TEIJIN

Human Chemistry, Human Solutions

FUTURE NAVIGATION

ALWAYS EVOLVING

2019

INTEGRATED REPORT

Fiscal 2018
(Year ended
March 31, 2019)

Corporate Philosophy

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

In Harmony with Society

Empowering Our People

Our Philosophy

Human Chemistry, Human Solutions

Brand Statement

A concise expression of the value and corporate stance we promise to our stakeholders

Corporate Philosophy

Enhancing the Quality of Life
In Harmony with Society
Empowering Our People

Long-term Vision

To be a company that supports the society of the future

Code of Conduct

Together
Environment, Safety & Health
Integrity
Joy at Work
INnovation

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CEO Message

Jun Suzuki

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

Environmental value; safety, security and disaster mitigation; and demographic changes and increased health consciousness

By addressing issues in each of the abovementioned three fields, we will support the society of the future. Last year, we marked our founding centennial. This year, the Teijin Group will continue to embrace challenges as it takes its first steps into a new century of business.

Three Fields

Social Issues
(SDGs)

Environmental Value Solutions

Safety, Security and Disaster Mitigation Solutions

Demographic Change and Increased Health Consciousness Solutions

Teijin Group's Strengths

What Is "a Company that Supports the Society of the Future?"

For a single business enterprise to become a company that "supports" society, it must first ensure that its own foundations are strong. That means the company must continuously generate solid profits. "Supporting society" means providing goods and services for which society has a critical need. For example, in an aging society with fewer children, people have an earnest wish to enjoy a high Quality of Life in good health throughout their lives. If the earth's natural environment is destroyed, and safety, security and disaster mitigation are put at risk, a high Quality of Life will not be possible for people. In the Teijin Group Corporate Philosophy, "Enhancing the Quality of Life" is a key principle. It sets us on a path of contributing to "Quality of Life for the Globe, Society and Humanity," as it were. Teijin has identified the three fields of "environmental value," "safety, security and disaster mitigation," and "demographic change and increased health consciousness." In these fields, Teijin can take full advantage of its strengths to address the issues highlighted by the Sustainable Development Goals (SDGs). Teijin will deliver solutions that the society of the future will need in each of these fields. I believe that these efforts will pave the way for the Teijin Group to generate sustainable profits.

Solutions the Teijin Group Will Deliver

We will supply more than just products to society. We are determined to deliver comprehensive solutions encompassing services, systems, platforms and more. Our "toolbox," as it were, contains strengths such as technologies, knowledge and experience in the three business fields of Materials, Healthcare and IT. While sharpening and refining these tools, as well as combining them in different ways at times, employees will harness the Teijin Group's tools to deliver solutions. The main thrust of the portfolio transformation process currently under way in the Materials Business Field is to shift from commoditized products and applications to critical and high-value-added products and services. There will be times when a slowing economy will reduce aggregate demand. In these times, customers and society will still need to replace existing items with high-value-added products. For example, even when aggregate demand for automobiles decreases, we believe that demand for replacing heavy materials with strong yet lightweight fiber-reinforced plastics will grow based on the need to improve fuel economy. The Teijin Group is seeking to build a business portfolio that will be less susceptible to the impact of market conditions in these ways.

In Environmental Value Solutions, the Teijin Group aims to reduce the weight of automobiles and aircraft by replacing metals with strong yet lightweight advanced fibers and composites and components. In the automobile industry, the Teijin Group acquired Continental Structural Plastics Holdings Corporation (CSP), North America's largest automotive composites manufacturer in 2017. With this acquisition, the Teijin Group established a position as a Tier 1 supplier.

▶ Business Portfolio Transformation—Positioning of Each Business

Strategies for Portfolio Transformation	Materials Business Field	Healthcare Business Field	Resource Allocation Policy
Transformation Strategies Create and expand new future core businesses	**Composites and components business centered on mobility**	**New healthcare business encompassing non-insurance fields**	Allocate resources preferentially during this medium-term management plan period
Growth Strategies Secure cash for the creation and expansion of new businesses	**Aramid fibers Carbon fibers Plastics**	**Pharmaceuticals Home healthcare**	Allocate the amount of resources needed for stable growth
	IT		
Growth Strategies Change business models	**Trading and retail Polyester fibers Polyester film***		Closely examine and select resource allocation Explore business model creation, collaboration with third parties and other initiatives

* Plans to transfer the film business company to Toyobo Co., Ltd. effective October 1, 2019

Following this acquisition, the Teijin Group acquired Inapal Plasticos SA (Inapal), a European Tier 1 supplier in Portugal, in 2018. We decided to install additional commercial compounding capabilities at CSP's facility in France, and add a second plant at CSP VICTALL, a joint venture in China. By expanding production capacity in Europe and China too, we are driving the global expansion of the automotive composites business. In automotive composites, the Teijin Group is targeting sales of US$900 million in 2020, US$1,500 million in 2025 and US$2,000 million in 2030. With regard to reducing the weight of aircraft, the Teijin Group is the industry's frontrunner in intermediate materials employing carbon fiber and thermoplastic resin. It has also added intermediate materials such as fabric and thermoset prepreg to the product lineup. The Teijin Group will enhance its ability to provide high-value-added solutions by transforming itself from a supplier of carbon fiber to that of intermediate materials over the medium and long terms. By around 2030, the Teijin Group aims to generate sales of over US$900 million per annum from aircraft applications.

Firefighting uniforms and ballistic protection apparel made of aramid fibers are strong yet lightweight and easy to move around in. As a "Safety, Security and Disaster Mitigation Solution," these products are contributing to society. Demand for aramid fibers for optical fiber applications, which serve as social infrastructure, is growing primarily in emerging countries. These products also feature both strength and flexibility, which provides a compelling reason for customers to replace metals and other materials with these products. The Teijin Group also supplies advanced fiber reinforced wood, a wooden material reinforced with aramid fibers and carbon fibers. This groundbreaking product offers both the warm design aesthetic of wood and seismic resistance, in addition to allowing people to use spaces more flexibly. Another notable product is *Kal-ten*, an ultra-lightweight ceiling system that reduces damage in the event of a major earthquake. Inspired by an earthquake recovery project, this product was created through the Teijin Group's solutions-oriented thought process.

In Demographic Change and Increased Health Consciousness Solutions, we are promoting the New Healthcare Business, in addition to pharmaceuticals, home healthcare devices, artificial joints in bone/joint, respiratory and cardiovascular/metabolic disease fields. The New Healthcare Business encompasses long-term care insurance and non-insurance care services, including health food materials. Teijin's healthcare services stand out because we have a home healthcare platform. This platform includes a 24-hour call center, in-home nursing care stations, and *VitalLink* (an information sharing system for team-based healthcare). Teijin will expand this platform to cover areas ranging from pre-symptomatic care to healthcare, rehabilitation, and nursing care, in conjunction with maximizing its IT capabilities. By doing so, Teijin seeks to serve customers as a strong partner in healthcare and patient support based on community networks, which will be crucial to the aging society.

Creativity and Imagination as the Engines for the Future
—Think Human Project—

I believe that the first step in any task is to put your creativity and imagination to work to the fullest extent possible. That is because neither people nor companies can work toward goals they cannot imagine, and achieve such goals. The flip side is that if you can imagine something, you can eventually achieve it. When it comes to products, I urge employees to look at things from the perspective of consumers and try to imagine products that would be useful and make their lives better. Having done so, I encourage employees to ask themselves what is missing from current products and services and what kinds of breakthroughs would be needed to provide such products and services. When employees start to think along these lines, I believe our businesses will become very interesting.

Last year was Teijin's founding centennial. We marked this occasion by pursuing the Think Human Project. The project's central theme was to explore what people in the future would want in terms of Quality of Life. Projects were launched to explore the following nine issues: Humanness,

Fiber, Sensitivity, Aging, Environment, Living Space, Diet, Mobility, and Super-Aged Society. Employees were assigned as leaders of each project, and highly prominent experts with unique backgrounds were invited to join each project as partners. This initiative sought to visualize something that is fuzzy and intangible—the society, technologies and people of the future.

At the presentation of the output of the Think Human Project at Shibuya Hikarie, many customers told me that the displays reminded them of the world of science fiction. That is exactly what we tried to convey. I have the feeling that everyone knows that what science fiction authors have imagined will become reality sooner than we think, and will come true at an increasingly faster pace in the future. The development of AI is a case in point. I would like our employees to harness their creativity and imagination as an engine to drive us forward into the future.

▶ Nine Issues Highlighted by the Think Human Project (https://100.teijin.co.jp/en/)

Business Targets Integrated with the SDGs

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. Moreover, the three fields that Teijin is working to address overlap with the fields covered by the SDGs embraced by the United Nations. Naturally, I believe that the SDGs, which identify international goals for solving key issues by 2030, present a very high hurdle to clear from where we stand at this time. Even so, I believe that everything begins with placing our trust in the wisdom of people—we must trust that the society of the future will clear these hurdles. The Teijin Group has been taking steady strides toward its environmental impact reduction targets for fiscal 2020. It is currently considering targets for fiscal 2030. In addition, Teijin has announced its support for the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), and has joined the TCFD Consortium, which is backed by the Ministry of Economy, Trade and Industry (METI), the Financial Services Agency (FSA), and the Ministry of the Environment (MOE) of Japan. By clearly defining future goals, I believe we can find a way to achieve them.

The Teijin Group currently has approximately 20,000 employees who are working at sites in Japan, the Americas, Europe and Asia. The globalization of human resources has been advancing rapidly, with non-Japanese employees now accounting for more than half of our workforce. The Teijin Group has been supported by diverse human resources, who have been the driving force behind the Group's development. On April 1, 2019, Ms. Karola Japke was appointed to the post of Chief Human Resources Officer (CHO). Ms. Japke is Teijin's first non-Japanese CHO. The time will come when we will have turned diversity into a truly positive force for the entire organization. Until then, friction is bound to arise in many different situations. However, organizations that have overcome this friction are strong. I expect Ms. Japke to turn diversity into an even greater strength at Teijin.

