	Attended 12 of 12 Board of Directors meetings
	Kenichiro Senoh	Appointed for his deep insight developed by serving as a director and committee member for many organizations, mainly in the industry and business fields, based on which we expect him to provide us with advice and recommendations on business operations.	✓	✓	Attended 12 of 12 Board of Directors meetings
	Fumio Ohtsubo	Appointed for his considerable business experience and deep insight developed as the president and chairman of a listed company, based on which we expect him to provide us with advice and recommendations on our business operations.	✓	✓	Attended 8 of 9 Board of Directors meetings
Statutory Auditors	Atsushi Mugitani	Appointed for his knowledge and insight accumulated in the finance and accounting field, together with his experience as general manager of the Internal Audit Department. Accordingly, we expect him to contribute to internal control.	☐	☐	Attended 12 of 12 Board of Directors meetings Attended 12 of 12 Board of Statutory Auditors meetings
	Noriaki Endo	Appointed for his business experience accumulated in the healthcare business field, together with his experience as CSRO and Supervisor of the Internal Audit Department. Accordingly, we expect him to contribute to internal control.	☐	☐	Attended 9 of 9 Board of Directors meetings Attended 9 of 9 Board of Statutory Auditors meetings
(Outside)	Nobuo Tanaka	Appointed for his deep insight and abundant experience developed in national government positions including within the Ministry of Economy, Trade and Industry, as well as international institutions such as the Organization for Economic Co-operation and Development, based on which we expect him to contribute to maintaining and enhancing corporate governance.	☐	✓	Attended 12 of 12 Board of Directors meetings Attended 12 of 12 Board of Statutory Auditors meetings
	Gen Ikegami	Appointed for his deep insight and abundant experience developed as a certified public accountant, based on which we expect him to contribute to maintaining and enhancing our corporate governance.	☐	✓	Attended 12 of 12 Board of Directors meetings Attended 12 of 12 Board of Statutory Auditors meetings
	Hitomi Nakayama	Appointed for her deep insight and abundant experience developed as a lawyer, based on which we expect her to contribute to maintaining and enhancing our corporate governance.	☐	✓	Assumed the post in June 2017

Overview of Directors

(As of July 2017)

Board of Directors

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

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

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 of Teijin Limited (incumbent), general manager of Corporate Strategy Office
- 2017 Chief Officer of Corporate Strategy, Legal and Intellectual Property, and Global Business Strategy (incumbent)

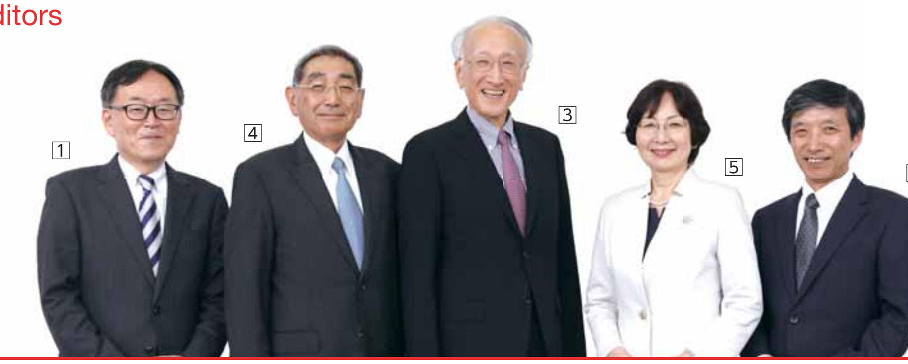
1 Independent Outside Director
Yutaka Iimura
- 1969 Joined Ministry of Foreign Affairs of Japan
- 2002 Ambassador of Japan in Indonesia
- 2006 Ambassador of Japan in France
- 2009 Special Envoy of the Government of Japan (Middle East, Europe)
- 2011 Member of the board of Teijin Limited (incumbent)
- 2014 Special Assistant to the Minister for Foreign Affairs (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 (incumbent)
- 2016 Member or Board of Teijin Limited (incumbent)

Statutory Auditors



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

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

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

4 Independent Outside Statutory Auditor
Gen Ikegami
- 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)

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

Chief Officers

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

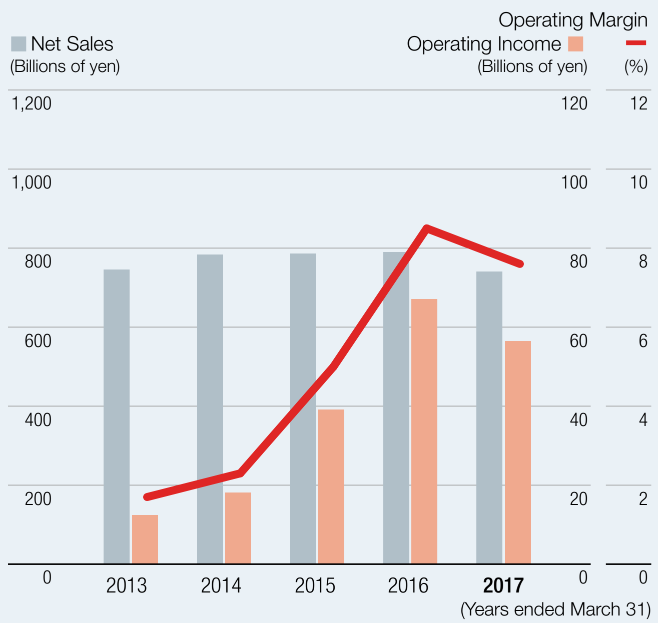
Business Group General Managers

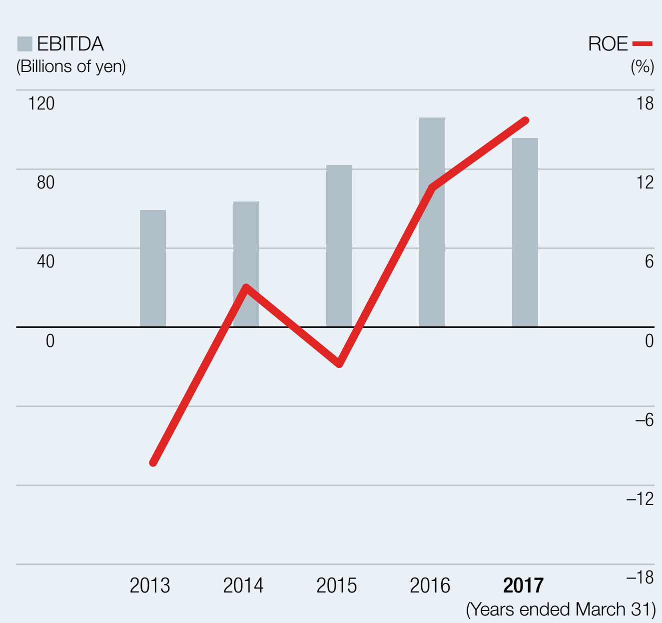
Material Business Group	Toshiya Koyama
Aramid Business Unit	Gert W. Frederiks
Carbon Fibers Business Unit	Shukei Inui
Resin & Plastic Processing Business Unit	Eiji Ogawa
Films Business Unit	Yoshihiro Nomi
Fibers & Products Converting Business Group	Shinji Nikko
Composites Business Unit	Akio Nakaishi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

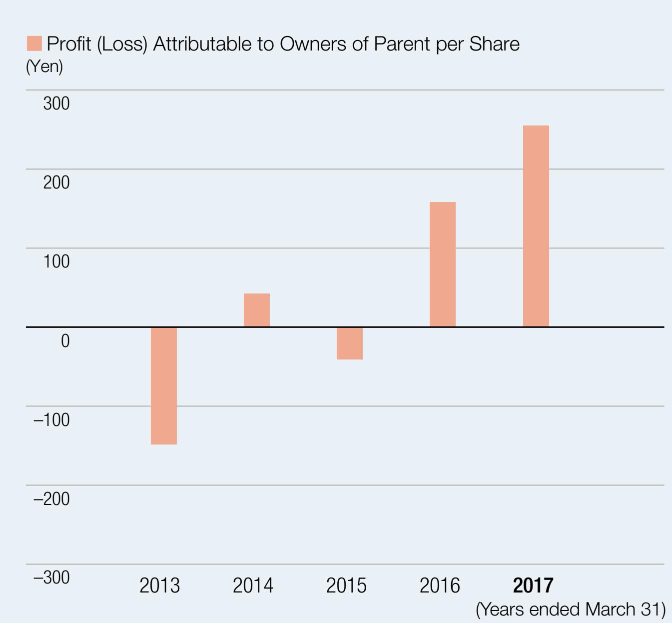
Financial Highlights and Consolidated 11-Year Summary

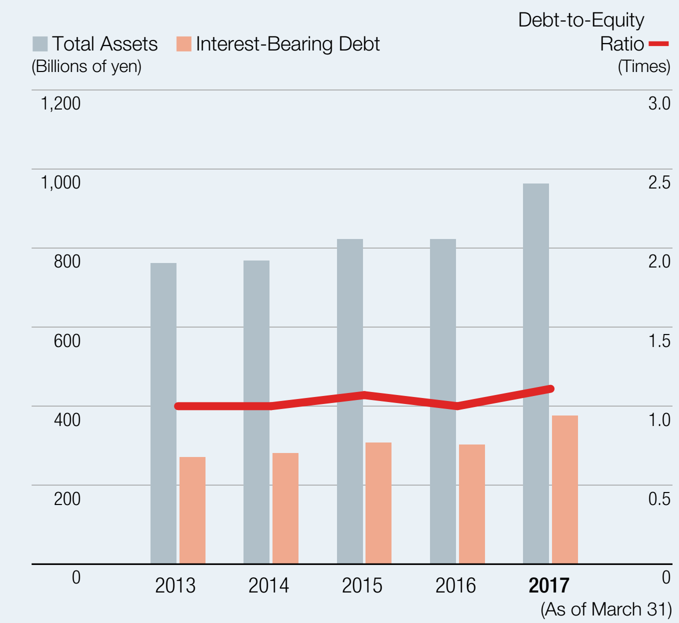
Years ended/as of March 31		2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	Millions of yen 2017	Percentage change	Thousands of U.S. dollars 2017
Operating Results	Net sales	¥1,009,586	¥1,036,624	¥ 943,410	¥765,840	¥815,656	¥854,371	¥745,713	¥784,425	¥786,171	¥790,748	¥ 741,292	−6.3%	$ 6,607,469
	Operating income	75,061	65,162	17,966	13,436	48,560	34,044	12,358	18,078	39,086	67,130	56,512	−15.8%	503,717
	Profit (loss) attributable to owners of parent	34,125	12,613	(42,963)	(35,684)	25,182	11,979	(29,131)	8,356	(8,086)	31,090	50,133	61.3%	446,858
Financial Position	Total assets	¥ 999,917	¥1,015,991	¥ 874,157	¥823,071	¥761,535	¥762,118	¥762,399	¥768,411	¥823,695	¥823,429	¥ 964,053	17.1%	$ 8,593,039
	Interest-bearing debt	295,480	325,245	361,342	320,285	267,400	261,034	270,765	281,524	308,246	303,298	376,218	24.0%	3,353,400
	Shareholders' equity	366,753	391,010	305,577	271,306	284,236	292,030	271,252	281,680	287,074	300,113	338,384	12.8%	3,016,160
Cash Flows	Cash flows from operating activities	¥ 96,456	¥ 53,740	¥ 40,392	¥ 80,433	¥ 77,132	¥ 53,669	¥ 64,305	¥ 38,587	¥ 76,030	¥ 80,641	¥ 79,040		$ 704,519
	Cash flows from investing activities	(87,065)	(79,218)	(116,304)	(33,437)	(27,745)	(35,165)	(37,868)	(47,279)	(49,624)	(40,323)	(127,650)		(1,137,802)
	Free cash flow	9,391	(25,478)	(75,912)	46,996	49,387	18,504	26,437	(8,692)	26,406	40,318	(48,610)		(433,283)
	Cash flows from financing activities	(19,074)	16,080	79,178	(42,949)	(42,063)	(14,123)	(12,606)	(7,902)	10,394	(8,317)	63,765		568,366
Major Indicators	ROE (%)	9.7	3.3	(12.3)	(12.4)	9.1	4.2	(10.3)	3.0	(2.8)	10.6	15.7		
	ROIC (based on operating income) (%)	11.4	9.3	2.6	2.1	8.5	6.3	2.3	3.4	7.1	12.7	10.0		
	EBITDA	129,070	127,829	85,330	75,315	104,971	86,348	59,234	63,742	82,116	106,024	95,843		854,292
												Yen		U.S. dollars
Per Share Data	Profit (loss) attributable to owners of parent	¥ 183.9	¥ 65.8	¥ (218.3)	¥ (181.3)	¥ 128.0	¥ 60.9	¥ (148.1)	¥ 42.5	¥ (41.1)	¥ 158.2	¥ 254.9		$ 2.27
	Shareholders' equity	1,975.9	1,986.4	1,552.5	1,381.2	1,444.0	1,483.5	1,380.0	1,433.1	1,460.4	1,526.2	1,720.1		15.33
	Cash dividends	50.0	40.0	25.0	10.0	25.0	30.0	20.0	20.0	20.0	35.0	55.0		0.49
												Millions of yen		Thousands of U.S. dollars
Other Data	Capital expenditure	¥ 75,698	¥ 84,641	¥ 75,806	¥ 36,314	¥ 29,249	¥ 32,294	¥ 36,261	¥ 30,182	¥ 28,098	¥ 38,341	¥ 46,224		$ 412,015
	Depreciation and amortization	54,009	62,668	67,364	61,879	56,410	52,304	46,877	45,664	43,030	38,894	39,331		350,575
	R&D expenses	35,097	36,282	37,630	33,356	31,483	31,845	33,184	32,234	32,366	33,285	35,417		315,688
	Number of employees	19,053	19,125	19,453	18,778	17,542	16,819	16,637	15,756	15,780	15,756	19,292		

Notes: 1. The U.S. dollar amounts represent translations of Japanese yen, for convenience only, at the rate of ¥112.19 to U.S.$1.00, the prevailing exchange rate at March 31, 2017.
2. Throughout this integrated report, return on equity (ROE) is calculated as net income divided by average shareholders' equity. The debt-to-equity ratio is calculated as interest-bearing debt at year-end divided by shareholders' equity at year-end. Shareholders' equity is calculated as total net assets at year-end, less subscription rights to shares at year-end and non-controlling interests at year-end.
3. Return on Invested Capital (ROIC) based on operating income is calculated as operating income divided by invested capital, while Earnings Before Interest, Tax, Depreciation and Amortization (EBITDA) is calculated as operating income plus depreciation and amortization. Invested capital is calculated as net assets plus interest-bearing debt, minus cash and deposits.
4. The Company consolidated its common shares at a ratio of 5 shares to 1 share on October 1, 2016. Accordingly, Per Share Data are calculated on the assumption that the consolidation of shares was conducted at the beginning of fiscal 2006.