Chief HR Officer Interview ▶ P.59

I believe that effectiveness is crucial to corporate governance. At times, Teijin's outside directors have served to put the brakes on management, so to speak, while at other times they have stepped on the gas. In these ways, they have fulfilled pivotal roles in increasing Teijin's corporate value. In the past few years, investors have put greater emphasis on corporate governance. Under these conditions, we will engage investors in an ongoing dialogue. Through this process, we will seek to explain the effectiveness of Teijin's governance more clearly, along with striving to provide appropriate disclosure of information.

Corporate Governance Talk ▶ P.48

Current Medium-Term Management Plan: A Review of the Past Two Years and Outlook for Fiscal 2019

In fiscal 2017, the Teijin Group launched the medium-term management plan for 2017–2019, "ALWAYS EVOLVING." Under this plan, we have been implementing portfolio transformation to realize our long-term vision, i.e., our aspirations for the Teijin Group ten years from now (in and around 2025). Sometime around 2025, we envision that the Materials and Healthcare Business Fields will remain the two core pillars of our business, and besides our existing businesses, new businesses that were not contributing to profits when the plan was formulated (in fiscal 2016) will become core drivers of profit. More specifically, in the Materials Business Field, we anticipate that the composites and components business will become a new core business with the main focus on mobility. In the Healthcare Business Field, we will expand our healthcare platform from pharmaceuticals and home healthcare to non-insurance business fields. We expect to add various businesses to our expansive healthcare platform, as we seamlessly link them together.

Looking at the performance targets of the current medium-term management plan, we are targeting a ROE of 10% or more and EBITDA of ¥120 billion or more. In fiscal 2017, the plan's first year, the Teijin Group posted a steady performance with ROE of 12.5% and EBITDA of ¥115.5 billion. Meanwhile, we finished fiscal 2018 with consolidated net sales of ¥888.6 billion, operating income of ¥60.0 billion, ROE of 11.2% and EBITDA of ¥107.6 billion. Growth in EBITDA remains an issue. This was partly caused by a temporary deterioration in the productivity of CSP. However, yields had recovered by the end of fiscal 2018. CSP will continue to make the next round of investments in new product launches. However, our goal is for CSP to start contributing to profits at an early stage of the next medium-term management plan.

In order to make solid investments in the development of new businesses, we must ensure that our existing businesses grow and steadily generate profits. To do so, we are working to enhance our core earnings power by shifting to high-value-added products that are less susceptible to the impact of market price fluctuations. In the polycarbonate business, we were impacted by a rapid deterioration in market conditions in the second half of fiscal 2018, but we successfully minimized the impact on our operations.

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

Long-Term Vision

To be a Company that Supports the Society of the Future

Our Vision

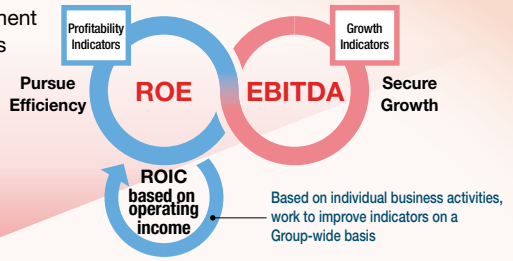
- An enterprise that helps to solve social issues
- An enterprise that achieves continuous transformation by anticipating changes in the external environment
- An enterprise that continues to create new value at all times

▶ Growth Strategies
Strengthen core earnings power by accelerating growth in existing businesses

▶ Transformation Strategy
Establish new core businesses and transform business models

▶ Strengthen the Management System Platform
Strengthen an effective system underpinning growth and transformation strategies

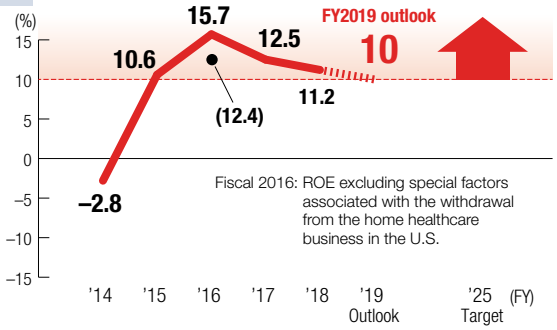
▶ Management Indicators



Medium-Term Targets and Progress (Fiscal 2019 Outlook: Announced on August 2, 2019)

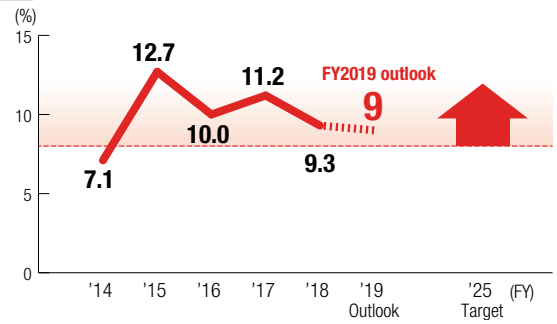
Medium-Term Target ROE*1 — **10% +**

Trend



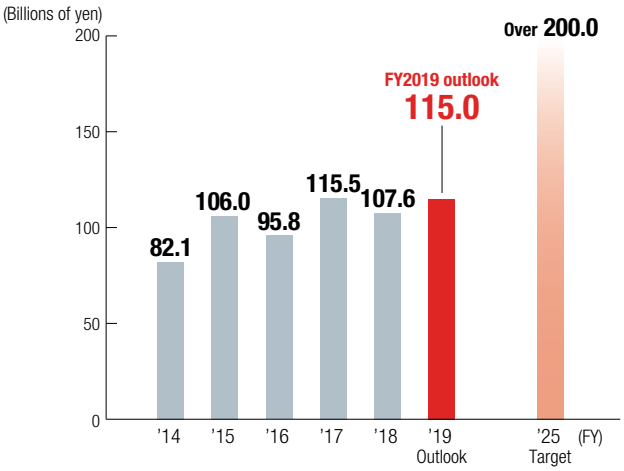
Medium-Term Target ROIC*2 (based on operating income) — **8% +**

Trend



Medium-Term Target EBITDA*3 — Over ¥120 billion in FY2019; Over ¥200 billion in FY2025

Trend



Medium-Term Target Resource allocation (Capital expenditures + M&A budget) — **¥300 billion** 3-year cumulative total

Progress Cumulative results through fiscal 2017–2018 + fiscal 2019 plan — Over **¥200 billion***4

*1 Return on Equity (ROE) is calculated as profit attributable to owners of parent divided by shareholders' equity.
*2 Return on Invested Capital (ROIC) based on operating income is calculated as operating income divided by invested capital. Invested capital is calculated as net assets plus interest-bearing debt, minus cash and deposits.
*3 Earnings Before Interest, Tax, Depreciation and Amortization (EBITDA) is calculated as operating income plus depreciation and amortization (including goodwill).
*4 Not including pending matters.

In fiscal 2019, the final year of the current medium-term management plan, we will need to closely monitor the direct and indirect impacts of trade tensions between the U.S. and China on our businesses, and any further deterioration in market conditions for polycarbonate. Moreover, in the Healthcare Business, we expect earnings from febuxostat (*FEBURIC* in Japan) to decline in overseas markets. Meanwhile, we are projecting higher earnings on higher sales in the Materials Business including aramid fibers, and the Healthcare Business in Japan. Based on this, we are forecasting consolidated net sales of ¥900.0 billion, up 1.3% year on year, and operating income of ¥60.0 billion, mostly unchanged from the previous year. Profit attributable to owners of parent is projected to decrease by around 9% year on year to ¥41.0 billion, based partly on a decrease in tax effects recorded in the previous fiscal year. Based on those assumptions, the outlook for our performance indicators calls for ROE of 10% and EBITDA of ¥115.0 billion. While EBITDA will fall slightly short of the medium-term management plan target, we will seek to achieve the plan's target at the implementation stage.

Looking at the process for realizing our aspirations for 2025, we have fallen significantly below our targets particularly for the New Healthcare Businesses. Meanwhile, we still have an investment fund budget of around ¥100.0 billion. Although we are always monitoring opportunities for M&A deals, we recognize that disciplined investments will be needed to ensure that we use our funds effectively. We will continue to consider investments as a priority for fiscal 2019 and the period covered by the next medium-term management plan.

(Fiscal 2019 Outlook: Announced on August 2, 2019)

In Closing

The Teijin Group's next 100 years of business will be a journey of continuously delivering solutions that contribute to the Quality of Life of the people of the future, based on human-centric thinking. We will take new strides forward to be recognized by all of our stakeholders as a company that supports the society of future.

CFO Message

Increasing corporate value by pursuing "earning power" and "investment efficiency" while maintaining a sound financial base.

Yoshihisa Sonobe
Senior Executive Officer, Member of the Board,
Chief Financial Officer

Strengthen "earning power" by emphasizing EBITDA

In order to achieve sustainable corporate growth and increase corporate value over the medium to long term, it is important to strengthen "earning power" and to increase cash generation capacity while maintaining financial soundness. Fundamental structural reforms that the Teijin Group has been working on over the past few years have improved its financial soundness and have established a profit base which can be earned in existing businesses. The current shareholders' equity ratio is maintaining a target level of 40%. With regards to "earning power," EBITDA has a position as one of the most important management indicators, and we are working to improve our ability to generate cash.

In order to improve EBITDA, it is necessary to continually strengthen basic profitability through the growth of existing businesses and to reform the business portfolio, including the establishment of new core businesses.

In the Materials Business, we will increase production capacity for aramid fibers, where demand is strong, and we will work to expand sales. The composite molding material business struggled in fiscal 2018 due to an increase in temporary costs associated with acquiring new orders, while CSP* in the US expanded steadily, but profitability is recovering due to improved productivity. We are also promoting business development in Europe/China.

In the Healthcare Business, we will aim to create and expand new Healthcare Businesses and optimize resource inputs within those businesses, while continuing to expand existing businesses in hyperuricemia/gout treatment *FEBURIC* and home healthcare.

In addition, as a common measure to enhance basic profitability, we are strengthening production cost competitiveness and reviewing business processes using RPA (Robotic Process Automation).

The Teijin Group has set a resource budget of ¥300 billion in total over the three years of the medium-term management plan (fiscal 2017–2019), combining capital investment and M&A. Over ¥200 billion was already implemented and decided for efforts such as the construction of a new plant in North America for carbon fiber to expand supply to aircraft, expansion of production capacity in North America with the acquisition of new orders in the composite molding material business, and the acquisition of composite molding material and parts manufacturers with manufacturing bases in Europe. In fiscal 2019, the final year of the medium-term management plan, we will continue to actively invest in new businesses to transform our business portfolio.

While the latest forecast is slightly below the fiscal 2019 EBITDA target of over ¥120 billion set forth in the medium-term management plan, we are aiming to achieve the target in fiscal 2019, and then in anticipation of EBITDA exceeding ¥200 billion set forth in the long-term target in fiscal 2025, we will continue to strengthen our "earning power."

* Continental Structural Plastics Holdings Corporation

Improve investment efficiency by emphasizing ROE and operating income ROIC

In order to increase corporate value while taking precious capital from shareholders and to make active investments, we are carrying out management with an awareness of capital efficiency. We position ROE as one of the most important indicators for measuring investment efficiency, and in order to secure company-wide ROE targets, operating income ROIC is used as a common "ruler" for the Teijin Group as an indicator to fairly measure the profitability of resources invested in

businesses with different business characteristics. In order to promote the improvement of operating income ROIC in connection with the activities of each business, the elements that make up ROIC are disassembled and incorporated into key performance indicators (KPIs) that can be managed at the business and site level, and we are working on improving them.

In addition, we are promoting the reduction of invested capital, such as improving the CCC (cash conversion cycle) focusing on working capital efficiency, and selling strategically owned stocks, as measures to increase the efficiency of invested capital.

The medium-term management plan targets ROE of 10% or higher and operating income ROIC of 8% or higher, and we are also aiming to achieve these targets in the fiscal 2019 forecast.

On the other hand, in financing/capital policy, while ensuring financial soundness and paying close attention to the cost of capital, equity ratio, D/E ratio, ROE and debt rating, we will pursue an optimal capital and debt structure by implementing various measures such as using internal funds, raising funds from the outside and acquiring our own shares.

	Invested resources	R&D expenses	Dividend payout ratio
Medium–Term Target	CAPEX + M&A budget ¥300 billion (FY2017–2019 total)	Around 5% of net sales Development budget for transformation strategy: secure approx. 30%	30% of net income
FY2019 Outlook	CAPEX + M&A budget Over ¥200 billion* (2017–2018 cumulative total + 2019 outlook) * Not including undecided amount	About 4% of net sales (Research and development expenses: ¥38 billion)	28% of net income (Dividend per share of ¥60)

Shareholder return policy

Our policy for shareholder returns is based on profit distribution that is linked to consolidated business results, and the targeted consolidated dividend payout ratio in the medium-term management plan is set at 30% of net income.

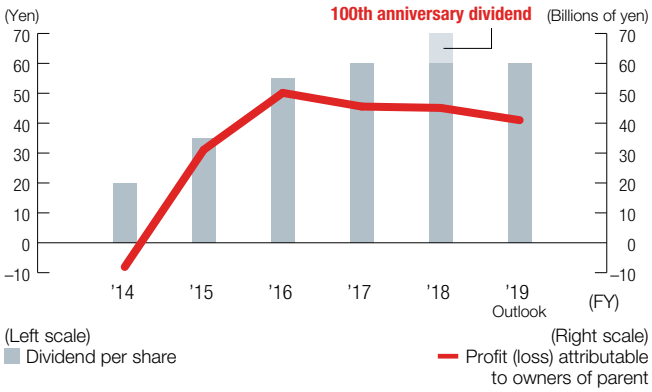
When paying dividends, we take into account the soundness of our financial structure, the continuity of dividends over the medium to long term and securing internal reserves necessary for strategic investment for future growth and development. In addition, the year-end dividend for fiscal 2018 was ¥40 per share (including the 100th anniversary dividend of ¥10). As a result, the annual dividend, including the interim dividend, will be ¥70.

In addition, we purchased ¥20 billion of treasury stock in fiscal 2018 as part of a flexible capital policy that responded to changes in the business environment.

The dividend for fiscal 2019 is planned to be ¥60, including an interim dividend of ¥30 and a year-end dividend of ¥30, based on the consolidated results forecast.

Based on the opportunities and risks of the external environment in the future and while balancing the growth and development strategy investment and shareholder returns, we will aim to continuously improve corporate value by implementing flexible capital policies which respond to changes in the business environment.

■ Shareholder Return Initiatives



	Profit attributable to owners of parent	Dividend per share	Purchase of treasury stock
FY2017	¥45.6 billion	¥60	—
FY2018	¥45.1 billion	¥70 (including the 100th anniversary dividend of ¥10)	¥20.0 billion
FY2019 (Outlook)	¥41.0 billion	¥60	Undecided

TEIJIN TODAY

History of Evolution and Ambition

The Teijin Group has a history of ceaseless evolution and ambition. We are here today because we have repeatedly embraced bold evolution and ambition since our founding, with an entrepreneurial spirit that seeks to reshape and amaze society. In essence, we have transformed our business portfolio in line with the times.

Era of Semi-Synthetic Fiber

Embracing the Challenge of Manufacturing Artificial Silk—Rayon
Transforming into a Synthetic Fiber Manufacturer

At the time of its founding, Teijin established Japan's first technology for manufacturing semi-synthetic rayon fibers and spearheaded the development phase of the rayon business as a leading company. Thereafter, Teijin proactively expanded its business, supported by the highly profitable polyester fiber *TETORON*. The Company successively established manufacturing sites in Japan and overseas and grew into a global synthetic fiber manufacturer.

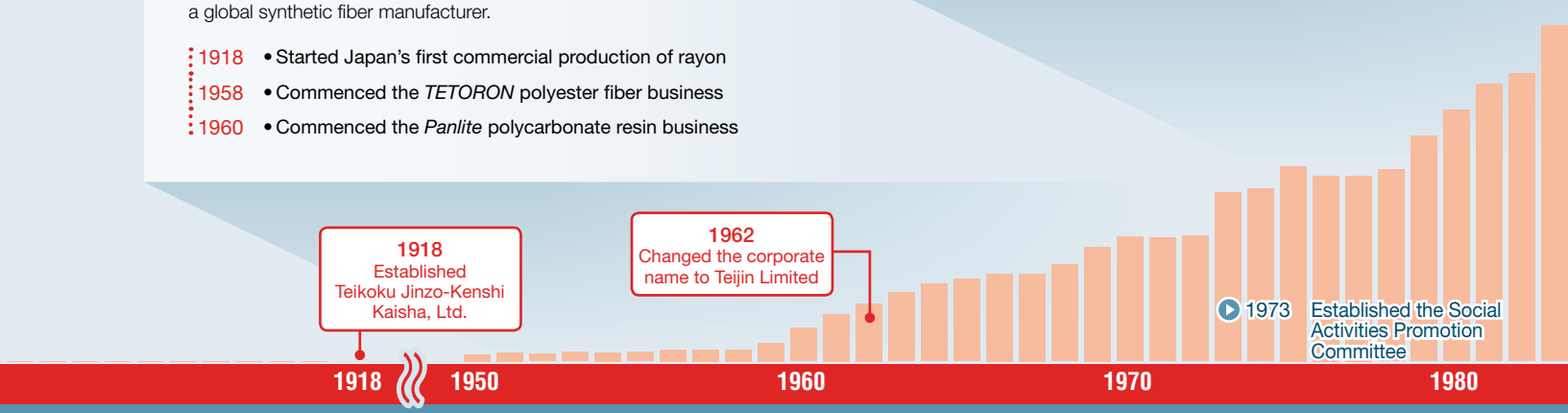
- 1918 • Started Japan's first commercial production of rayon
- 1958 • Commenced the *TETORON* polyester fiber business
- 1960 • Commenced the *Panlite* polycarbonate resin business

Era of Diversification

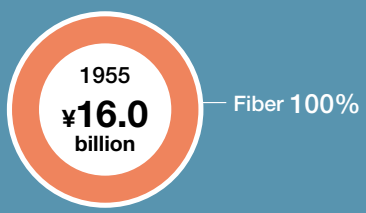
Embracing the Challenge of New Businesses and Different Fields
Transforming into a Diversified Business

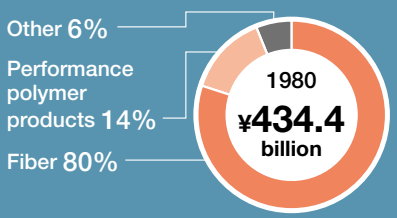
While continuing to drive growth with *TETORON* as its core product, Teijin expanded its business as a high-performance materials manufacturer by boldly embracing the challenge of developing and commercializing new businesses. Moreover, Teijin commenced the pharmaceutical and home healthcare business by making the most of its knowledge and experience in synthetic chemistry and polymer chemistry. The Company also moved into the IT field. In these ways, Teijin transformed itself into a diversified business spanning the materials, healthcare and IT fields.

- 1971 • Commenced the *Teijinconex* meta-aramid fiber business
  • Commenced the PET film business
  • Withdrew from the rayon business
- 1973 • Commenced the pharmaceutical business with introduction and development of proprietary new drugs
- 1982 • Commenced Japan's first home oxygen therapy (HOT) business
- 1983 • Commenced the IT business
- 1987 • Commenced the *Technora* para-aramid fiber business
- 1999 • Commenced the *TENAX* carbon fibers business
- 2000 • Commenced the *Twaron* para-aramid fiber business



Portfolio transformation





Society

Postwar reconstruction→ Korean War-related demand and economic boom in textiles-related industries