Management's Discussion and Analysis

Summary

Operating Environment

Global economic conditions in fiscal 2016, ended March 31, 2017, tracked a gradual expansionary path as a whole, as developed countries centered on the U.S. drove firm growth, and the Chinese economy turned upward from the second half of the fiscal year due to economic stimulus measures. Meanwhile, the Japanese economy saw signs of improvement, including an upturn in business confidence in the manufacturing industry due to a recovery in exports and other factors despite sluggish growth in personal consumption.

Strategies in Action

In fiscal 2016, the final year of the revised medium-term management plan announced in 2014, 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. With this in mind, we steadily executed restructuring initiatives, in conjunction with maximizing profit for the period by expanding sales of core products and services. In parallel, we took steps to spur our further growth by investing actively in our transformation and growth strategies.

Operating Results

	Billions of yen		
Years ended March 31	2016	2017	Change
Net Sales	¥790.7	¥741.3	–6.3%

Net sales totaled ¥741.3 billion, a decrease of 6.3% year on year. This decrease was due in part to the impact of optimizing our production configuration associated with restructuring initiatives mainly in the resin business, in addition to the stronger yen in the first half of fiscal 2016, although sales were generally steady across all businesses on the whole.

	Billions of yen		
Years ended March 31	2016	2017	Change
Operating Income	¥67.1	¥56.5	–15.8%

Operating income decreased 15.8% to ¥56.5 billion, due in part to the impacts of foreign exchange movements, new drug licensing costs and downward revisions to Japan's National Health Insurance (NHI) drug reimbursement prices, despite efforts to steadily expand the earnings base by driving growth in existing businesses and executing restructuring initiatives.

	Billions of yen		
Years ended March 31	2016	2017	Change
Profit Attributable to Owners of Parent	¥31.1	¥50.1	61.3%

Profit attributable to owners of parent increased 61.3% to ¥50.1 billion, partly due to a large decrease in tax expense in conjunction with the adoption of tax effect accounting in connection with the withdrawal from the home healthcare business in the U.S.

	Billions of yen		
As of March 31	2016	2017	Change
Total Assets	¥823.4	¥964.1	17.1%

Total assets as of March 31, 2017 amounted to ¥964.1 billion, up 17.1% from the end of fiscal 2015. The increase in total assets was primarily the result of increases in fixed assets, including goodwill, and certain other items due to the completion of the acquisition of CSP in January 2017. There was also an increase in deferred tax assets in conjunction with the adoption of tax effect accounting following the withdrawal from the U.S. home healthcare business.

	Billions of yen	
Years ended March 31	2016	2017
Free Cash Flow	¥40.3	–¥48.6

Free cash flow was a negative ¥48.6 billion, with net cash and cash equivalents used in investing activities, such as the acquisition of CSP and purchase of other fixed assets exceeding net cash and cash equivalents provided by operating activities.

Years ended March 31	2016	2017
Key Indicators		
ROE	10.6%	15.7%
ROIC (based on operating income)	12.7%	10.0%
D/E Ratio	1.01 times	1.11 times

Return On Invested Capital (ROIC) decreased in line with the lower operating income and higher invested capital, while return on equity (ROE) improved dramatically, surpassing 15%, due to the increase in profit attributable to owners of parent. The debt-to-equity (D/E) ratio increased slightly, as an increase in interest-bearing debt surpassed an increase in shareholders' equity.

Tasks Ahead

In order to realize our long-term vision, we will steadily press ahead with the implementation of our growth strategies, and our transformation strategies, laid out in the new medium-term management plan announced in February 2017. Concurrently, we will work to strengthen our management system platform underpinning these strategies. In fiscal 2017, the first year of the plan, we will take concrete strategic actions to maintain and strengthen profitability in existing businesses, nurture and expand new businesses, and advance Head Office restructuring initiatives, with a view to accomplishing business portfolio transformation.

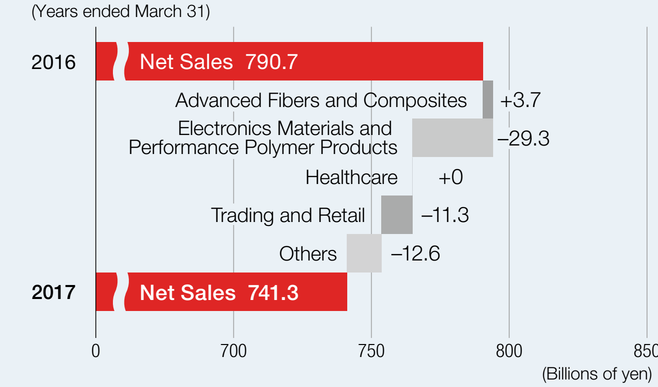
Results of Operations

Net Sales

Sales were generally steady across all businesses on the whole, but were impacted by the stronger yen in the first half of fiscal 2016. In addition, as part of our restructuring initiatives, we halted production at our Singapore plant in the resin business to optimize our production configuration. As a result, the Electronics Materials and Performance Polymer Products segment reported a steep decline in sales. Consequently, net sales decreased ¥49.5 billion, or 6.3% year on year, to ¥741.3 billion.

By region, there was a general decline in overseas sales due to the impacts of the abovementioned foreign exchange movements and restructuring initiatives. However, sales to the U.S. expanded by 16% year on year, mainly due to the completion of the acquisition of CSP in January 2017 and the consolidation of CSP from the fourth quarter. Meanwhile, domestic sales decreased 4%, mainly reflecting slowing growth in sales of textile materials and products due to a downturn in spending on apparel and inventory adjustments by customers.

Analysis of Net Sales
(Years ended March 31)

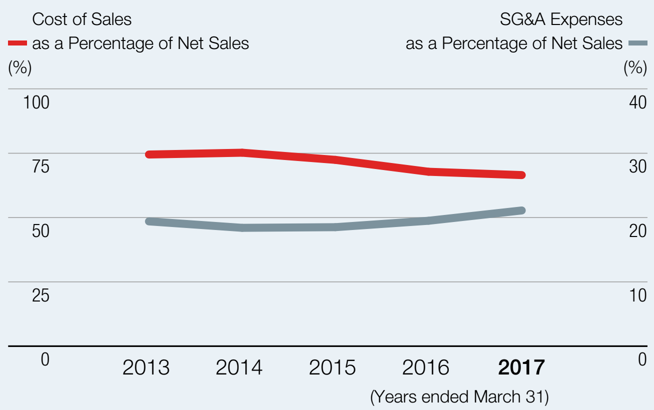


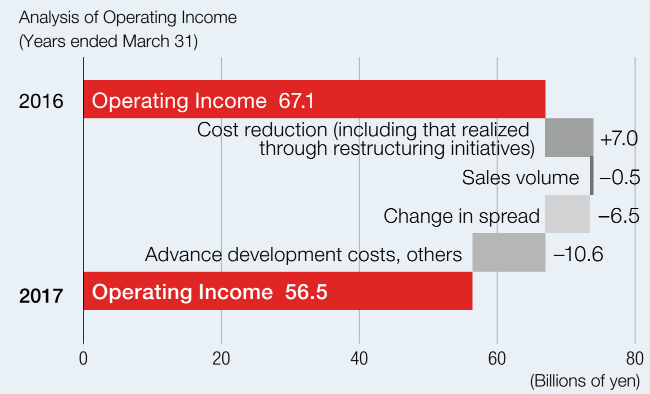
Costs and Expenses

Cost of sales decreased 8.1%, or ¥43.4 billion, to ¥492.9 billion mainly due to a decrease in fixed expenses due to restructuring initiatives. As a percentage of net sales, cost of sales declined 1.3 percentage points to 66.5%.

Selling, general and administrative (SG&A) expenses increased 1.6%, or ¥2.5 billion, to ¥156.5 billion, due to increases in business acquisition-related costs and other items. SG&A expenses represented 21.1% of net sales.

R&D expenses increased 6.3%, or ¥2.1 billion, to ¥35.4 billion partly due to new drug licensing costs.





Operating Income

Operating income decreased 15.8%, or ¥10.6 billion, to ¥56.5 billion, due in part to the impacts of foreign exchange movements, new drug licensing costs and downward revisions to NHI drug reimbursement prices.

In the Advanced Fibers and Composites segment, profit decreased mainly due to the impacts of foreign exchange movements and regular maintenance in aramid fibers. In the Electronics Materials and Performance Polymer Products segment, profit decreased mainly due to the impacts of foreign exchange movements, although the segment maintained steady profitability. In the Healthcare segment, profit declined slightly. However, robust results for core products and services absorbed most of the impact of new drug licensing costs as well as downward revisions to medical fees. In the Trading and Retail segment, profits increased reflecting the realization of an even more appropriate production configuration and growth in sales of products for sports and outdoor use.

As a consequence of these and other factors, the operating margin on sales dipped 0.9 of a percentage point, to 7.6%.

Looking at the main factors in the operating income result, there was a positive contribution to profit improvement of around ¥7.0 billion from cost reductions (including those realized through restructuring initiatives). Meanwhile, advance development costs, others due to the impacts of new drug licensing costs and foreign exchange movements produced a negative impact of around ¥10.6 billion. Changes in spread due to the impacts of downward revisions to NHI drug reimbursement prices and foreign exchange movements had a negative impact of around ¥6.5 billion.

Other Income (Expenses)

Other expenses, a net figure, amounted to ¥22.6 billion, a deterioration of ¥1.0 billion from ¥21.5 billion in fiscal 2015.

Principal factors contributing to this result included recording of business structure improvement expenses due to a decision to withdraw from the home healthcare business in the U.S.

Profit Attributable to Owners of Parent

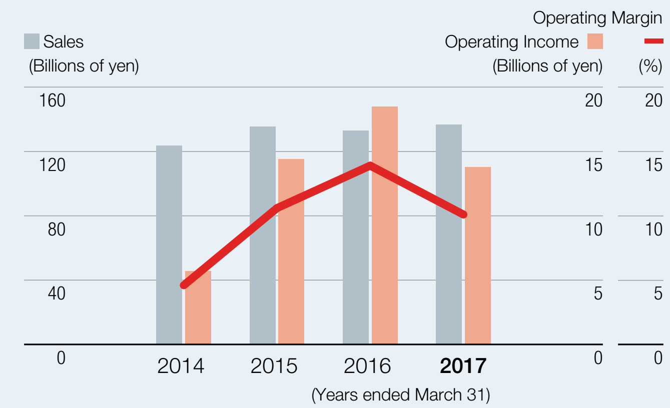
After deducting income taxes and loss attributable to non-controlling interests, we recorded a profit attributable to owners of parent of ¥50.1 billion, improving by ¥19.0 billion from a profit of ¥31.1 billion in fiscal 2015. As a result, ROE rebounded significantly from 10.6% to 15.7%.

The dramatic improvement in profit attributable to owners of parent was supported in large part by a decrease in tax expenses that exceeded other expenses. The decreased tax expenses reflected the adoption of tax effect accounting following the decision to withdraw from the U.S. home healthcare business.

Business Segment Results

Advanced Fibers and Composites

Sales in the Advanced Fibers and Composites segment totaled ¥136.8 billion, an increase of 2.8%, while operating income was ¥13.8 billion, down 25.2%.



High-Performance Fibers

■ Sales remained firm for automotive applications.

In aramid fibers, sales of *Twaron* para-aramid fibers expanded firmly for automotive applications, including for tires in Europe. In contrast, sales for oil drilling and ballistic protection applications were weak. Sales were firm for *Technora* para-aramid fibers both for automotive applications in Japan and also for infrastructure-related applications overseas. *Technora* is being used in an expanding range of applications under more extreme conditions given the positive assessment of its outstanding fatigue resistance, chemical barrier and other properties. Sales of *Teijinconex* meta-aramid fibers were robust for use in automotive applications such as turbocharger hoses, as well as protective clothing and industrial applications, despite persistently fierce competition in the growing market for filter applications. Moreover, at a new production facility in Thailand, where production and sales commenced in fiscal 2015, we are focused on expanding this particular business in promising Asian markets and emerging markets, where high growth is expected against the backdrop of increasingly stringent regulations pertaining to flame-retardant materials and environmental safety.

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

Carbon Fibers and Composites

■ Sales for use in aircraft grew steadily; Continental Structural Plastics acquired.