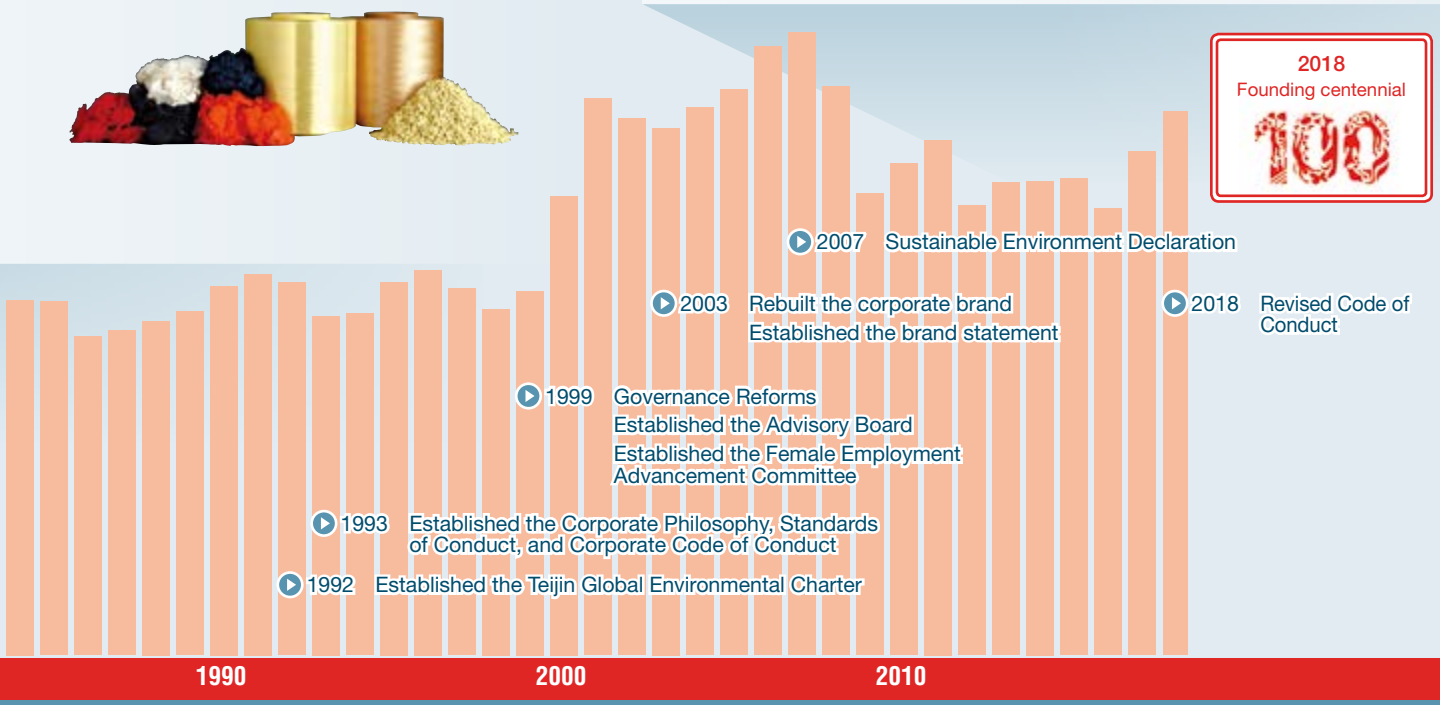
End of Japan's high economic growth period

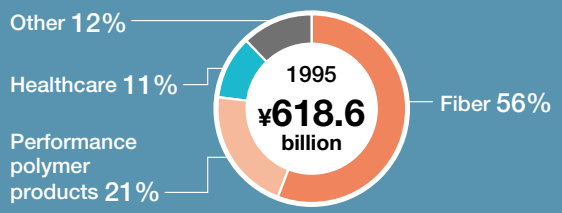
Creation of New Value

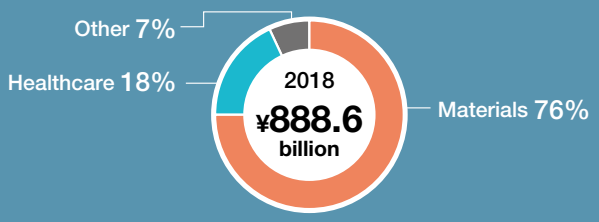
Embracing the Challenge of Governance Reforms Transforming into a New Business Portfolio

Amid continuing business diversification and globalization, Teijin has been implementing management reforms in earnest since the 1990s. The Company has been working to proactively enhance the transparency and speed of management in conjunction with advancing management focused on its environmental and social responsibilities. Looking toward the next century, Teijin will create new value by taking full advantage of the strengths it has developed over the years as an enterprise spanning materials, healthcare and IT. In the process, Teijin will push ahead with further business portfolio transformation.

- 2011
  - Established the world's first mass production technology for thermoplastic CFRP
  - Launched *FEBURIC* (marketed in the US as *ULORIC* and Europe as *ADENURIC*), the world's first non-purine-selective xanthine oxidase inhibitor
- 2012
  - Commercialized lithium-ion battery (LIB) separators
- 2015
  - Commenced artificial joint business
  - Commercialized the *VitalLink* information sharing system for collaborative sharing between multiple job types
- 2016
  - Commenced functional food ingredients business
- 2017
  - Acquired U.S.-based Continental Structural Plastics Holdings Corporation (CSP) and expanded the composites business
- 2018
  - Began construction of a new carbon fiber manufacturing plant in the United States







Advances in globalization

IT revolution

Aging society with fewer children

Rising medical costs

Paris Agreement on climate change comes into force

The Teijin Group's Businesses

Materials

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.

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, compounds, sports and leisure equipment

© AIRBUS

Resin and plastics processing

- Polycarbonate resin

- PEN resin
- PPS resin
- Flame retardants
- Polycarbonate film and sheet

- Polycarbonate resin
  Electrical and electronics components, audiovisual (AV) and office automation (OA) equipment, personal computer casings, automotive components, smartphone camera lenses

OA equipment

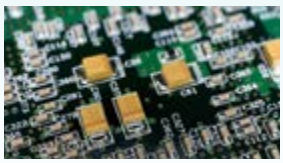
- Polycarbonate film and sheet
  Organic electroluminescent display (OLED) anti-reflective film, automotive instrument panels

Films*

- Polyester film

- PEN film

- Polyester film
  Release film for various processes, laminating film for beverage and food cans



Electronic parts
(release films used in manufacturing processes)

* Planned transfer of the film company to Toyobo Co., Ltd. effective October 1, 2019

Healthcare

Healthcare Business Group

We provide unique medical solutions by developing our strengths from the characteristics of 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, 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

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

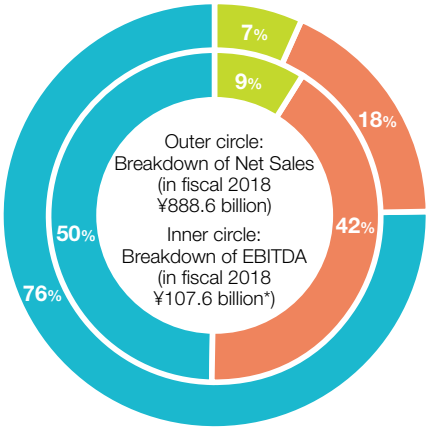
New healthcare

- Orthopedic implantable devices
- Functional food ingredients
- Digital healthcare

Artificial joints

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

Enhanced barley product *BARLEYmax*



Materials	Net sales	¥671.6 billion	EBITDA ¥56.4 billion
Healthcare	Net sales	¥157.5 billion	EBITDA ¥47.3 billion
Others	Net sales	¥59.5 billion	EBITDA ¥10.0 billion

* Includes elimination and/or corporate of –¥6.1 billion

Polyester Fibers & Trading and Retail Business Group

We provide a wide range of solutions that address market needs through a globally integrated R&D, manufacturing and sales configuration spanning raw materials to final products.

Principal products

- 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

High-performance polyester materials

Principal applications

Car seat materials

Composites and Others

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

Principal products

- Automotive composites
- Plastic glazing
- LIB separator

Automotive fender using the lightweight composite material *TCA Ultra Lite*

Principal applications

FCA US* 2018 model Jeep

* Fiat Chrysler Automobiles US LLC

Others

IT Business Group

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

Business Solutions

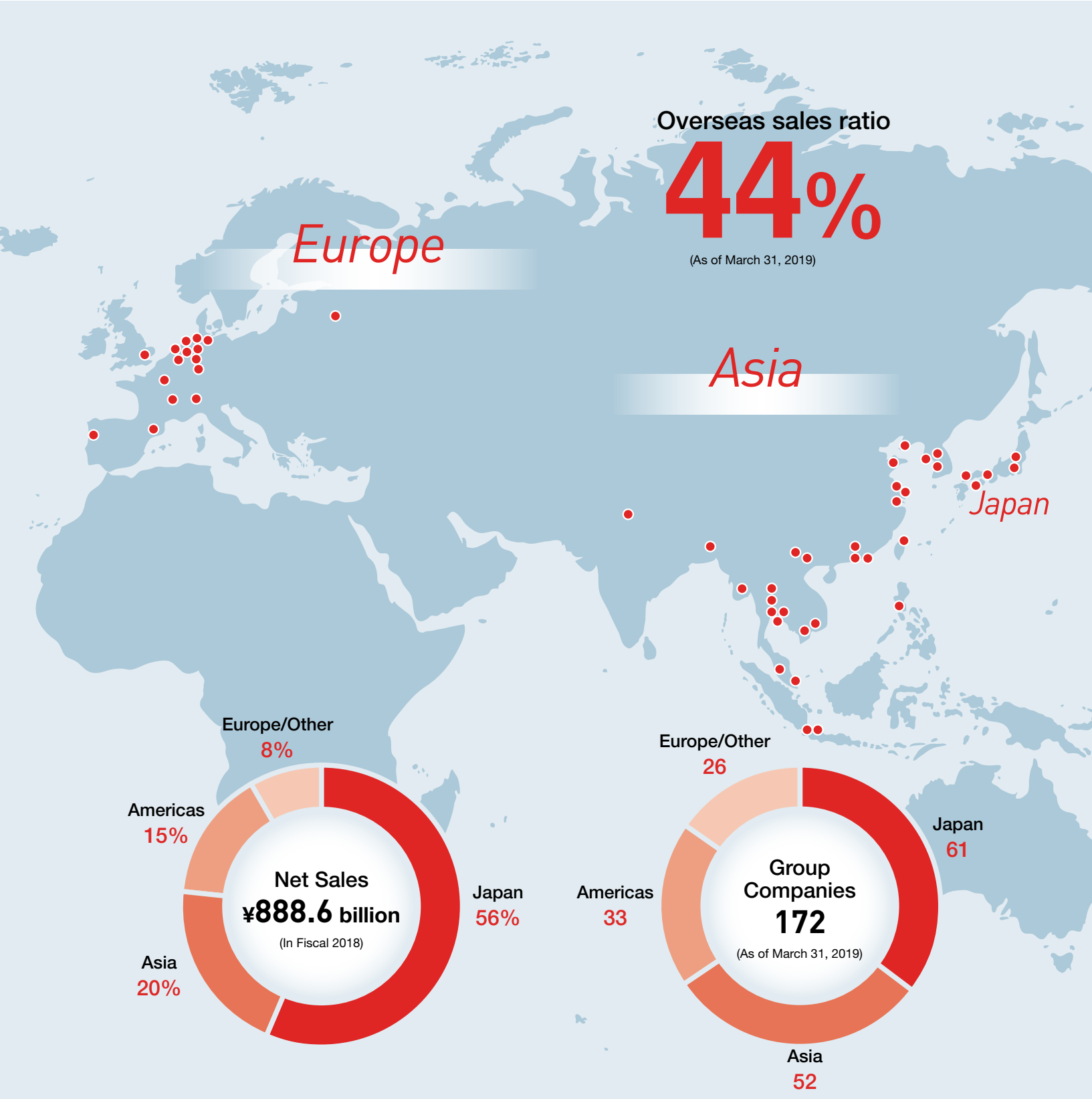
- IT services for healthcare field
- *GRANDIT*, a fully web-based enterprise resource planning software package
- IT services for enterprises