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

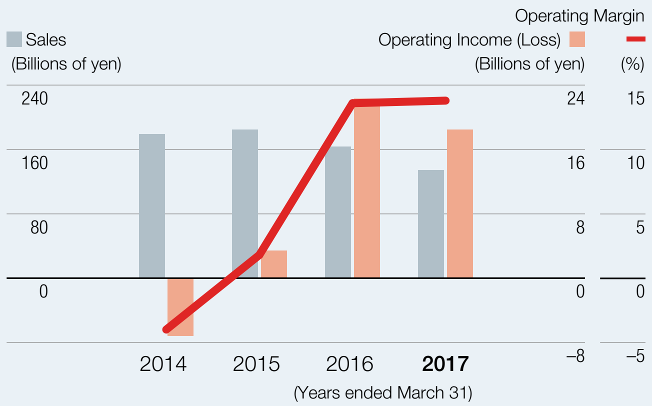
In this environment, we are working to expand business centered on composite materials to be used in mass-produced automotive components. As part of these efforts, in January 2017, we acquired Continental Structural Plastics Holdings Corporation (Headquarters: Michigan, U.S.A.; "CSP"), a global leader in automotive lightweight composite technologies. CSP became our wholly owned subsidiary. Going forward, we will integrate CSP's glass fiber reinforced plastic (GFRP) and our fiber reinforced plastic (FRP) technologies, specifically carbon fiber reinforced thermoplastic (CFRTP) and carbon fiber reinforced plastic (CFRP). In addition, we will drive the growth of CSP's components business model in the Americas, as we advance global market expansion of this business model to Europe, Japan and Asia. Through these measures, we will establish a strong business platform in automotive composite products and will work to strengthen our role as a supplier of Tier 1 components in this business.

Furthermore, to address further growth in demand for carbon fiber primarily in North America, we have completed the acquisition of land in the U.S. and are considering the construction of a new carbon fiber plant.

In addition, we carried out a fuel conversion of in-house power generation equipment at the Mishima Factory in Japan, a key carbon fiber production site, by switching from steam turbine generation using heavy oil to gas turbine power generation. As a result, we will push ahead with the reduction of our environmental impact in conjunction with improving power generation efficiency.

Electronics Materials and Performance Polymer Products

Sales in the Electronics Materials and Performance Polymer Products segment totaled ¥134.4 billion, a decrease of 17.9%, while operating income was ¥18.5 billion, a decrease of 17.1%.



Resin and Plastics Processing

■ **Steady performance by polycarbonate resins, with a focus on further expanding high-performance applications.**

Our mainstay *Panlite* and *Multilon* polycarbonate resin products saw firm supply-demand dynamics and maintained steady profitability, owing to high capacity utilization maintained at both production sites in China and Japan, plus an improved sales mix. However, there was a reduction in profits due to the impact of foreign currency conversion reflecting the stronger yen. In this environment, we are taking initiatives to further expand high-performance applications. In the automotive market, we are working to apply polycarbonate resin molded products incorporating advanced coating technology to automotive windows. Also, we are actively expanding a copolymer polycarbonate featuring a high surface hardness to applications such as automotive interior panels. In growing markets such as disaster readiness infrastructure, housing, and healthcare, we are offering proposals encompassing the supply of products as well as materials, both of which are centered on high value added polycarbonate resins and their compounds. In addition, we are actively pushing ahead with providing weight reduction, metal replacement and other solutions using proprietary composite materials that combine polycarbonate resins with the Teijin Group's high-performance fibers (aramid fibers, carbon fibers).

In high-performance resins, we are working to upgrade and expand our lineup of specialty polycarbonate resins for camera lenses in order to offer optimal products for smartphones as well as for use in vehicle and surveillance cameras expected to see market expansion. In addition, we are accelerating the expansion of polyethylene-naphthalate (PEN) resin to various pressure vessels by taking advantage of the features of PEN, including its chemical and gas barrier resistance properties. In flame retardants, we are expanding the market for new phosphorous products that lend high flame retardancy and bring easy colorability to polyester fibers as well as resins, alongside our existing lineups, which are generating steady earnings.

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

Films

■ **Integrated our domestic polyester film production facilities and converted joint ventures in Japan and Indonesia into wholly owned subsidiaries.**

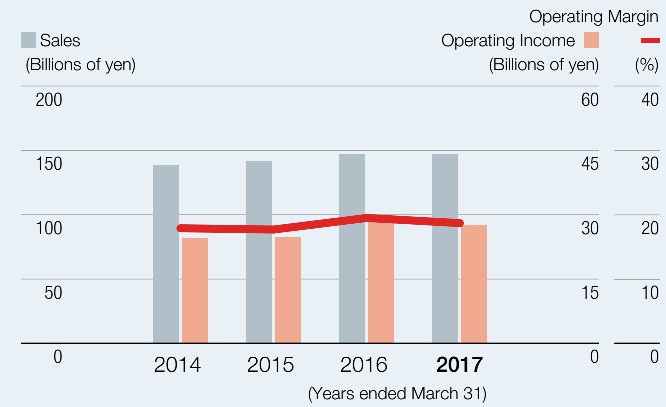
Reflective films for use in liquid crystal display (LCD) televisions remained under pressure in terms of both volume and pricing due to the emergence of Chinese manufacturers. We posted relatively firm sales of *Purex* release films for manufacturing processes mainly for use in multilayer ceramic capacitors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

In this climate, profit increased from fiscal 2015, owing to improvements in the sales mix of both polyester and polycarbonate films, as well as contributions from lower costs due to the integration of domestic polyester film production facilities. Moreover, we acquired the shares held by our joint venture partner E.I. du Pont de Nemours and Company (Du Pont) in the film business joint ventures in Japan and Indonesia. Business operations in Japan have recommenced under the new company name Teijin Film Solutions Limited. In Indonesia, business operations have recommenced under the new company name of P.T. Indonesia Teijin Film Solutions. This deal will enable us to improve management flexibility and decision-making speed.

Looking at overseas sites, in China, sales volume was mostly unchanged from fiscal 2015 as market conditions remained sluggish. In the Americas and Europe, demand was relatively firm centered on packaging applications.

Healthcare

Sales in the Healthcare segment totaled ¥147.5 billion, mostly unchanged, while operating income was ¥27.6 billion, down 4.3%.



Pharmaceuticals

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

The domestic pharmaceuticals market continues to face a challenging business environment. In this climate, sales of hyperuricemia and gout treatment *FEBURIC* (febuxostat) and *Somatuline*®*1, a treatment for acromegaly, continued to expand steadily. In addition, we are providing patients with a wider range of choices through new formulations, such as an oral jelly and an intravenous drip of the osteoporosis treatment *Bonalon*®*2, and *Mucosolvan* L Tablet 45 mg, a novel reduced-sized tablet-form version of the sustained-release expectorant *Mucosolvan*. Also, we are working to expand sales of the transdermal anti-inflammatory analgesic patch formulation *LOQOA* Tape, which we began jointly marketing with Taisho Toyama Pharmaceutical Co., Ltd. in January 2016.

On the R&D front, in July 2016, we applied for a new indication for treatment of neuroendocrine tumors for *Somatuline*®*1, a treatment for agromegaly. In parallel, we began the clinical development of TMX-049DN (UK, Phase I) as a new treatment for diabetic nephropathy in Type 2 diabetes. In August 2016, we signed an exclusive license and supply agreement with Versartis, Inc. of the U.S. for the development and marketing of *Somavaratan* (VRS-317), a novel, long-acting form of recombinant growth hormone (rhGH) developed by Versartis, Inc. with its first planned indication being dwarfism caused by pediatric growth hormone deficiency (PGHD). In November 2016, we received a request from the Japanese Ministry of Health, Labour and Welfare to develop an expanded indication of *Somatuline*®*1 for thyroid stimulating hormone-secreting pituitary tumors, and have begun taking actions targeting the start of clinical trials within one year. Also, in December 2016, we entered into a collaboration and license agreement with Amgen Inc. of the U.S. regarding research and development of new therapeutic agents for kidney diseases and disorders. In February 2017, we started phase III clinical trials of ITM-058, a new treatment for osteoporosis. In March 2017, we started phase II clinical trials of TMX-049, a new treatment for hyperuricemia and gout, and phase II clinical trials of TMG-123, a new treatment for Type 2 diabetes.

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

*1 *Somatuline*® is a registered trademark of Ipsen Pharma, France.
*2 *Bonalon*® is the registered trademark of Merck Sharp & Dohme Corp., U.S.A.

Home Healthcare

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

In Japan, we firmly maintained a high level of rental volume for therapeutic oxygen concentrators for home oxygen therapy (HOT). Looking ahead, we will strive to further boost rental volume by enhancing the lineup and expanding the use of portable oxygen concentrators (*Hi-Sanso Portable α* (alpha), *Hi-Sanso Portable α II*), which are designed to expand the range of patients' daily activities. Efforts will also be made to achieve the same for non-portable oxygen concentrators such as *Hi-Sanso 5S*. Rental volume for continuous positive airway pressure (CPAP) ventilators for the treatment of sleep apnea syndrome (SAS) continued to increase favorably, due to increasing the appeal of *NemLink*, a monitoring system for CPAP ventilators that uses mobile phone networks, and to the use of the *SAS2100* sleep disorder diagnostic system. We will continue seeking to further boost rental volume by expanding the use of *SLEEPMATE10*, a model featuring a built-in heater-humidifier in addition to *NemLink* functions. To further fortify support services for individuals, we sought to improve our ability to respond to patient needs by capitalizing on our home healthcare call centers in Fukuoka and Osaka, Japan.

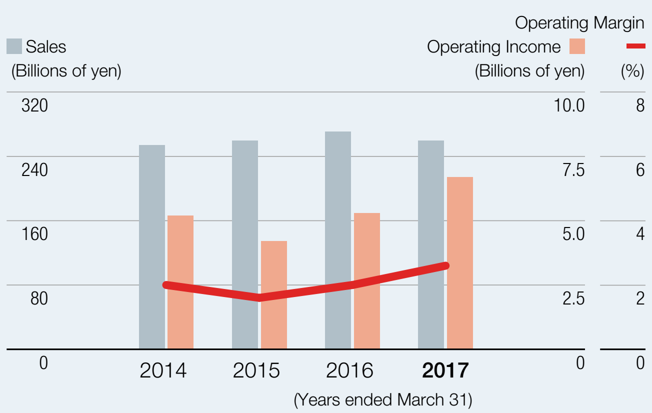
Meanwhile, in September 2015 we commenced sales of *VitalLink*, a multidisciplinary collaboration and information sharing system. We have steadily expanded sales of *VitalLink* by making progress on signing agreements with physicians through medical associations, in addition to signing agreements directly with primary care physicians. Moreover, in regard to a repetitive transcranial magnetic stimulation device developed through an industry-academia partnership with Osaka University and other partners, investigator-initiated clinical trials of intractable chronic pain using this device are under way at several facilities. We also continued to expand our marketing efforts for the *WalkAide* System, a neuromuscular electrical stimulation device providing walking assistance in the case of gait impairment resulting from stroke or other causes launched in fiscal 2013, which initially focused on the Tokyo metropolitan area, to medical institutions elsewhere in the country. Additionally, in November 2016 we launched *ReoGo-J*, a portable robotic arm that supports the rehabilitation of paralyzed upper limbs due to stroke. Besides expanding sales of both products, we will continue to upgrade and enhance our lineup of rehabilitation devices going forward.

Overseas, we had been considering bold reorganization measures targeting the home healthcare business in the U.S. On April 27 (U.S. time), we decided to withdraw from the home healthcare business in the U.S. by selling all of our equity in this business to a company affiliated with Quadrant Management, Inc.* We will continue to undertake the home healthcare business in Spain and the ROK.

* An investment firm based in the U.S. that has a portfolio including a major home healthcare provider boasting one of the largest home healthcare businesses in the country.

Trading and Retail

Sales in the Trading and Retail segment totaled ¥259.6 billion, a decrease of 4.2%, while operating income was ¥6.7 billion, an increase of 25.8%.



Fiber Materials and Apparel

■ **Focused on strengthening the operating structure and expanding differentiated businesses.**

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

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

Industrial Textiles and Materials

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

In sales of automotive materials, sales of reinforcement materials for tires, conveyor belts, and automotive hoses were firm. With the sales volume of air-bag fabric remaining on a growth track, we have set our sights on further expanding production. Sales of automotive interior materials and equipment struggled because of inventory adjustments by customers, but sales of fabric for synthetic leather grew significantly.

In other industrial textiles and related materials, in the Japanese market, we recorded solid sales of civil engineering materials including concrete flaking prevention sheets for use in disaster reconstruction projects and arterial highways. In addition, we saw surging demand for *AEROSHELTER* provisional tents for disaster-readiness purposes and events. Sales were also solid for materials for agriculture, fisheries, electronics and the environment. Moreover, in overseas markets, we expanded business involving environmental materials for China on the back of market expansion.

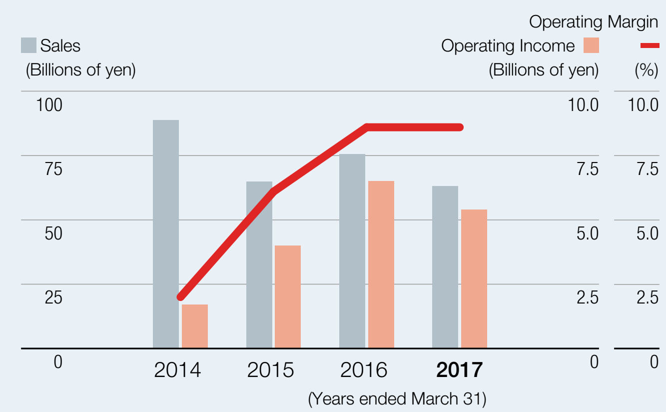
In living related materials, particularly interior materials, we recorded increased profits from curtain materials due to the stronger yen, along with firm sales of wall- and floor-covering materials. We also posted solid sales of wiping-related materials. In wellness related products, we steadily increased sales of personal hygiene products and expanded the healthcare-related business with a major convenience store chain.

In resin and films, sales of PET films turned upward in the second half of fiscal 2016 in step with a recovery in production in the market for electronic components, but this did not make up for the sluggish sales in the first half.

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

Others

Others, which does not qualify as a reportable operating segment, generated sales of ¥63.0 billion, down 16.7%, and operating income of ¥5.4 billion, down 17.2%.



The IT business posted a steady performance mainly due to steady growth in sales of *MECCHA COMICS*, an e-book distribution service in the net services category. In the IT services category, specifically in the healthcare business, we bolstered sales of medical information systems including a radiology information system. At the same time, we are taking steps to expand into the nursing care field. Notably, we began providing monitoring services using the Internet of Things (IoT) and a nursing care recordkeeping system.

In new business development, sales of *LIELSORT* lithium-ion battery (LIB) separators were sluggish due to market conditions. In parallel, we stepped up our focus on developing new customers.

In the area of new healthcare initiatives, we decided to establish a joint venture company in July 2017 that will be a medical company spun off from Takiron Co., Ltd. in the field of implantable medical products. The formal agreement for the acquisition of the shares of the joint venture company was signed in January 2017. We will promote business development over the medium to long term in tandem with improving profit by leveraging the Teijin Group's marketing and technological capabilities, including the knowhow of Teijin Nakashima Medical Co., Ltd., which has already entered the market.

In the field of functional food ingredients, we made efforts to conduct development and marketing activities that are resulting in food manufacturers steadily increasing their adoption of *BARLEYmax*, an enhanced barley product. Looking ahead, we will continue to focus on evidence acquisition and promotion to accelerate future business development.

Financial Position

Analysis of Assets, Liabilities, Net Assets and Cash Flows

Interest-bearing debt, at ¥376.2 billion, was up ¥72.9 billion mainly due to an increase in line with the procurement of funds for the acquisition of CSP. Shareholders' equity increased ¥38.3 billion due to a significant increase in profit attributable to owners of parent. However, the debt-to-equity ratio increased to 1.11 times. The equity ratio was 35.1%, down 1.3 percentage points.

Japan's Rating and Investment Information, Inc. maintained its rating of our long-term debt at A– (stable), the same rating as in fiscal 2015.

Additionally, our debt payback period increased to 4.8 years, from 3.8 years in fiscal 2015, while our interest coverage ratio rose to 36.5 times, from 32.5 times in fiscal 2015.

As of March 31, 2017	Rating	Outlook
Rating and Investment Information, Inc.	A–	Stable

■ **Assets, Liabilities and Net Assets**

Total assets as of March 31, 2017 amounted to ¥964.1 billion, up ¥140.6 billion from the end of fiscal 2015. The increase in total assets was primarily the result of increases in fixed assets, including goodwill, and certain other items due to the completion of the acquisition of CSP in January 2017. There was also an increase in deferred tax assets in conjunction with the adoption of tax effect accounting following the decision to withdraw from the U.S. home healthcare business.

Total liabilities amounted to ¥612.2 billion, up ¥103.2 billion from the end of fiscal 2015. Interest-bearing debt accounted for ¥376.2 billion of the total, up ¥72.9 billion mainly due to an increase in line with the procurement of funds for the acquisition of CSP.

Total net assets amounted to ¥351.8 billion, up ¥37.4 billion from the end of fiscal 2015. Total shareholders' equity and total accumulated other comprehensive income together represented ¥338.4 billion of the total, an increase of ¥38.3 billion. There was an increase in line with profit attributable to owners of parent, but this was partially offset by the payment of dividends and by a decrease in foreign currency translation adjustment in connection with the stronger yen.

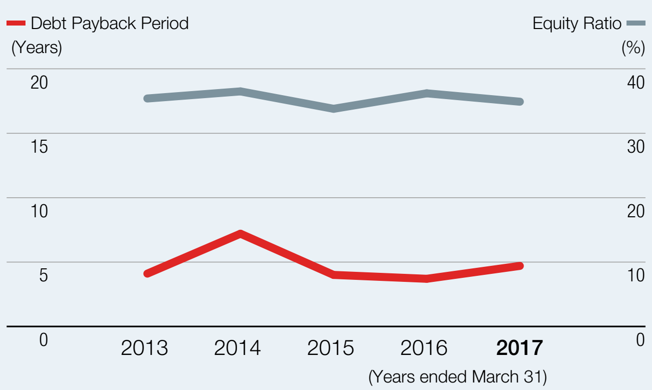
Cash Flows

Net cash and cash equivalents provided by operating activities in fiscal 2016 amounted to ¥79.0 billion. This result reflected income before income taxes, along with the impact of non-cash items such as depreciation and amortization, impairment loss and provision for business structure improvement.

Net cash and cash equivalents used in investing activities amounted to ¥127.7 billion, owing mainly to the acquisition of CSP and the purchase of other fixed assets. Free cash flow in fiscal 2016 was thus a negative as operating and investing activities combined used a net total of ¥48.6 billion.

Net cash and cash equivalents provided by financing activities amounted to ¥63.8 billion. This reflected the net balance of components including the net result of proceeds from short- and long-term debt 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 ¥16.6 billion as of March 31, 2017.



Outlook for Fiscal 2017 (Announced on August 1, 2017)

Forecast for Operating Results

In fiscal 2017, the global economy is expected to remain on a steady growth path on the whole, despite several risks associated with the direction of public policy in various countries. In developed countries, the employment environment has trended firmly in the U.S., and corporate business performance in the euro zone and Japan has also held firm. In emerging countries, surging demand for infrastructure is expected to drive internal demand.

In this environment, in order to realize its long-term vision for becoming "An Enterprise that is Essential to Tomorrow's Society," as laid out in the "ALWAYS EVOLVING" Medium-Term Management Plan For 2017–2019 announced in February 2017, the Teijin Group has clarified the actions it must take in the fiscal 2017–fiscal 2019 period. We have positioned fiscal 2017 as a crucial year that will serve as the first step of our new medium-term management plan. Accordingly, we will press ahead with our growth strategies for enhancing the competitiveness of our existing businesses and our transformation strategies for entering fields outside existing businesses and creating new products and services through business model transformation. By executing these strategies, we will work to strengthen our core earnings power and to create and develop new businesses.

Looking at our consolidated full-term operating results forecasts for fiscal 2017, we are forecasting net sales of ¥855.0 billion, up 15.3% from fiscal 2016. We also forecast operating income of ¥64.0 billion, up 13.2%, and ordinary income of ¥65.0 billion, up 16.2%. Profit attributable to owners of parent is forecast at ¥44.0 billion, down 12.2% from fiscal 2016. These forecasts assume exchange rates of ¥110 to US$1.00 and ¥124 to €1.00 and an average Dubai crude oil price of US$50 per barrel.

Forecast for Financial Position

In fiscal 2017, we will press forward with efforts to maintain and enhance financial soundness. At the same time, we will actively promote promising investments and projects with the potential to contribute to future growth, in line with our transformation strategies. Our forecasts for fiscal 2017 are for ROE of 12.2%, EBITDA of ¥107.0 billion 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 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

As of March 31	Millions of yen 2016	Millions of yen 2017	Thousands of U.S. dollars (Note 1) 2017
ASSETS			
Current assets:			
Cash and time deposits (Notes 3 and 4)	¥ 72,122	¥ 97,750	$ 871,290
Receivables:			
Notes and accounts receivable—trade (Note 4):			
Unconsolidated subsidiaries and affiliates	5,858	633	5,642
Other	158,678	166,170	1,481,148
Short-term loans receivable (Note 4):			
Unconsolidated subsidiaries and affiliates	14,836	13,312	118,656
Other	975	366	3,262
Other	11,703	13,175	117,435
Securities (Notes 3 and 5)	29,000	20,000	178,269
Inventories (Note 7)	120,443	122,312	1,090,222
Deferred tax assets (Note 13)	8,256	15,064	134,272
Other current assets	9,650	18,883	168,313
Allowance for doubtful accounts	(1,016)	(910)	(8,111)
Total current assets	430,505	466,755	4,160,398
Property, plant and equipment (Note 11):			
Land	43,080	44,493	396,586
Buildings and structures	189,695	192,100	1,712,274
Machinery, equipment and vehicles	571,536	584,970	5,214,101
Tools	87,519	91,911	819,244
Construction in progress	8,475	15,471	137,900
Other	3,117	2,410	21,482
Subtotal	903,422	931,355	8,301,587
Accumulated depreciation	(700,155)	(690,065)	(6,150,861)
Total property, plant and equipment	203,267	241,290	2,150,726
Intangible assets:			
Goodwill	7,297	32,738	291,809
Other	9,356	36,303	323,585
Total intangible assets	16,653	69,041	615,394
Investments and other assets:			
Investment securities (Notes 4 and 5):			
Unconsolidated subsidiaries and affiliates	39,330	38,543	343,551
Other	80,284	88,794	791,461
Long-term loans receivable (Note 4):			
Unconsolidated subsidiaries and affiliates	1,602	1,237	11,026
Other	669	610	5,437
Net defined benefit asset (Note 9)	32,553	37,988	338,604
Deferred tax assets (Note 13)	4,279	10,965	97,736
Other	16,453	10,922	97,353
Allowance for doubtful accounts	(2,166)	(2,092)	(18,647)
Total investments and other assets	173,004	186,967	1,666,521
Total assets	¥ 823,429	¥ 964,053	$ 8,593,039

See accompanying Notes to Consolidated Financial Statements.

	Millions of yen 2016	Millions of yen 2017	Thousands of U.S. dollars (Note 1) 2017
LIABILITIES AND NET ASSETS			
Current liabilities:			
Short-term loans payable (Notes 4 and 8)	¥ 55,528	¥ 57,585	$ 513,281
Current portion of long-term loans payable (Notes 4 and 8)	27,493	51,327	457,501
Payables (Note 4):			
Notes and accounts payable—trade:			
Unconsolidated subsidiaries and affiliates	1,466	1,021	9,101
Other	69,928	78,096	696,105
Other	25,683	29,934	266,815
Income taxes payable	6,239	5,021	44,754
Provision for business structure improvement	3,039	15,112	134,700
Accrued expenses	24,997	26,262	234,085
Deferred tax liabilities (Note 13)	52	54	481
Other current liabilities	13,772	15,161	135,137
Total current liabilities	228,197	279,573	2,491,960
Long-term liabilities:			
Long-term loans payable (Notes 4 and 8)	218,794	265,540	2,366,878
Provision for business structure improvement	12,556	10,945	97,558
Net defined benefit liability (Note 9)	30,440	35,428	315,786
Asset retirement obligations (Note 18)	2,405	1,323	11,792
Deferred tax liabilities (Note 13)	5,640	8,371	74,614
Other long-term liabilities	10,985	11,043	98,432
Total long-term liabilities	280,820	332,650	2,965,060
Net assets (Note 10)			
Shareholders' equity:			
Capital stock			
Authorized—3,000,000,000 shares in 2016 600,000,000 shares in 2017			
Issued—984,758,665 shares in 2016 196,951,733 shares in 2017	70,817	70,817	631,224
Capital surplus	101,474	103,664	924,004
Retained earnings	127,377	168,661	1,503,351
Treasury stock, at cost: 1,530,571 shares in 2016 231,413 shares in 2017	(355)	(275)	(2,451)
Total shareholders' equity	299,313	342,867	3,056,128
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities	17,755	21,842	194,688
Deferred gains (losses) on hedges	(1,304)	(276)	(2,460)
Foreign currency translation adjustments	(15,072)	(24,889)	(221,847)
Remeasurements of defined benefit plans	(579)	(1,160)	(10,340)
Total accumulated other comprehensive income	800	(4,483)	(39,959)
Subscription rights to shares	837	862	7,683
Non-controlling interests	13,462	12,584	112,167
Total net assets	314,412	351,830	3,136,019
Total liabilities and net assets	¥823,429	¥964,053	$8,593,039

Consolidated Statements of Income

Years ended March 31	Millions of yen 2016	Millions of yen 2017	Thousands of U.S. dollars (Note 1) 2017
Net sales	¥790,748	¥741,292	$6,607,469
Costs and expenses:			
Cost of sales	536,309	492,862	4,393,101
Selling, general and administrative expenses	154,024	156,501	1,394,964
Research and development expenses	33,285	35,417	315,687
Operating income	67,130	56,512	503,717
Other income (expenses):			
Interest and dividend income	2,311	2,510	22,373
Interest expenses	(2,419)	(2,224)	(19,824)
Gain (loss) on sales of investment securities	(10)	119	1,061
Gain on sales of noncurrent assets	306	318	2,834
Gain (loss) on valuation of derivatives	(1,277)	(541)	(4,822)
Gain on investments in partnership	324	1,100	9,805
Loss on sales and retirement of noncurrent assets	(2,865)	(4,772)	(42,535)
Loss on valuation of investment securities (Note 5)	(567)	(27)	(241)
Impairment loss (Note 11)	(7,565)	(1,378)	(12,283)
Reversal of impairment loss	3,265	52	464
Equity in earnings (losses) of unconsolidated subsidiaries and affiliates	(2,944)	2,079	18,531
Business structure improvement expenses	(5,507)	(16,315)	(145,423)
Reversal of provision for business structure improvement	—	788	7,024
Gain on revision of retirement benefit plan (Note 9)	—	193	1,720
Insurance income	—	392	3,494
Other, net	(4,601)	(4,878)	(43,479)
Total other income (expenses)	(21,549)	(22,584)	(201,301)
Income before income taxes	45,581	33,928	302,416
Income taxes (Note 13):			
Current	13,070	12,026	107,194
Deferred	3,289	(29,487)	(262,831)
Total income taxes	16,359	(17,461)	(155,637)
Net income	29,222	51,389	458,053
Profit (loss) attributable to non-controlling interests	(1,868)	1,256	11,195
Profit attributable to owners of parent	¥ 31,090	¥ 50,133	$ 446,858