Digital Entertainment

- e-comics distribution services

	Business Outline	Competitive Advantage
Materials	We have high-performance materials, aramid fiber, carbon fiber and resin. In addition, we leverage the technical features of these materials to develop composite molding materials which realize high strength, durability and a lighter weight by combining materials. In response to social demands for lower fuel consumption due to increased environmental regulations, we are working on weight reduction in the mobility field, and providing solutions as not only material suppliers but Tier 1 suppliers, as well as parts supply partners with design capabilities. In addition, we provide parts and materials which use high-performance materials in response to the increasing awareness of disaster prevention and the need to renew social infrastructure.	We provide high-quality and high-performance materials and products based on polymer chemistry and synthetic chemistry which make full use of advanced technologies and know-how. By actively utilizing alliances and business acquisitions and strengthening our portfolio in high-value-added fields while leveraging diverse human resources, we are building a business foundation that is resistant to changes in the market environment. A strong relationship of trust with customers that we have built is an important asset, which contributes to the reduction of environmental impact and the resolution of social issues.
Healthcare	Through the pharmaceutical and home healthcare fields, we provide products and services to patients who need treatment, focusing on disease areas such as “bones/joints,” “respiratory organs” and “metabolism/circulatory organs.” In response to an aging society, we provide IT-based services to help patients feel comfortable at home and to contribute to the promotion of comprehensive community care. In addition to cutting-edge medical research and development such as cell therapy, new medical devices and implantable medical devices, we also provide functional food material for pursuing healthy lives.	Through collaboration with sharing knowledge, skills and information between the pharmaceutical and home healthcare fields, we provide more accurate solutions to patients and medical professionals. For the next generation of pharmaceutical, medical device and medical material fields, we carry out unique approaches, utilizing diverse viewpoints, which include fusion technologies with use of IT or materials, through collaborations with engineering laboratories, etc.
Others	We are developing businesses in the IT service field which contribute to operational efficiency for companies, medical care and public institutions, and we are developing an online business field which provides e-comics distribution services for general consumers.	In the Business Solutions field, our strength is integration with healthcare fields such as nursing care services. Utilizing new technologies such as AI and RPA, it enables us to contribute to solving the problems of an aging society. In the Digital Entertainment field, we are working to enhance our services, such as analyzing customer needs with AI through electronic comic distribution services, and the relationship of trust we have built with major publishers is another strength.

The Teijin Group's Global Business Network



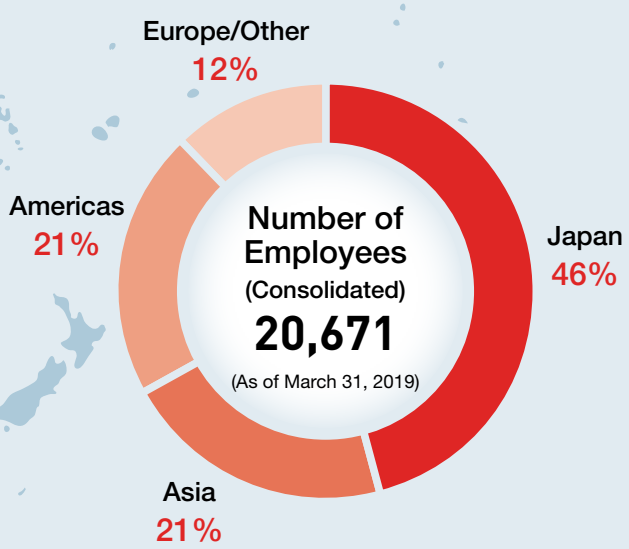
Percentage of overseas employees

54%

(As of March 31, 2019)

Americas

Teijin is active in over 20 countries worldwide.



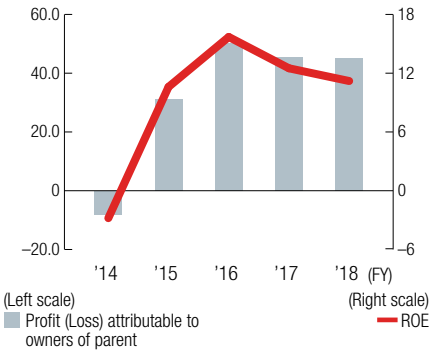
Financial/Non-Financial Highlights

Financial Highlights

Net Sales/Operating Income (Billions of yen)

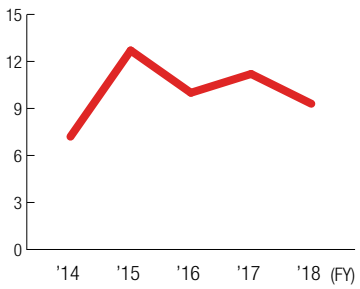
Despite a temporary decline due to restructuring, net sales have been increasing since fiscal 2016 due to M&As and growth in existing businesses. Operating income has also recovered and remains stable.

Profit (Loss) Attributable to Owners of Parent (Billions of yen)
ROE (%)



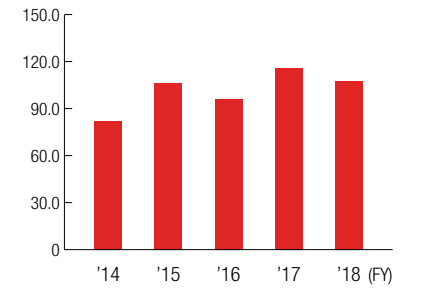
Current profit has recovered significantly since fiscal 2014, when numbers were in the red. The goal under the current medium-term management plan is to maintain a baseline ROE of 10% or greater.

ROIC (Based on operating income) (%)



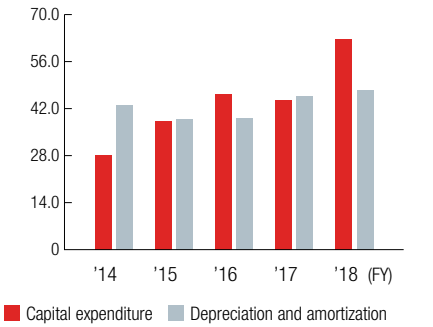
With operating income remaining stable, the goal under the current medium-term management plan is to maintain a baseline ROIC based on operating income of 8% or greater.

EBITDA (Billions of yen)



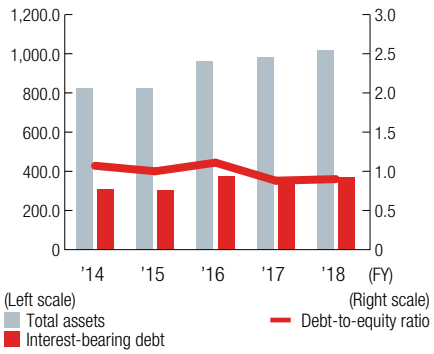
Due to restructuring, Teijin's ability to create cash has improved and a stable EBITDA has been maintained. Strong performance is also expected for the immediate future.

Capital Expenditure/Depreciation and Amortization (Billions of yen)



Investments were implemented, focusing on mobility industries such as automobiles and aircraft. Depreciation and amortization, including amortization of goodwill, increased due to M&As and a rise in capital investment.

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

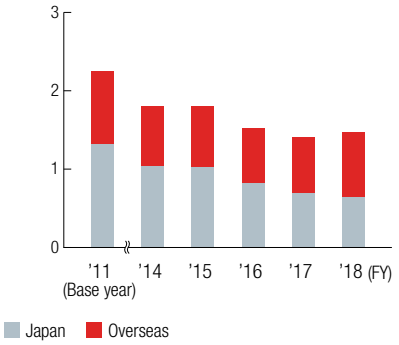


Total assets have been increasing due to M&As and growth in existing businesses. The debt-to-equity ratio has been kept at below 1.0.

Non-Financial Highlights

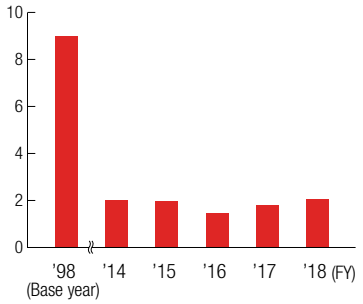
★…Independently assured indicators

Greenhouse Gas Emissions from Production Operations*1 (Millions of tons-CO_2)



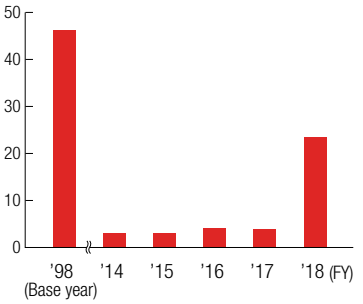
Due to the inclusion of CSP*2 in calculations, emissions in fiscal 2018 reached 1.48 million tons-CO_2★, a 5% increase over the previous year. However, the fiscal 2012–2020 target of a 1% or better decrease per year (over the base year of 2011) was reached with an average annual decrease of 4.9%.