	Yen 2016	Yen 2017	U.S. dollars (Note 1) 2017
Profit attributable to owners of parent per share (Note 2)	¥158.15	¥254.91	$2.27
Profit attributable to owners of parent per share—diluted	143.42	231.09	2.06
Cash dividends applicable to the year	35.00	55.00	0.49

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Comprehensive Income

Years ended March 31	Millions of yen 2016	Millions of yen 2017	Thousands of U.S. dollars (Note 1) 2017
Net income	¥ 29,222	¥51,389	$458,053
Other comprehensive income (Note 12):			
Valuation difference on available-for-sale securities	(6,483)	4,180	37,258
Deferred gains or losses on hedges	1,266	1,027	9,154
Foreign currency translation adjustments	(6,056)	(7,702)	(68,651)
Remeasurements of defined benefit plans, net of tax	(2,075)	(305)	(2,719)
Share of other comprehensive income of associates accounted for using the equity method	(74)	(2,306)	(20,554)
Total	(13,422)	(5,106)	(45,512)
Comprehensive income	¥ 15,800	¥46,283	$412,541
Breakdown of comprehensive income:			
Comprehensive income attributable to owners of the parent	¥ 17,855	¥44,850	$399,768
Comprehensive income attributable to non-controlling interests	(2,055)	1,433	12,773

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Changes in Net Assets

	Number of shares of common stock	Millions of yen / Shareholders' equity: Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance at March 31, 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
Changes of items during the period:						
Dividends from surplus				(8,849)		(8,849)
Net income				50,133		50,133
Purchase of treasury stock					(24)	(24)
Disposal of treasury stock			12		104	116
Change in ownership interest of parent due to transactions with non-controlling interests			2,178			2,178
Net changes of items other than shareholders' equity						
Total		—	2,190	41,284	80	43,554
Balance at March 31, 2017	196,951,733	¥70,817	¥103,664	¥168,661	¥(275)	¥342,867

	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, 2016	$631,224	$904,483	$1,135,369	$(3,164)	$2,667,912
Changes of items during the period:					
Dividends from surplus			(78,876)		(78,876)
Net income			446,858		446,858
Purchase of treasury stock				(214)	(214)
Disposal of treasury stock		107		927	1,034
Change in ownership interest of parent due to transactions with non-controlling interests		19,414			19,414
Net changes of items other than shareholders' equity					
Total	—	19,521	367,982	713	388,216
Balance at March 31, 2017	$631,224	$924,004	$1,503,351	$(2,451)	$3,056,128

See accompanying Notes to Consolidated Financial Statements.

	Millions of yen / Accumulated other comprehensive income: Valuation difference on available-for-sale securities	Deferred gains (losses) on hedges	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Subscription rights to shares	Non-controlling interests	Total net assets
Balance at March 31, 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
Changes of items during the period:								
Dividends from surplus								(8,849)
Net income								50,133
Purchase of treasury stock								(24)
Disposal of treasury stock								116
Change in ownership interest of parent due to transactions with non-controlling interests								2,178
Net changes of items other than shareholders' equity	4,087	1,028	(9,817)	(581)	(5,283)	25	(878)	(6,136)
Total	4,087	1,028	(9,817)	(581)	(5,283)	25	(878)	37,418
Balance at March 31, 2017	¥21,842	¥ (276)	¥(24,889)	¥(1,160)	¥ (4,483)	¥862	¥12,584	¥351,830

	Thousands of U.S. dollars (Note 1) / Accumulated other comprehensive income: Valuation difference on available-for-sale securities	Deferred gains (losses) on hedges	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Subscription rights to shares	Non-controlling interests	Total net assets
Balance at March 31, 2016	$158,258	$(11,623)	$(134,344)	$ (5,161)	$ 7,130	$7,461	$119,993	$2,802,496
Changes of items during the period:								
Dividends from surplus								(78,876)
Net income								446,858
Purchase of treasury stock								(214)
Disposal of treasury stock								1,034
Change in ownership interest of parent due to transactions with non-controlling interests								19,414
Net changes of items other than shareholders' equity	36,430	9,163	(87,503)	(5,179)	(47,089)	222	(7,826)	(54,693)
Total	36,430	9,163	(87,503)	(5,179)	(47,089)	222	(7,826)	333,523
Balance at March 31, 2017	$194,688	$ (2,460)	$(221,847)	$(10,340)	$(39,959)	$7,683	$112,167	$3,136,019

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

Years ended March 31	Millions of yen 2016	Millions of yen 2017	Thousands of U.S. dollars (Note 1) 2017
Cash flows from operating activities:			
Income before income taxes	¥ 45,581	¥ 33,928	$ 302,416
Depreciation and amortization	38,894	39,331	350,575
Impairment loss	7,565	1,378	12,283
Reversal of impairment loss	(3,265)	(52)	(463)
Increase (decrease) in net defined benefit liability	604	3,237	28,853
Decrease (increase) in net defined benefit asset	(1,777)	(5,586)	(49,791)
Increase (decrease) in allowance for doubtful accounts	(754)	(225)	(2,006)
Increase (decrease) in provision for business structure improvement	974	10,463	93,261
Interest and dividend income	(2,311)	(2,510)	(22,373)
Interest expenses	2,419	2,224	19,824
Equity in losses (earnings) of affiliates	2,944	(2,079)	(18,531)
Loss (gain) on sales and retirement of noncurrent assets	2,559	4,454	39,701
Loss (gain) on sales of investment securities	10	(119)	(1,061)
Loss (gain) on valuation of derivatives	1,277	541	4,822
Loss (gain) on valuation of investment securities	567	27	241
Decrease (increase) in notes and accounts receivable—trade	2,999	5,253	46,822
Decrease (increase) in inventories	(6,933)	990	8,824
Increase (decrease) in notes and accounts payable—trade	(550)	2,192	19,538
Increase (decrease) in accrued payments due to change in retirement benefits	(2,015)	—	—
Other, net	1,366	(4,010)	(35,743)
Subtotal	90,154	89,437	797,192
Interest and dividend income received	6,589	6,022	53,677
Interest expenses paid	(2,482)	(2,168)	(19,324)
Income taxes paid	(13,620)	(14,251)	(127,026)
Net cash and cash equivalents provided by operating activities	80,641	79,040	704,519
Cash flows from investing activities:			
Purchase of property, plant and equipment	(31,895)	(37,663)	(335,707)
Proceeds from sales of property, plant and equipment	669	2,415	21,526
Purchase of intangible assets	(2,802)	(2,941)	(26,214)
Purchase of investment securities	(2,406)	(2,642)	(23,549)
Proceeds from sales of investment securities	848	2,026	18,059
Purchase of shares of subsidiaries resulting in change in scope of consolidation	—	(82,890)	(738,836)
Decrease (increase) in short-term loans receivable	(2,643)	(2,380)	(21,214)
Payments of long-term loans receivable	(59)	(22)	(196)
Collection of long-term loans receivable	189	91	811
Other, net	(2,224)	(3,644)	(32,482)
Net cash and cash equivalents used in investing activities	(40,323)	(127,650)	(1,137,802)
Cash flows from financing activities:			
Net increase (decrease) in short-term loans payable	3,146	1,605	14,306
Redemption of bonds	(20,770)	—	—
Proceeds from long-term loans payable	36,707	98,761	880,301
Repayment of long-term loans payable	(21,821)	(27,310)	(243,426)
Cash dividends paid	(4,914)	(8,849)	(78,875)
Cash dividends paid to non-controlling shareholders	(284)	(373)	(3,325)
Proceeds from share issuance to non-controlling shareholders	—	1,817	16,196
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	—	(1,585)	(14,128)
Other, net	(381)	(301)	(2,683)
Net cash and cash equivalents (used in) provided by financing activities	(8,317)	63,765	568,366
Effect of exchange rate changes on cash and cash equivalents	(1,971)	823	7,336
Net increase in cash and cash equivalents	30,030	15,978	142,419
Cash and cash equivalents at beginning of year	70,562	100,955	899,857
Increase in cash and cash equivalents resulting from change in scope of consolidation	363	617	5,500
Cash and cash equivalents at end of year (Note 3)	¥100,955	¥ 117,550	$ 1,047,776

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, 2016 and 2017.

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, 2017, which was ¥112.19 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 89 significant subsidiaries for the year ended March 31, 2017 (69 in 2016). Investments made in 80 (84 in 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, 12 subsidiaries in 2017 and 2016 did not change their fiscal year-end of December 31. These 12 subsidiaries prepared, for consolidation purposes, provisional financial statements for the period that correspond to the fiscal year of the Company.

Statements of cash flows

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

Allowance for doubtful accounts

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

Securities

Under the Japanese accounting standard for financial instruments, all companies are required to classify securities as (a) securities held for trading purposes (“trading securities”), (b) debt securities intended to be held to maturity (“held-to-maturity debt securities”), (c) equity securities issued by 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 income in the event net asset value declines significantly. In these cases, the fair market value or the net asset value will be the carrying amount of the securities at the beginning of the following year.

Inventories

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

Property, plant and equipment

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

Intangible assets

Goodwill, 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, 2016 and 2017 based on the estimated amounts of projected benefit obligation and the fair value of the plan assets at those dates.

The method of attributing expected benefits to periods is on the benefit formula basis. Prior service costs and actuarial gains and losses are recognized in expenses using the straight-line method over mainly 12 years, which is within the average of the estimated remaining service years of the employees, commencing with the current and the following period, respectively. In October 2016, the Company and certain consolidated subsidiaries transferred a portion of their defined benefit pension plan to a defined contribution pension plan.

Liabilities arising from the application of the equity method

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

Provision for business structure improvement

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

Derivatives and hedge accounting

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

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

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

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

Income taxes

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

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

Translation of foreign currency

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

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

Profit attributable to owners of parent per share

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

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

The Company implemented a share consolidation on its common stock with a ratio of five shares to one share on October 1, 2016.

Profit attributable to owners of parent per share of common stock and Cash dividends per share are calculated based on the assumption that consolidation of shares had been carried out at the beginning of the year ended March 31, 2016. Profit attributable to owners of parent per share for the years ended March 31, 2016 and 2017 is calculated based on the following factors:

Year ended March 31, 2016

(a) Profit attributable to owners of parent:	¥31,090 million
(b) Amount not attributable to common shareholders:	¥ — million
(c) Bonuses to directors and statutory auditors included in (b):	¥ — million
(d) Profit attributable to owners of parent allocated to common stock:	¥31,090 million
(e) Average number of shares outstanding during the period:	196,589 thousand shares*
(f) Increase in number of shares:	19,979 thousand shares
(g) Increase in number of subscription rights to shares included in (f):	19,979 thousand shares
(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, 2017

(a) Profit attributable to owners of parent:	¥50,133 million	($446,858 thousand)
(b) Amount not attributable to common shareholders:	¥ — million	($ — thousand)
(c) Bonuses to directors and statutory auditors included in (b):	¥ — million	($ — thousand)
(d) Profit attributable to owners of parent allocated to common stock:	¥50,133 million	($446,858 thousand)
(e) Average number of shares outstanding during the period:*	196,668 thousand shares*	
(f) Increase in number of shares:	20,147 thousand shares	
(g) Increase in number of subscription rights to shares included in (f):	20,147 thousand shares	
(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:	—	

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

(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.

(Additional information)
The Company and its domestic subsidiaries adopted "Revised Implementation Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No. 26, March 28, 2016 (hereinafter, "Guidance No.26")) from the current fiscal year.

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, 2016 and 2017 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Cash and time deposits in the consolidated balance sheets	¥ 72,122	¥ 97,750	$ 871,290
Securities	29,000	20,000	178,269
Time deposits with maturities exceeding three months	(167)	(200)	(1,783)
Cash and cash equivalents in the consolidated statements of cash flows	¥100,955	¥117,550	$1,047,776

(2) Important non-cash transactions
The amounts recognized for important asset retirement obligations as of March 31, 2016 and 2017 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Important asset retirement obligations recognized	¥(2,397)	¥764	$6,810

(3) Assets and liabilities of newly consolidated subsidiaries through acquisition of shares
Assets and liabilities of acquired companies (Continental Structural Plastics Holdings Corporation and its 15 consolidated subsidiaries), acquisition cost of shares and net cash outflow for such acquisition are as follows:

	Millions of yen	Thousands of U.S. dollars
Current assets	¥ 20,653	$ 184,089
Noncurrent assets	65,794	586,452
Goodwill	29,805	265,665
Current liabilities	(10,556)	(94,090)
Noncurrent liabilities	(20,617)	(183,769)
Acquisition cost of shares	85,079	758,347
Account payables included in the acquisition price	(470)	(4,189)
Cash and cash equivalents	(1,719)	(15,322)
Net cash used for the acquisition	¥ 82,890	$ 738,836

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, 2016 and 2017. Items for which fair value is difficult to estimate are not included in the following tables.

	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) To which hedge accounting is not applied	¥ 5,110	¥ 5,110	¥ —
(2) To which hedge accounting is applied	(1,814)	(1,814)	—
Total	¥ 3,296	¥ 3,296	¥ —

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

	Thousands of U.S. dollars		
	2017		
	Book value	Fair value	Difference
(1) Cash and time deposits	$ 871,290	$ 871,290	$ —
(2) Receivables	1,486,790	1,486,790	—
(3) Short-term loans receivable	119,503	119,503	—
(4) Marketable securities and investment securities	909,234	909,234	—
(5) Long-term loans receivable	18,878	—	—
Allowance for doubtful accounts*	(4,573)	—	—
	14,305	14,305	—
Total	$3,401,122	$3,401,122	$ —
(1) Payables	$ 705,206	$ 705,206	$ —
(2) Short-term loans payable	513,281	513,281	—
(3) Bonds	491,221	547,455	56,234
(4) Long-term loans payable	2,333,167	2,338,301	5,134
Total	$4,042,875	$4,104,243	$61,368
Derivative transactions†			
(1) To which hedge accounting is not applied	$ 44,656	$ 44,656	$ —
(2) To which hedge accounting is applied	(3,218)	(3,218)	—
Total	$ 41,438	$ 41,438	$ —

* 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
	2016	2017	2017
Unlisted shares	¥ 5,388	¥ 5,407	$ 48,195
Shares in affiliated companies	28,973	27,690	246,813
Total	¥34,361	¥33,097	$295,008

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		
	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	1,771	500

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

	Thousands of U.S. dollars		
	2017		
	Within one year	One year to five years	Over five years
Cash and time deposits	$ 871,290	$ —	$ —
Receivables	1,486,790	—	—
Short-term loans receivable	119,503	—	—
Long-term loans receivable	2,415	12,006	4,457

(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, 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

(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, ¥71 million and ¥81 million, 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 and ¥1,575 million, respectively.

(e) Impairment loss on available-for-sale securities of ¥567 million was recognized as of March 31, 2016.

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

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

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

	Millions of yen		
	2017		
	Acquisition cost	Book value	Difference
Securities with book values exceeding acquisition costs:			
Corporate shares	¥14,908	¥ 46,893	¥31,985
Securities with book values not exceeding acquisition costs:			
Corporate shares	36,402	35,114	(1,288)
Negotiable certificates of deposit	20,000	20,000	—
Total	¥71,310	¥102,007	¥30,697

	Thousands of U.S. dollars		
	2017		
	Acquisition cost	Book value	Difference
Securities with book values exceeding acquisition costs:			
Corporate shares	$132,881	$417,978	$285,097
Securities with book values not exceeding acquisition costs:			
Corporate shares	324,467	312,987	(11,480)
Negotiable certificates of deposit	178,269	178,269	—
Total	$635,617	$909,234	$273,617

(c) Total sales of available-for-sale securities in the year ended March 31, 2017 and the related gains and losses amounted to ¥2,026 million ($18,059 thousand), ¥119 million ($1,061 thousand) and ¥0 million ($0 thousand), respectively.

(d) Available-for-sale securities with no fair values as of March 31, 2017 consisted mostly of non-listed equity securities and others amounting to ¥2,787 million ($24,842 thousand) and ¥2,620 million ($23,353 thousand), respectively.

(e) Impairment loss on available-for-sale securities of ¥27 million ($241 thousand) was recognized as of March 31, 2017.

Note 6 Derivative transactions

(1) The following tables summarize market value information of outstanding derivative transactions as of March 31, 2016 to 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

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

Currency-related derivatives: Principle-based method

	Millions of yens		
	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

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)

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	¥—

(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, 2017 to which hedge accounting is not applied.

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

Currency-related derivatives

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

	Thousands of U.S. dollars			
	2017			
	Contract amount	Amount of principal due over one year	Fair value	Recognized gain (loss)
Foreign currency swap transactions:				
U.S. dollars received for Euro	$ 32,035	$ 32,035	$ 865	$ 865
U.S. dollars received for Japanese yen	$687,797	$577,716	$44,193	$44,193
Foreign currency forward contract transactions:				
Sell: U.S. dollars	$ 30,003	$ —	$ (250)	$ (250)
Sell: Euro	$ 14,333	$ —	$ 62	$ 62
Sell: Japanese yen	$ 4,368	$ —	$ (27)	$ (27)
Sell: Thai bahts	$ 27	$ —	$ (0)	$ (0)
Buy: U.S. dollars	$ 28,309	$ —	$ (107)	$ (107)
Buy: Euro	$ 1,685	$ —	$ (9)	$ (9)
Buy: British pounds	$ 0	$ —	$ 0	$ 0
Buy: Thai bahts	$ 0	$ —	$ 0	$ 0
Buy: Japanese yen	$ 16,231	$ —	$ (71)	$ (71)

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

Currency-related derivatives: Principle-based method

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

	Thousands of U.S. dollars		
	2017		
	Contract amount	Amount of principal due over one year	Fair value
Foreign currency forward contract transactions:			
Sell: U.S. dollars	$195,597	$105,393	$(2,968)
Sell: Euro	$ 6,694	$ —	$ (9)
Sell: Renminbi	$ 134	$ —	$ (0)
Sell: Thai bahts	$ 0	$ —	$ 0
Sell: Japanese yen	$ 35,449	$ 23,326	$ 178
Buy: U.S. dollars	$107,229	$ —	$ 196
Buy: Euro	$ 241	$ —	$ 0
Buy: British pounds	$ 9	$ —	$ 0
Buy: Thai bahts	$ —	$ —	$ —
Buy: Renminbi	$ 419	$ —	$ (0)

Interest rate-related derivatives: Principle-based method

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

	Thousands of U.S. dollars		
	2017		
	Contract amount	Amount of principal due over one year	Fair value
Interest rate swap transactions:			
Receive variable rate in U.S. dollars, pay fixed rate in Euro	$32,035	$32,035	$(615)

Interest rate-related derivatives: Special method

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

	Thousands of U.S. dollars		
	2017		
	Contract amount	Amount of principal due over one year	Fair value
Interest rate swap transactions:			
Receive variable rate in Japanese yen, pay fixed rate in Japanese yen	$692,129	$445,673	$—

(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, 2016 and 2017 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Merchandise and finished goods	¥ 85,965	¥ 84,272	$ 751,163
Work in process	7,739	8,980	80,043
Raw materials	21,527	23,759	211,766
Supplies	5,212	5,301	47,250
Total	¥120,443	¥122,312	$1,090,222

Note 8 Loans payable

Short-term loans payable were represented by bank overdrafts and short-term notes with average annual interest rates of approximately 1.3% and 1.7% in 2016 and 2017, respectively.

Long-term loans payable at March 31, 2016 and 2017 consisted of the following:

	Millions of yen 2016	Millions of yen 2017	Thousands of U.S. dollars 2017
Unsecured:			
Banks and insurance companies at 0.0–0.7%, maturing serially through 2027	¥148,659	¥161,750	$1,441,750
0.7% bonds, due 2019	15,000	15,000	133,702
Zero coupon convertible bonds, due 2018	20,067	20,042	178,643
Zero coupon convertible bonds, due 2021	20,081	20,067	178,866
Loans denominated in foreign currencies (principally U.S. dollars) at 0.0–2.6%, maturing serially through 2027	42,480	100,029	891,604
Lease obligations at 7.5%, maturing serially through 2047	1,483	1,260	11,231
	247,770	318,148	2,835,796
Less amounts due within one year	27,800	51,594	459,880
Total	¥219,970	¥266,554	$2,375,916

The aggregate annual maturities of long-term loans payable at March 31, 2017, were as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2018	¥ 51,594	$ 459,880
2019	35,818	319,262
2020	21,418	190,908
2021	29,124	259,595
2022 and thereafter	180,064	1,604,992

Note 9 Employees' retirement benefits

(1) 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 2016
Balance at April 1, 2015	¥72,021
Service cost	2,530
Interest cost	437
Actuarial loss (gain)	821
Benefits paid	(6,926)
Other	(153)
Balance at March 31, 2016	¥68,730

(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 2016
Balance at April 1, 2015	¥77,365
Expected return on plan assets	627
Actuarial loss (gain)	(1,544)
Contributions paid by the employer	560
Benefits paid	(4,745)
Other	(17)
Balance at March 31, 2016	¥72,246

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

	Millions of yen 2016
Balance at April 1, 2015	¥1,168
Retirement benefit costs	420
Benefits paid	(111)
Contributions paid by the employer	(267)
Other	194
Balance at March 31, 2016	¥1,404

(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 2016
Funded retirement benefit obligations	¥ 71,386
Plan assets	(74,499)
	(3,113)
Unfunded retirement benefit obligations	1,000
Total net liability (asset) for retirement benefits at March 31, 2016	¥ (2,113)
Liability for retirement benefits	¥ 30,440
Asset for retirement benefits	(32,553)
Total net liability (asset) for retirement benefits at March 31, 2016	¥ (2,113)

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

(e) Severance and retirement benefits costs

	Millions of yen 2016
Service cost	¥ 2,530
Interest cost	437
Expected return on plan assets	(627)
Net actuarial loss amortization	(1,220)
Past service costs amortization	314
Total retirement benefit costs for the fiscal year ended March 31, 2016, based on the simplified method	420
Other (Extra retirement payments, etc.)	1,162
Total retirement benefit costs for the fiscal year ended March 31, 2016	¥ 3,016

(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 2016
Past service costs	¥ 314
Actuarial gains and losses	(3,573)
Total balance at March 31, 2016	¥(3,259)

(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
	2016
Past service costs that are yet to be recognized	¥ —
Actuarial gains and losses that are yet to be recognized	(1,446)
Total balance at March 31, 2016	¥(1,446)

(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%

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

Contributions to the defined contribution pension plans of the Companies totaled ¥2,357 million.

(3) 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.

The funded status of the multiemployer 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
	2016
Fair value of plan assets	¥ 2,723,713
Benefit obligation in the calculation of pension financing	(2,729,715)
Difference	¥ (6,002)
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.

(4) Funded contributory pension plan as of March 31, 2017

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

	Millions of yen	Thousands of U.S. dollars
	2017	2017
Balance at April 1, 2016	¥68,730	$612,621
Service cost	2,291	20,421
Interest cost	393	3,503
Actuarial loss (gain)	778	6,935
Benefits paid	(5,886)	(52,465)
Change of scope of consolidation	6,439	57,394
Loss on transition to a defined contribution pension plan	(8,182)	(72,930)
Other	(625)	(5,571)
Balance at March 31, 2017	¥68,938	$569,908

(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
	2017	2017
Balance at April 1, 2016	¥72,246	$643,961
Expected return on plan assets	409	3,646
Actuarial loss (gain)	1,755	15,643
Contributions paid by the employer	381	3,396
Benefits paid	(3,983)	(35,502)
Change of scope of consolidation	4,529	40,369
Loss on transition to a defined contribution pension plan	(7,049)	(62,831)
Other	(270)	(2,407)
Balance at March 31, 2017	¥68,018	$606,275

(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
	2017	2017
Balance at April 1, 2016	¥1,404	$12,514
Retirement benefit costs	334	2,977
Benefits paid	(81)	(722)
Contributions paid by the employer	(127)	(1,132)
Other	(10)	(89)
Balance at March 31, 2017	¥1,520	$13,548

(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
	2017	2017
Funded retirement benefit obligations	¥ 67,013	$ 597,317
Plan assets	(70,049)	(624,378)
	(3,036)	(27,061)
Unfunded retirement benefit obligations	475	4,234
Total net liability (asset) for retirement benefits at March 31, 2017	¥ (2,561)	$ (22,827)
Liability for retirement benefits	¥ 35,428	$ 315,786
Asset for retirement benefits	(37,988)	(338,604)
Total net liability (asset) for retirement benefits at March 31, 2017	¥ (2,560)	$ (22,818)

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

(e) Severance and retirement benefits costs

	Millions of yen	Thousands of U.S. dollars
	2017	2017
Service cost	¥ 2,291	$ 20,421
Interest cost	393	3,503
Expected return on plan assets	(409)	(3,646)
Net actuarial loss amortization	(1,500)	(13,370)
Past service costs amortization	4	36
Total retirement benefit costs for the fiscal year ended March 31, 2017, based on the simplified method	334	2,977
Gain on transition to a defined contribution pension plan	(193)	(1,720)
Other (Extra retirement payments, etc.)	1,445	12,879
Total retirement benefit costs for the fiscal year ended March 31, 2017	¥ 2,365	$ 21,080

(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
	2017	2017
Past service costs	¥ (69)	$ (615)
Actuarial gains and losses	(146)	(1,301)
Total balance at March 31, 2017	¥(215)	$(1,916)

(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
	2017	2017
Past service costs that are yet to be recognized	¥ (69)	$ (615)
Actuarial gains and losses that are yet to be recognized	(1,661)	(14,805)
Total balance at March 31, 2017	¥(1,730)	$(15,420)

(h) Composition of plan assets

The composition of plan assets was as follows:

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

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

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

(j) Actuarial assumptions

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

	2017
Discount rate (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, 2017

Contributions to the defined contribution pension plans of the Companies totaled ¥2,496 million ($22,248 thousand).

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

The Teijin Group's contributions to multi-employer pension plans, for which contributions are negotiated, as well as contributions to defined contribution plans, totaled ¥1,697 million ($15,126 thousand).