Chemical Substance Emissions*3 (kilotons)



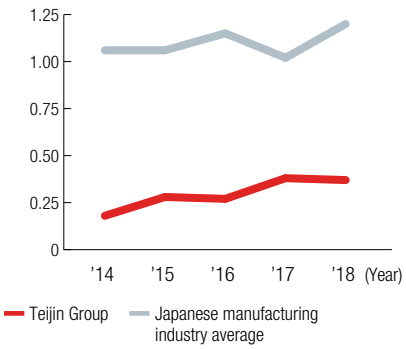
Due to CSP*2 being included in calculations as of fiscal 2018, chemical substance emissions reached 2.08 thousand tons★, a 15% increase over the previous year. This represents a 77% decrease over fiscal 1998. We will continue to work to further reduce emissions so as to meet our goal of a 80% decrease by fiscal 2020 (over the base year of 1998).

Waste with No Effective Use*4 (kilotons)



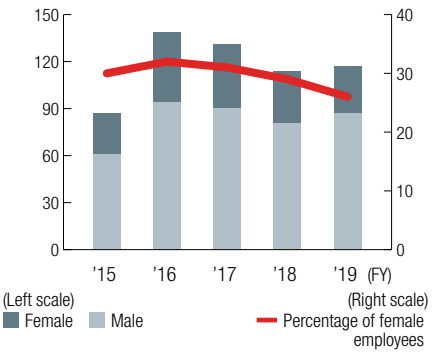
Due to CSP*2 being included in calculations as of fiscal 2018, the amount of produced waste with no effective use reached 23.6 thousand tons★, a significant increase over the previous year. This total represents a 49% decrease over fiscal 1998. We will continue to work to further reduce such waste so as to meet our goal of an 85% decrease by fiscal 2020 (over the base year of 1998).

Lost-Time Injury Frequency Rate*5



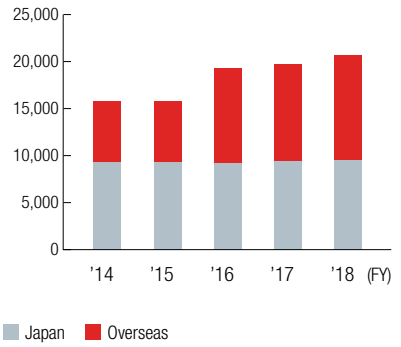
Our target for lost-time injuries is a frequency rate of 0.25 or less. Unfortunately, we failed to reach that goal in 2018, with a frequency rate of 0.37★. There were no fatal workplace accidents in 2018.

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



Our target for female hires at the four core Group companies*6 in Japan is 30% or greater. Unfortunately, we failed to reach that goal in fiscal 2019, falling short at 26%★.

Number of Employees (People)



As of March 31, 2019 there were 20,671 employees in the Group, 54% of whom were of non-Japanese nationality.

*1 Includes methane and N_2O, as well as CO_2. For details on how CO_2 emissions are calculated, see p. 53.
*2 Continental Structural Plastics Holdings Corporation (acquired January 2017)
*3 Calculations include atmospheric, water and soil emissions and on-site landfilling of class 1 designated chemical substances under the Law Concerning Reporting, etc. of Releases to the Environment of Specific Chemical Substances and Promoting Improvements in Their Management and of chemical substances indicated by the Japan Chemical Industry Association.
*4 Waste that is landfilled or burned without recovering heat.
*5 The number of lost-time injuries per one million hours worked (calculated from January through December. The above calculation does not include CSP).
Source for Japanese manufacturing industry average: "Survey on Industrial Accidents," Japanese Ministry of Health, Labour and Welfare
*6 Four core Group companies in Japan: Teijin Limited, Teijin Pharma Limited, Teijin Frontier Co., Ltd., and Infocom Corporation

Topics (April 2018 – May 2019)

2019

May

Materials: Environmental Value

First use of CFRTP (Carbon Fiber-Reinforced Thermoplastic) for structural parts for mass-produced automobiles, worldwide, in new models from US company GM

April

Healthcare: Aging Society and Health Consciousness

Hi-Sanso-i, Teijin's latest oxygen concentrator, released to market

Corporate Information: ESG

Selected as a "Competitive IT Strategy Company" for second year in a row

Materials: Environmental Value

Composite parts from CSP used in Chinese company JMC's* new automotive models

Healthcare: Aging Society and Health Consciousness

Introduced *Sleepcheck*, a sleep monitoring service for stress-check users

* Jiangling Motors Co., Ltd.

March

IT/Other: Work Restructuring

Developed central product management system using IC tags

Healthcare: Aging Society and Health Consciousness

Began sale of new product using super barley
Acquired production/marketing approval for *Revcovi* 2.4 mg for intramuscular injection and rheumatoid arthritis drug biosimilar

IT/Other: Work Restructuring

Began offering employment management systems options to support compliance at hospitals with Workstyle reform laws

Corporate Information: ESG

Selected as a "Nadeshiko Brand" company for second year in a row
Endorsed the Task Force on Climate-related Financial Disclosure report
Established a special subsidiary company to promote employment for persons with disabilities

Materials: Environmental Value

Developed door modules using multimaterials
Developed high-heat and shock resistant prepreg

Healthcare: Aging Society and Health Consciousness

Began sale of febuxostat in China

February

Corporate Information: ESG

Selected as a certified "Health Management Excellent Corporation" for third year in a row

Materials: Environmental Value

Purchased US company Renegade Materials Corporation (heat-cured prepreg manufacture and sales)

Healthcare: Aging Society and Health Consciousness

Began clinical trials of JTR-161 dental pulp stem cells

January

Materials: Environmental Value

Formed agreement with Boeing for authorization of carbon fiber intermediate materials

Materials: Environmental Value

Extended contract for supply of *TENAX* carbon fiber for the Airbus A220

2018

December

Corporate Information: 100th Anniversary of Founding

Hosted the THINK HUMAN EXHIBITION at Shibuya Hikarie

Healthcare: Aging Society and Health Consciousness

Began sale of *Inulia* fermentation dietary fiber

November

October

Materials: Environmental Value

Purchased Portuguese company Inapal Plasticos (an automotive composites manufacturer)

Healthcare: Aging Society and Health Consciousness

Entered agreement with Yoshindo Inc. for sale of rheumatoid arthritis drug biosimilar

September

August

Materials: Environmental Value; Safety, Security and Disaster Prevention

Constructed world's first building using advanced fiber-reinforced wood

IT/Other: Work Restructuring

Recopick shelving management system receives award in 20th Automatic Identification Systems Grand Prix

Corporate Information: ESG

Released "Declaration for Solving the Marine Plastic Waste Problem"

July

Materials: Environmental Value

Established new SMC* manufacturing line at CSP Europe

Materials: Environmental Value

Purchased German company Ziegler (manufacture and sale of automotive interior materials)

Healthcare: Aging Society and Health Consciousness

Formed agreement with Dutch company for exclusive sale of Inulin

* Sheet Molding Compound

June

Corporate Information: 100th Anniversary of Founding

"FUTURE NAVIGATION," a corporate message looking forward to the next 100 years

Materials: Environmental Value

Supported project to reach the South Pole by solar car
Began construction of carbon fiber plant in US

May

Healthcare: Aging Society and Health Consciousness

Began offering Sleep Styles, a sleep quality improvement program

Healthcare: Aging Society and Health Consciousness

Groundbreaking cardiac repair patch, created through medical and engineering collaboration, selected for the "SAKIGAKE Designation System*"

* The priority review designation system

April

VALUE CREATION

Teijin Group Value Creation Process

This section explains the value creation process to become a company which supports the society of the future, describing the Teijin Group's strengths, materiality, opportunities/risks, and three solutions and strategies.

Value Creation Model

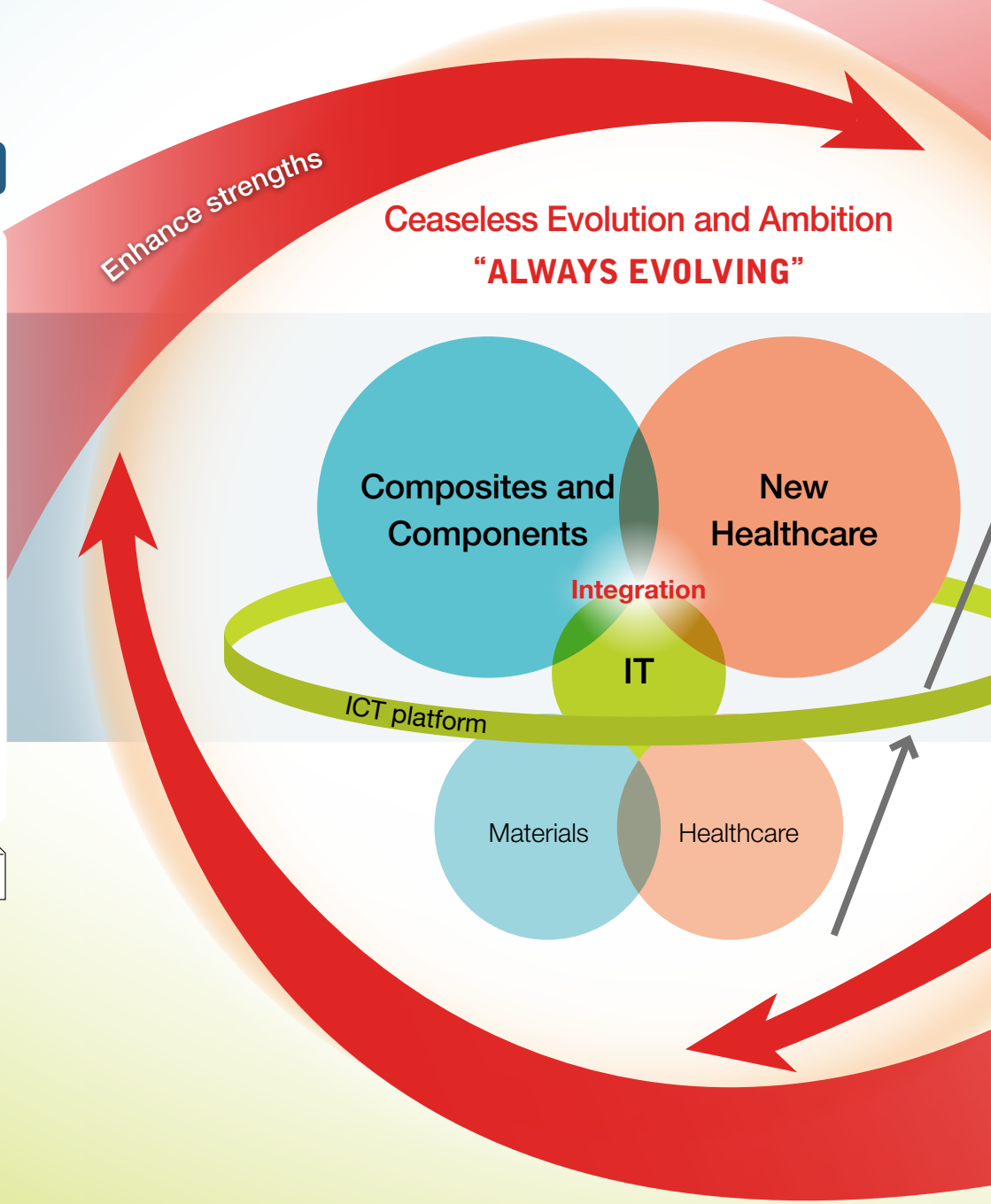
Corporate Philosophy

- In Harmony with Society
- Enhancing the Quality of Life
- Empowering Our People