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

	Millions of yen	Thousands of U.S. dollars
	2017	2017
Fair value of plan assets	¥ 2,863,939	$ 25,527,578
Benefit obligation in the calculation of pension financing	(2,849,804)	(25,401,586)
Difference	¥ 14,135	$ 125,992
Companies' contribution percentage for multiemployer contributory funded pension plans*	3.7%	

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

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 9, 2017, appropriations of retained earnings for year-end dividends applicable to the year ended March 31, 2017 were duly approved as follows:

	Millions of yen	Thousands of U.S. dollars
Cash dividends: ¥30.00 ($0.27) per share	¥5,902	$52,607

Note 11 Impairment loss

The Companies 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
Utsunomiya City in Tochigi Prefecture and others	Performance Polymer Products facilities	Machinery, etc.	¥ 4,801
California, U.S.A.	Pharmaceuticals and home healthcare business	Goodwill, etc.	1,295
Others	—	—	1,469
		Total	¥ 7,565

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 ¥7,565 million. The recoverable amount was measured at net sale value or value in use. Net sale value is calculated based on the current sales price of the asset and other factors. Value in use is calculated based on the discounted future cash flows with discount rates of 5–15%.

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

Impairment loss

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

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

Among the assets used for business purposes, certain production facilities were devalued to the recoverable amount. The difference between carrying amounts and recoverable amounts was recorded as "Impairment loss" amounting to ¥1,378 million ($12,283 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, 2016 and 2017 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Valuation difference on available-for-sale securities:			
Increase (decrease) during the year	¥(10,420)	¥ 6,070	$ 54,105
Reclassification adjustments	25	(49)	(437)
Subtotal, before tax	(10,395)	6,021	53,668
Tax (expense) or benefit	3,912	(1,841)	(16,410)
Subtotal, net of tax	(6,483)	4,180	37,258
Deferred gains (losses) on hedges:			
Increase (decrease) during the year	4,196	718	6,400
Reclassification adjustments	(2,674)	718	6,400
Subtotal, before tax	1,522	1,436	12,800
Tax (expense) or benefit	(256)	(409)	(3,646)
Subtotal, net of tax	1,266	1,027	9,154
Foreign currency translation adjustments:			
Increase (decrease) during the year	(6,059)	(7,797)	(69,498)
Reclassification adjustments	215	—	—
Subtotal, before tax	(5,844)	(7,797)	(69,498)
Tax (expense) or benefit	(212)	95	847
Subtotal, net of tax	(6,056)	(7,702)	(68,651)
Remeasurements of defined benefit plans:			
Increase (decrease) during the year	(2,396)	966	8,610
Reclassification adjustments	(864)	(1,181)	(10,526)
Subtotal, before tax	(3,260)	(215)	(1,916)
Tax (expense) or benefit	1,185	(90)	(803)
Subtotal, net of tax	(2,075)	(305)	(2,719)
Share of other comprehensive income of associates accounted for using the equity method:			
Increase (decrease) during the year	(194)	(2,362)	(21,054)
Reclassification adjustments	120	56	500
Subtotal	(74)	(2,306)	(20,554)
Total other comprehensive income	¥(13,422)	¥(5,106)	$(45,512)

Note 13 Income taxes

The Company is subject to a number of taxes based on income, which, in the aggregate, indicate a statutory rate in Japan of approximately 30.7% for the year ended March 31, 2017. 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 and 2017.

	2016	2017
Effective tax rate	32.9 %	30.7 %
Non-deductible expenses	0.5	4.9
Per capita inhabitants' taxes	0.4	0.5
Difference in statutory tax rate between Japan and other countries	(7.0)	(4.2)
Equity in earnings of affiliates	2.1	(1.8)
Amortization of goodwill	0.9	1.0
Changes in valuation allowance	9.0	(76.7)
Refund of income taxes	(6.2)	(9.0)
Increase (decrease) in statutory tax rate	2.0	(0.9)
Other	1.3	4.0
Actual income tax rate	35.9 %	(51.5)%

Revisions to the amounts of deferred tax assets and liabilities due to changes in the tax rates of the Japanese Corporation Tax

Since amendments to the Japanese tax regulations were enacted into law on November 18, 2016, the statutory tax rate utilized for the measurement of deferred tax assets and liabilities in the current fiscal year changed from the previous year.

As a result, the amounts of the deferred tax assets (after deducting the deferred tax liabilities) increased by ¥298 million ($2,656 thousand).

Significant components of the Companies' deferred tax assets and liabilities as of March 31, 2016 and 2017 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Deferred tax assets:			
Excess bonuses accrued	¥ 4,530	¥ 4,283	$ 38,176
Provision for loss on guarantees	143	134	1,194
Write-down of investment securities	1,379	1,533	13,664
Retirement benefits	6,699	5,290	47,152
Accumulated impairment loss	12,494	9,108	81,184
Net operating loss carry forwards	44,393	45,657	406,961
Other	21,456	31,428	280,133
Total	91,094	97,433	868,464
Valuation allowance	(62,402)	(38,011)	(338,809)
Total deferred tax assets	28,692	59,422	529,655
Offset with deferred tax liabilities	(16,157)	(33,393)	(297,647)
Net deferred tax assets	¥ 12,535	¥ 26,029	$ 232,008
Deferred tax liabilities:			
Adjustments to fixed assets based on Corporate Tax Law	¥ (4,469)	¥ (4,303)	$ (38,355)
Accelerated depreciation of foreign subsidiaries' fixed assets	(980)	(807)	(7,193)
Tax effect of foreign subsidiaries' undistributed earnings	(3,085)	(4,225)	(37,659)
Adjustment of carrying amount based on fair value	(4,236)	(21,920)	(195,383)
Valuation difference on available-for-sale securities	(6,732)	(8,616)	(76,798)
Other	(2,347)	(1,947)	(17,355)
Total deferred tax liabilities	(21,849)	(41,818)	(372,743)
Offset with deferred tax assets	16,157	33,393	297,647
Net deferred tax liabilities	¥ (5,692)	¥ (8,425)	$ (75,096)

Note 14 Leases

Operating leases as lessee

Future minimum lease payments for the remaining lease periods as of March 31, 2016 and 2017 are as follows.

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Due within one year	¥200	¥ 787	$ 7,015
Due over one year	702	1,642	14,636
Total	¥902	¥2,429	$21,651

Note 15 Stock option plans

Information on stock option plans at March 31, 2017 is as shown below.

Teijin Limited

The account and the amounts related to stock options in the years ended March 31, 2016 and 2017 are as follows:

	Millions of yen		Thousands of U.S. dollars
Account	2016	2017	2017
Selling, general and administrative expenses	¥99	¥112	$998

The following tables summarize the contents of stock options as of March 31, 2017.

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

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

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

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

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

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

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

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

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

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

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

The following tables summarize the numbers and movements of stock options as of March 31, 2017.

Non-exercisable stock options

	Shares										
Company name	Teijin Limited										
	2006	2007	2008	2009	2010	2012	2013	2014	2015	2016	**2017**
Stock options outstanding at April 1, 2016	—	—	—	—	—	—	—	—	—	—	—
Stock options granted	—	—	—	—	—	—	—	—	—	—	57,400
Forfeitures	—	—	—	—	—	—	—	—	—	—	—
Conversion to exercisable stock options	—	—	—	—	—	—	—	—	—	—	57,400
Stock options outstanding at March 31, 2017	—	—	—	—	—	—	—	—	—	—	—

Exercisable stock options

	Shares										
Company name	Teijin Limited										
	2006	2007	2008	2009	2010	2012	2013	2014	2015	2016	**2017**
Stock options outstanding at April 1, 2016	3,800	6,400	16,600	34,600	34,400	104,200	114,400	117,000	75,800	54,800	—
Conversion from non- exercisable stock options	—	—	—	—	—	—	—	—	—	—	57,400
Stock options exercised	1,400	2,600	7,400	15,200	9,200	27,600	9,200	13,000	—	—	—
Forfeitures	—	—	—	—	—	—	—	—	—	—	—
Stock options outstanding at March 31, 2017	2,400	3,800	9,200	19,400	25,200	76,600	105,200	104,000	75,800	54,800	57,400

The following table summarizes value information of stock options as of March 31, 2017.

	Yen										
Company name	Teijin Limited										
	2006	2007	2008	2009	2010	2012	2013	2014	2015	2016	**2017**
Paid-in value	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1
Average market price of the stock at the time of exercise	1,916	1,912	1,941	1,958	1,958	1,980	2,016	2,002	—	—	—
Fair value at the date of grant	3,315	3,050	1,535	1,265	1,305	1,225	980	1,140	1,925	1,800	1,955

The method of estimation for the fair value of stock options granted in the year ended March 31, 2017 is as follows:

Method of valuation	Black-Scholes Model
Volatility	30%
Expected remaining period	5.5 years
Expected dividend	¥45.00 per share
Interest rate without any risks	(0.12%)

Infocom Corporation

The account and the amounts related to stock options in the years ended March 31, 2016 and 2017 are as follows:

	Millions of yen		Thousands of U.S. dollars
Account	2016	2017	2017
Selling, general and administrative expenses	¥30	¥27	$241

The following tables summarize the contents of stock options as of March 31, 2017.

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

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

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

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

The following tables summarize the number and movements of stock options as of March 31 2017.

Non-exercisable stock options

	Shares			
Company name	Infocom Corporation			
	2014	2015	2016	2017
Stock options outstanding at April 1, 2016	—	—	—	—
Stock options granted	—	—	—	18,400
Forfeitures	—	—	—	—
Conversion to exercisable stock options	—	—	—	18,400
Stock options outstanding at March 31, 2017	—	—	—	—

Exercisable stock options

	Shares			
Company name	Infocom Corporation			
	2014	2015	2016	2017
Stock options outstanding at April 1, 2016	36,200	23,000	26,800	—
Conversion from non- exercisable stock options	—	—	—	18,400
Stock options exercised	3,000	—	—	—
Forfeitures	—	—	—	—
Stock options outstanding at March 31, 2017	33,200	23,000	26,800	18,400

The following table summarizes value information of stock options as of March 31, 2017.

	Yen			
Company name	Infocom Corporation			
	2014	2015	2016	2017
Paid-in value	¥ 1	¥ 1	¥ 1	¥ 1
Average market price of the stock at the time of exercise	1,660	—	—	—
Fair value at the date of grant	143,839	144,800	227,000	300,000

The method of estimation for the fair value of stock options granted in the year ended March 31, 2017 is as follows:

Method of valuation	Black-Scholes Model
Volatility	42.4%
Expected remaining period	7.6 years
Expected dividend rate	1.13%
Interest rate without any risks	(0.26%)

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, 2017, 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
The accounting policies for the reportable segments are the same as those described in *Note 2. Summary of significant accounting policies*. Segment income for reportable operating segments is based on operating income. Amounts for intersegment transactions or transfers are calculated based on market prices or on prices determined using the cost-plus method.

(3) Segment sales, segment income, segment assets and other items for reportable operating segments
Segment information for the years ended March 31, 2016 and 2017 is as shown below:

	Millions of yen						
	2016						
	Advanced Fibers and Composites	Electronics Materials and Performance Polymer Products	Healthcare	Trading and Retail	Subtotal	Others	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
Total 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

	Millions of yen						
	2017						
	Advanced Fibers and Composites	Electronics Materials and Performance Polymer Products	Healthcare	Trading and Retail	Subtotal	Others	Total
Sales:							
1) External customers	¥136,760	¥134,422	¥147,537	¥259,584	¥678,303	¥62,989	¥741,292
2) Intersegment net sales and transfer	24,211	3,596	—	4,102	31,909	18,325	50,234
Total sales	160,971	138,018	147,537	263,686	710,212	81,314	791,526
Segment income	13,847	18,481	27,557	6,704	66,589	5,375	71,964
Segment assets	311,967	140,822	147,351	133,914	734,054	92,395	826,449
Other items:							
Depreciation	14,228	4,067	12,180	2,122	32,597	2,632	35,229
Amortization of goodwill	2,081	—	49	25	2,155	107	2,262
Investments in associates accounted for using the equity method	6,895	17,197	2,029	1,522	27,643	10,900	38,543
Increase in tangible and intangible fixed assets	21,642	3,588	11,677	2,427	39,334	4,274	43,608

	Thousands of U.S. dollars						
	2017						
	Advanced Fibers and Composites	Electronics Materials and Performance Polymer Products	Healthcare	Trading and Retail	Subtotal	Others	Total
Sales:							
1) External customers	$1,219,003	$1,198,164	$1,315,064	$2,313,789	$6,046,020	$561,449	$6,607,469
2) Intersegment net sales and transfer	215,804	32,053	—	36,563	284,420	163,339	447,759
Total sales	1,434,807	1,230,217	1,315,064	2,350,352	6,330,440	724,788	7,055,228
Segment income	123,426	164,729	245,628	59,756	593,539	47,909	641,448
Segment assets	2,780,702	1,255,210	1,313,406	1,193,636	6,542,954	823,558	7,366,512
Other items:							
Depreciation	126,821	36,251	108,566	18,914	290,552	23,460	314,012
Amortization of goodwill	18,548	—	437	223	19,208	954	20,162
Investments in associates accounted for using the equity method	61,458	153,285	18,085	13,567	246,395	97,156	343,551
Increase in tangible and intangible fixed assets	192,905	31,981	104,082	21,634	350,602	38,096	388,698

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, 2016 and 2017 are as shown below:

Adjustment for net sales	Millions of yen 2016	Millions of yen 2017	Thousands of U.S. dollars 2017
Reportable operating segments	¥749,125	¥710,212	$6,330,440
Others	92,817	81,314	724,788
Elimination of intersegment transactions	(51,194)	(50,234)	(447,759)
Net sales	¥790,748	¥741,292	$6,607,469

Adjustment for operating income	Millions of yen 2016	Millions of yen 2017	Thousands of U.S. dollars 2017
Reportable operating segments	¥ 74,929	¥ 66,589	$ 593,539
Others	6,489	5,375	47,909
Elimination of intersegment transactions	(257)	189	1,684
Corporate expenses*	(14,031)	(15,641)	(139,415)
Operating income	¥ 67,130	¥ 56,512	$503,717

* 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, 2016 and 2017 are as shown below:

Adjustment for assets	Millions of yen 2016	Millions of yen 2017	Thousands of U.S. dollars 2017
Reportable operating segments	¥598,598	¥734,054	$6,542,954
Others	92,145	92,395	823,558
Corporate assets†	175,854	191,642	1,708,191
Adjustment	(43,168)	(54,038)	(481,664)
Total assets	¥823,429	¥964,053	$8,593,039

† 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.