Teijin's Strengths

- A unique entity supported by a **technology base** spanning three different core business domains
- **Human resources** to carry on our DNA of evolution and ambition
- A groundbreaking **governance system**

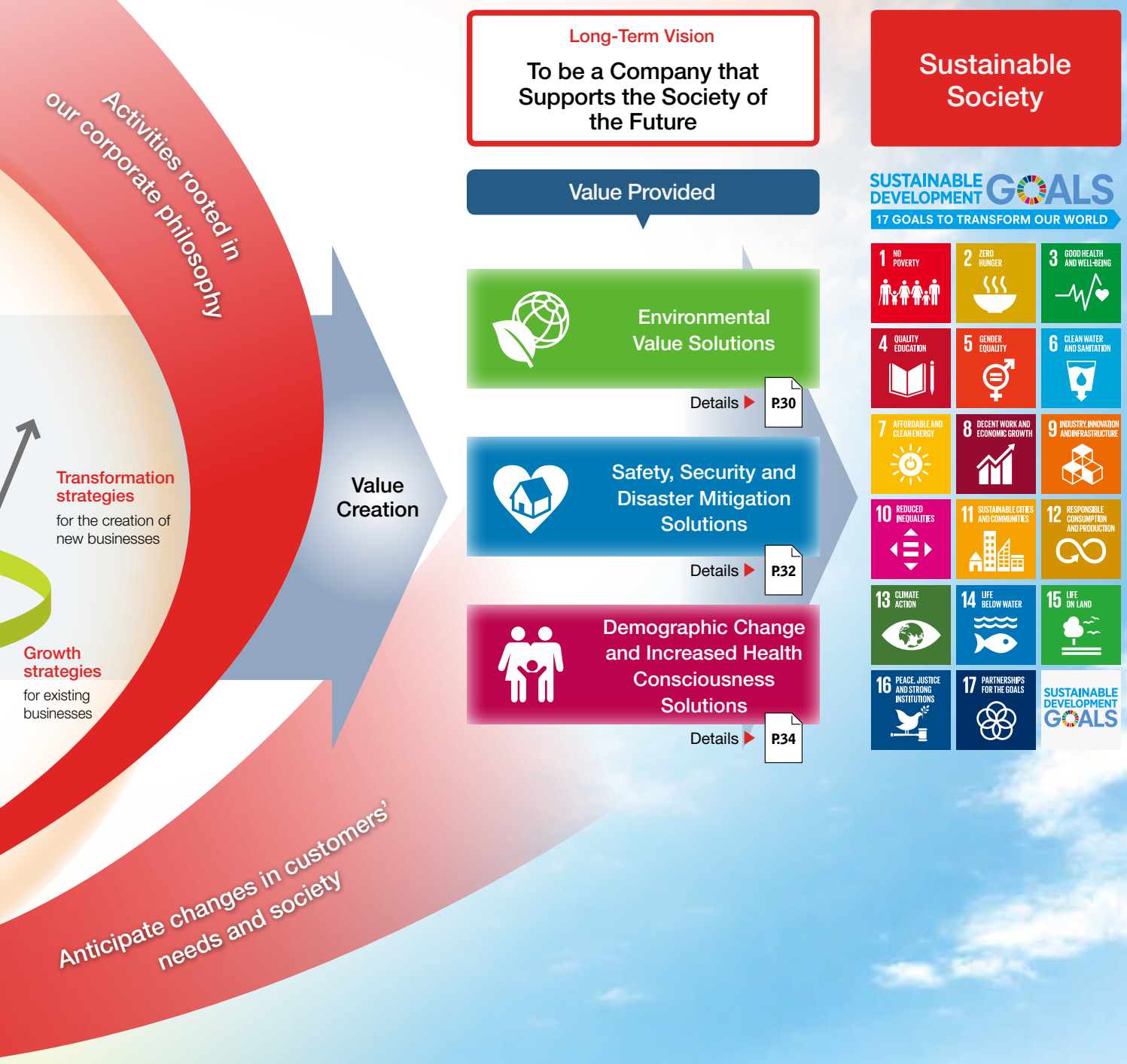
Details ▶ P.24



The Teijin Group, based on the corporate philosophy of “Enhancing the Quality of Life,” “In Harmony with Society” and “Empowering Our People,” provides value to society in the three fields which contribute to the realization of a sustainable society shown by the United Nations as SDGs: “environmental value solutions,” “safety, security and disaster mitigation solutions” and “demographic change and increased health consciousness solutions,” aiming to become “a company which supports the society of the future.”

In order to be sustainable, we will grow new businesses by anticipating the needs of customers and a continuously changing society, while strengthening our unique technology base by integrating each of the strengths of materials, healthcare and IT business fields.

The Teijin Group’s human resources have inherited the DNA of “Evolution and Ambition” throughout its 100-year history. We will continue to create value through “Ceaseless Evolution and Ambition” while strengthening our governance system and responding appropriately to various risks.



Three Strengths

We will leverage the strengths we have cultivated over our 100-year history of evolution and ambition to create new value for the next 100 years.

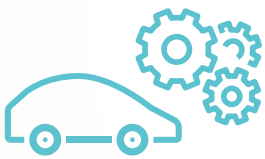
1

Teijin's Strengths

A unique entity supported by a technology base

spanning three different core business domains

Throughout our growth journey, we have built strengths in materials, healthcare, and IT, and used them to drive innovation through cutting-edge R&D and the introduction of new business models to Japan.



Materials

Basic technologies for creating new materials and new products

Number of patents and utility models held: Approx. **2,300** (in Japan) Approx. **2,300** (overseas)

Insight and networks related to the automobile market

Composite technologies that create new value by combining our diverse materials

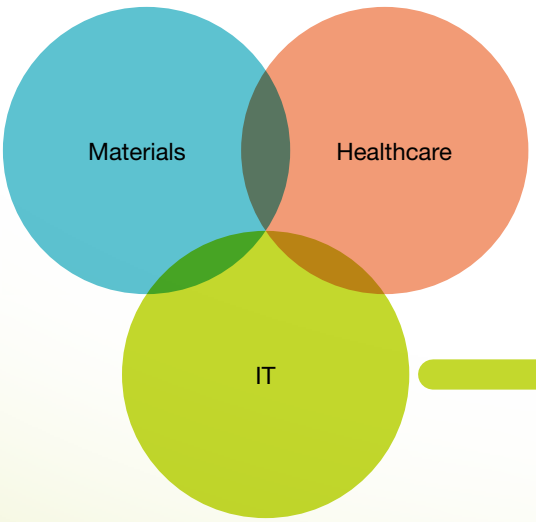
Healthcare

Pharmaceuticals, home healthcare, and new healthcare development technologies

Number of patents and utility models held: Approx. **380** (in Japan) Approx. **920** (overseas)

Evidence acquisition expertise

A structure capable of undertaking R&D for new in-house drug development while promoting the two businesses of pharmaceuticals and home healthcare



Teijin's Strengths

2

Human resources to carry on our DNA

of evolution and ambition

We will pass on the venture spirit that has been in the Teijin Group since its foundation, a global mindset cultivated through expansion into countries around the world, and our ambitious DNA that enables ceaseless evolution of our business.

Number of employees
20,671

Teijin's Strengths

3

A groundbreaking governance system

Since the late 1990s, we have promoted groundbreaking management reforms including the establishment of the Advisory Board, appointment of independent outside directors, and separation of responsibility for frontline management and monitoring/supervising.

Nine directors including
four outside directors

Five auditors including
three outside auditors

IT

IT development technology and expertise straddling both B2B and B2C fields

Development of information platforms for each segment and support for improving productivity

Materiality

Materiality of the Teijin Group

Aiming for the sustainable development of our business and society, the Teijin Group identified materiality based on global social issues such as the Sustainable Development Goals (SDGs) of the United Nations and the Paris Agreement within the Framework Convention on Climate Change, and has addressed management issues defining particular issues to be positioned as the core priority fields of the medium-term management plan.

		Environment	Society	Governance
Core priority fields Medium-term management plan	Capture business opportunities	● **Environmental value solutions (➧P.30)**	● **Safety, security and disaster mitigation solutions (➧P.32)** ● **Demographic change and increased health consciousness solutions (➧P.34)**	
	Strengthen the management base	● **Reduction of environmental impacts (➧P.52)**	● **Diversity (➧P.56)**	● **Corporate governance (➧P.40)**
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

Materiality and SDGs

Addressing Priority Area Issues

For identified materiality, we have set the responsible organization as well as KPIs and target values for each issue. Every year, the CSR Planning and Promotion Department summarizes the progress, reports it to the Executive Committee and manages that progress. Progress in fiscal 2018 is as follows.

Corporate governance (→P.40)	Effective operation of the established mechanisms has always been an important issue, and Advisory Board and TRM Committee meetings were held in addition to the Board of Directors meetings which are held monthly in principle.
Environmental value solutions **Safety, security and disaster mitigation solutions** **Demographic change and increased health consciousness solutions** (→P.30, 32, 34)	Relevant products are listed and annual sales figures are disclosed for the three solutions defined as priority areas. In fiscal 2018, our sales increased ¥20.9 billion from the previous fiscal year to ¥447.9 billion.
Reduction of environmental impacts (→P.52)	We have set KPIs and target values (2012–2020) for greenhouse gas emissions in production, environmental emissions of chemical substances and waste with no effective use, and we are working on reducing them. Medium- to long-term targets after 2020 are scheduled to be set in the next medium-term management plan in fiscal 2019.
Diversity (→P.56)	We are setting KPIs and target values for diverse workstyles, women's advancement and personnel diversity. As part of the evolution of workstyles, we established a dedicated organization in fiscal 2018 to promote the automation of routine work. Through the operation of Robotics Process Automation, efforts were made to improve operational efficiency and reduce workloads. In addition, in order for employees with diverse backgrounds to make the most of their abilities, we started a telecommuting system operation from April 2019.