Other items	Millions of yen 2016 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

Other items	Millions of yen 2017 Reportable operating segments	Others	Adjustment	Total
Depreciation	¥32,597	¥2,632	¥1,840	¥37,069
Amortization of goodwill	2,155	107	—	2,262
Investments in associates accounted for using the equity method	27,643	10,900	—	38,543
Increase in tangible and intangible fixed assets	39,334	4,274	2,616	46,224

Other items	Thousands of U.S. dollars 2017 Reportable operating segments	Others	Adjustment	Total
Depreciation	$290,552	$23,460	$16,401	$330,413
Amortization of goodwill	19,208	954	—	20,162
Investments in associates accounted for using the equity method	246,395	97,156	—	343,551
Increase in tangible and intangible fixed assets	350,602	38,096	23,317	412,015

(4) Information by geographical segment

1. Net sales by region for the years ended March 31, 2016 and 2017 are as shown below:

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

Millions of yen 2017

Japan	China	Asia	Americas	Europe and others	Consolidated total
¥453,734	¥93,789	¥65,985	¥65,718	¥62,066	¥741,292

Thousands of U.S. dollars 2017

Japan	China	Asia	Americas	Europe and others	Consolidated total
$4,044,336	$835,984	$588,154	$585,774	$553,221	$6,607,469

2. Tangible fixed assets by region as of March 31, 2016 and 2017 are as shown below:

Millions of yen 2016

Japan	China	Netherlands	Asia	Americas	Europe	Americas (ex-U.S)	Consolidated total
¥124,030	¥18,370	¥31,663	¥20,602	¥3,289	¥5,303	¥10	¥203,267

Millions of yen 2017

Japan	China	Netherlands	Asia	Americas	Europe	Americas (ex-U.S)	Consolidated total
¥130,907	¥17,020	¥26,889	¥23,914	¥32,817	¥4.624	¥5,119	¥241,290

Thousands of U.S. dollars 2017

Japan	China	Netherlands	Asia	Americas	Europe	Americas (ex-U.S)	Consolidated total
$1,166,833	$151,707	$239,674	$213,156	$292,513	$42,216	$45,627	$2,150,726

(5) Information by major customer

Information for the year ended March 31, 2017 is omitted as no single customer accounted for more than 10% of consolidated net sales as reported in the consolidated statements of operations.

(6) Impairment loss and goodwill by reportable operating segment

Impairment loss by reportable operating segment for the years ended March 31, 2016 and 2017 are as shown below:

	Millions of yen 2016						
	Advanced Fibers and Composites	Electronics Materials and Performance Polymer Products	Healthcare	Trading and Retail	Others	Elimination and corporate	Consolidated total
Impairment loss	¥500	¥5,070	¥1,312	¥—	¥471	¥212	¥7,565

	Millions of yen 2017						
	Advanced Fibers and Composites	Electronics Materials and Performance Polymer Products	Healthcare	Trading and Retail	Others	Elimination and corporate	Consolidated total
Impairment loss	¥597	¥198	¥—	¥41	¥45	¥497	¥1,378

	Thousands of U.S. dollars 2017						
	Advanced Fibers and Composites	Electronics Materials and Performance Polymer Products	Healthcare	Trading and Retail	Others	Elimination and corporate	Consolidated total
Impairment loss	$5,322	$1,765	$—	$365	$401	$4,430	$12,283

Goodwill by reportable operating segment as of March 31, 2016 and 2017 is as shown below:

	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

	Millions of yen 2017						
	Advanced Fibers and Composites	Electronics Materials and Performance Polymer Products	Healthcare	Trading and Retail	Others	Elimination and corporate	Consolidated total
Amortization of goodwill	¥ 2,081	¥—	¥49	¥25	¥107	¥—	¥ 2,262
Balance as of March 31, 2017	32,320	—	49	50	319	—	32,738

	Thousands of U.S. dollars 2017						
	Advanced Fibers and Composites	Electronics Materials and Performance Polymer Products	Healthcare	Trading and Retail	Others	Elimination and corporate	Consolidated total
Amortization of goodwill	$ 18,548	$—	$437	$223	$ 954	$—	$ 20,162
Balance as of March 31, 2017	288,083	—	437	446	2,843	—	291,809

Note 17 Contingent liabilities

At March 31, 2016 and 2017, the Companies were contingently liable as follows:

	Millions of yen 2016	Millions of yen 2017	Thousands of U.S. dollars 2017
(a) As endorser of notes discounted or endorsed	¥ 1	¥ 1	$ 9
(b) As guarantors of indebtedness of:			
Unconsolidated subsidiaries and affiliates	¥5,030	¥2,107	$18,781
Others	2,356	2,193	19,547
	¥7,386	¥4,300	$38,328
(c) As guarantor of accounts receivable negotiated to third parties	¥2,180	¥1,924	$17,149

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 mainly from 1 to 10 years, and calculate the obligations using discount rates between 0.3% and 1.3%.

(3) Changes in the total amount of asset retirement obligations

In the year ended March 31, 2017, the estimated amount of obligation was changed as a more precise estimation, based on the Soil Contamination Countermeasures Act, for soil cleanup became possible.

	Millions of yen 2016	Millions of yen 2017	Thousands of U.S. dollars 2017
Beginning balance	¥ 6,861	¥ 3,678	$ 32,784
Reconciliation associated with passage of time	79	6	53
Reconciliation associated with changes in accounting estimates	(2,397)	764	6,810
Decrease due to the fulfillment of asset retirement obligations	(312)	(1,469)	(13,094)
Other	(553)	(9)	(80)
Ending balance	¥ 3,678	¥ 2,970	$ 26,473

Note 19 Business combinations

Business combination through acquisition

(1) Outline of the business combination

1) Name of acquired company and description of business

Name of acquired company

Continental Structural Plastics Holdings Corporation

Description of business

Design, molding and processing of automotive composite materials and components

2) Main reason for undertaking the business combination
The Company has determined that as a result of this acquisition, it will benefit from Continental Structural Plastics Holdings Corporation's established sales channels in the North American automotive market, which will enable the combined business to provide a broader range of solutions that meet automakers' demands for weight reduction and durability, utilizing the Company's thermoplastic composite technologies. The Company will be able to focus on establishing a platform for business development in automotive composite products, aiming to provide a wider range of solutions for automakers.

3) Date of business combination
January 3, 2017

4) Legal form of the business combination
Share purchase for cash consideration

5) Name of company after the combination
No change in the name of the company

6) Percentage of voting rights acquired

Percentage of voting rights before the acquisition	0%
Percentage of voting rights after the acquisition	100%

7) Basis for determining the company to be acquired
Acquired 100% of the voting rights through the purchase of shares for cash consideration

(2) Period of financial results of the acquired company included in the consolidated financial statements
From January 3, 2017 to March 31, 2017

(3) Acquisition cost for the acquired company and breakdown of the type of consideration

Consideration for the acquisition	Cash ¥85,079 million	($758,347 thousand)
Acquisition cost	¥85,079 million	($758,347 thousand)

(4) Description and amount of major acquisition-related costs

Advisory expenses	¥ 757 million	($6,747 thousand)

(5) Amount of goodwill incurred, reasons for incurring goodwill, amortization method and amortization period
1) Goodwill incurred ¥29,805 million ($265,665 thousand)
2) Reasons for incurring goodwill
The acquisition cost of the acquired company exceeded the net allocated amount of the assets succeeded to and liabilities taken over from the acquired company, and the difference has been recorded as goodwill.
3) Amortization method and amortization period
Straight-line amortization over 10 years

(6) Assets succeeded and liabilities taken over as of the date of the business combination

Current assets	¥20,653 million ($184,089 thousand)
Fixed assets	¥65,794 million ($586,452 thousand)
Total assets	¥86,447 million ($770,541 thousand)
Current liabilities	¥10,556 million ($94,090 thousand)
Noncurrent liabilities	¥20,618 million ($183,778 thousand)
Total liabilities	¥31,174 million ($277,868 thousand)

(7) Breakdown of amounts allocated to intangible assets other than goodwill and weighted-average amortization period overall by major type of asset
1) Amount allocated to intangible assets other than goodwill

Customer-related assets	¥15,335 million ($136,688 thousand)
Technology-related assets	¥12,504 million ($111,454 thousand)
Trademarks	¥ 826 million ($7,363 thousand)

2) Weighted-average amortization period overall

Customer-related assets	11 years
Technology-related assets	10 years
Trademarks	5 years
Total	11 years

(8) Estimated amount and calculation methods of the impact of the business combination on the consolidated statements of income for the fiscal year under review, assuming that the business combination had been completed at the beginning of the fiscal year
No estimate has been made as it is impractical to calculate an estimated amount.

Note 20 Subsequent events

Sale of holdings in subsidiaries

On April 27, 2017, the Company signed an agreement to sell its entire holdings in wholly owned entities Braden Partners L.P. (California, U.S.; BP) and Associated Healthcare Systems, Inc. (New York, U.S.; AHS), both providers of home healthcare devices and services held by consolidated subsidiary Teijin Holdings USA, Inc. and other entities, to PPS HME LLC, an affiliate of the investment management firm Quadrant Management, Inc. of the U.S. Consequently, consolidated subsidiaries BP and AHS will be excluded from the scope of consolidation from the fiscal year ending March 31, 2018.

The approximated amounts of profit and loss with respect to the aforementioned subsidiaries were recorded on the consolidated statements of income for the year ended March 31, 2017 as follows:

	Millions of yen		Thousands of U.S. dollars	
	BP	AHS	BP	AHS
Net sales	¥ 5,987	¥ 376	$ 53,365	$ 3,351
Operating loss	(4,420)	(952)	(39,397)	(8,486)
Ordinary loss	(5,214)	(965)	(46,475)	(8,601)
Net loss	(5,202)	(870)	(46,368)	(7,755)

Year-end dividends

At the Board of Directors' meeting held on May 9, 2017, appropriations of retained earnings for year-end dividends applicable to the year ended March 31, 2017 were duly approved as follows:

	Millions of yen	Thousands of U.S. dollars
Cash dividends: ¥30.00 ($0.27) per share	**¥5,902**	**$52,607**

Independent Auditor’s Report

KPMG

Independent Auditor’s Report

To the Shareholders and Board of Directors of Teijin Limited:

We have audited the accompanying consolidated financial statements of Teijin Limited and its consolidated subsidiaries, which comprise the consolidated balance sheets as at March 31, 2016 and 2017, and the consolidated income statements, statements of comprehensive income, statements of changes in net assets and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management’s Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

Auditor’s Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity’s preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Teijin Limited and its consolidated subsidiaries as at March 31, 2016 and 2017, 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, 2017 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, 2017
Tokyo, Japan

KPMG AZSA LLC, a limited liability audit corporation incorporated under the Japanese Certified Public Accountants Law and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Independent Assurance Report

KPMG

Independent Assurance Report

To the President and CEO of Teijin Limited

We were engaged by Teijin Limited (the “Company”) to undertake a limited assurance engagement of the environmental and social performance indicators and ESH-related accounting indicators marked with a red star ★ for the period from April 1, 2016 to March 31, 2017 (the “Indicators”) included in its Teijin Group Integrated Report 2017 (the “Report”) for the fiscal year ended March 31, 2017.

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 Shimane Plant of Teijin Cordley Limited 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 22, 2017

Corporate Data

As of March 31, 2017

Established	June 17, 1918
Head Offices	Osaka Head Office Nakanoshima Festival Tower West, 2-4, Nakanoshima 3-chome, Kita-ku, Osaka 530-8605, Japan Tel: +81-6-6233-3401 * Relocated in May 2017
	Tokyo Head Office Kasumigaseki Common Gate West Tower, 2-1, Kasumigaseki 3-chome, Chiyoda-ku, Tokyo 100-8585, Japan Tel: +81-3-3506-4529
Fiscal Year-End	March 31
Common Stock Authorized	600,000,000 shares
Common Stock Issued	196,951,733 shares
Paid-in Capital	¥70,817 million
Shareholders	85,195
Number of Teijin Group Companies	Japan 58 Overseas 111 Total 169
Number of Teijin Group Employees (Consolidated)	Japan 9,238 Overseas 10,054 Total 19,292
Stock Exchange Listing	Tokyo
Stock Code	3401
Stock Transfer Agent	Mitsubishi UFJ Trust and Banking Corporation
Dividends	Dividends are usually declared in May and November.
Reports Available to Shareholders and Investors	Corporate Profile Integrated Report Financial Results Fact Book (web site)
Annual Meeting of Shareholders	The annual meeting of shareholders is held before the end of June.
Independent Public Accountants	KPMG AZSA LLC
Web Site	https://www.teijin.com Teijin's web site offers a wealth of corporate and product information, including the latest Integrated Report, financial results and corporate news.
Investor Relations	If you have any questions, please contact: IR Section, Finance & Investor Relations Department, Kasumigaseki Common Gate West Tower, 2-1, Kasumigaseki 3-chome, Chiyoda-ku, Tokyo 100-8585, Japan Tel: +81-3-3506-4395 Fax: +81-3-5510-7977 E-mail: ir@teijin.co.jp

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