Fiscal 2018 Topics

Climate Change	We expressed our support for the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) in March 2019, and we are further strengthening our efforts by participating in the TCFD Consortium promoted by the Ministry of Economy, Trade and Industry, the Financial Services Agency and the Ministry of the Environment. From fiscal 2019, we will continue to engage in dialogue with stakeholders on climate-related risks and opportunities and reflect them in our business strategies, while striving for accurate information disclosure.
Marine Plastic Waste Problem	We announced the "Declaration for Solving the Marine Plastic Waste Problem" in September 2018, and are promoting initiatives within the Group.

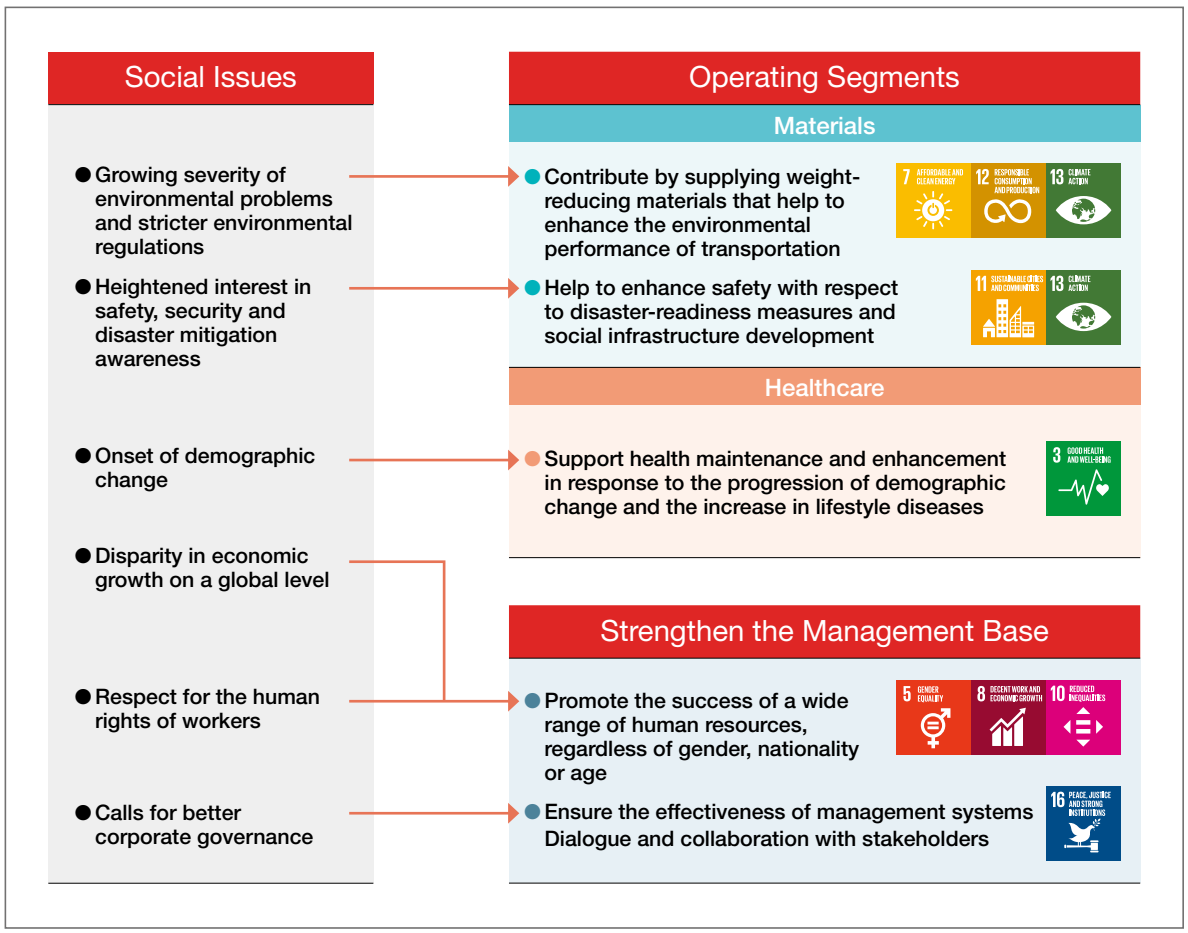
Opportunities and Risks

Recognition of Opportunities for Growth and Development

The Teijin Group recognizes the following social issues in identifying priority fields.

Social Issues	
	● Growing severity of environmental problems and stricter environmental regulations ● Heightened interest in safety, security and disaster mitigation awareness ● Onset of demographic change ● Disparity in economic growth on a global level ● Respect for the human rights of workers ● Calls for better corporate governance

We will seize the above social issues as business opportunities, investigating and implementing solutions to achieve realization of our long-term vision.
More specifically, we will pursue contributions to society and sustainable growth by translating social issues into opportunities in the business segments, as well as having social issues lead to initiatives to strengthen our management base.



Recognition of Risks to Growth and Development

The Teijin Group recognizes the existence of external risks caused by changes in society and markets, as well as internal risks which manifest from within the Group.

Risks in Each Business Field

	External	Internal
Materials	● Market conditions (exchange rate/crude oil) ● Climate change ● Natural disasters ● Intensified competition ● Legislative changes in countries ● Geographical risks	● Product quality issues ● R&D target delays ● Information leaks
Healthcare	● Price drops due to drug price revisions ● Natural disasters	● Product quality issues ● R&D target delays ● Discovery of adverse side effects ● Information leaks

Risk Management

The Teijin Group recognizes that risk management and compliance is the cornerstone for supporting internal controls.

The Teijin Group has established the Total Risk Management (TRM) system, as a preventive measure to handle any uncertainties that we may face. The risks are categorized into management strategy or business operating risks in the TRM system.

Basic Principles for TRM

1. The Company is obligated to continue business activities that satisfy stakeholders, starting with increasing the value of shares. The Company must respond to any risks (uncertainties) that threaten fulfillment of that obligation. Teijin Limited will work to comprehensively and efficiently grasp, evaluate, and manage risk exposure for the entire Group, and conduct an organizational and structural approach for the purpose of utilizing it in Group management.
2. The Board of Directors at Teijin Limited conducts risk management for the entire Teijin Group, and places the basis for its decision-making in line with assessments for “business operation risks,” such as adverse events that may have a negative impact on a company, and “management strategy risks,” such as for management strategies and plan formulation, strategic actions, decisions for individual investment projects, etc.
3. Teijin Limited requests Group companies and their managers to have adequate understanding of the TRM principles and respond to any risks that threaten corporate activities.

Teijin Solutions Support the Society of the Future

Products and services that help to resolve social issues related to the environment

Environmental Value Solutions

Faced with increasingly serious environmental issues, tighter regulations, and heightened needs for materials offering enhanced environmental performance, the Teijin Group is working to reduce CO_2 emissions and enhance fuel economy. To do so, the Teijin Group is harnessing technologies for reducing weight and increasing efficiency that it has developed over the years. By doing so, the Teijin Group aims to make a contribution to a 'low-carbon society,' a contribution to a 'recycling-based society,' and a contribution to a 'society to preserve the global environment.'

7 AFFORDABLE AND CLEAN ENERGY
12 RESPONSIBLE CONSUMPTION AND PRODUCTION
13 CLIMATE ACTION

Satchels and automotive interior materials using recycled polyester fibers

Carbon fiber reinforced plastic (CFRP) reduces the weight of automobiles and aircraft

Contribution to a "low-carbon society"

- Achieve energy efficiency through high-performance materials technologies that help to reduce weight and increase efficiency
- Contribute to the wider use and development of renewable and clean energy by supplying highly efficiency components

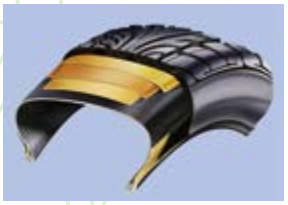
Contribution to a "recycling-based society"

- Contribute to a 'recycling-based society' through recycling technologies and business models
- Contribute to resource conservation through the supply of materials technologies and increasing the longevity of products

Contribution to a "society to preserve the global environment"

- Help to realize a clean, safe and sustainable society by utilizing clean technologies

LIELSORT, an insulating separator for lithium-ion batteries used in smartphones



Aramid fiber, used as a reinforcing material in tough, heat-resistant high-performance tires

Automotive components using aramid fiber, serving as an alternative material to asbestos

Example of value creation

First use of CFRTP for structural parts for mass-produced automobiles, worldwide

World first

Sereebo carbon fiber-reinforced thermoplastic

Compared to conventional steel products

Weight reduction
40%

Shock resistance
Approximately
10x

What is *Sereebo*?

Sereebo is a carbon fiber-reinforced thermoplastic (CFRTP) developed by Teijin.

The molding time for *Sereebo* has been shorted to just approximately one minute, a world first, which allows it to be used for structural parts in a high-volume production vehicle.

Society/Customer needs

- Lightweight automotive composite that maintains strength and durability
- Scalable manufacturing technology adaptable for automotive mass production

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The Teijin advantage

- A leader in technology and application development
- Proven ability to offer solutions

Successful development of new automotive material to replace steel

In the automotive industry, there is demand for lighter weight, mass-producible materials that maintain strength and durability. In 2008, Teijin established the Teijin Composites Innovation Center, becoming one of the first companies to focus on development of technologies and applications for commercialization of composite materials. In 2011, Teijin had established the world's first mass production technology capable of molding a CFRP structural part in a minute. In 2013, the *Sereebo* mass-produced CFRTP was successfully developed. Since then, we have pursued collaborative development with companies in Japan and overseas, including US company General Motors (hereafter: GM).

Sereebo is a revolutionary thermoplastic product. The manufacturing cycle for *Sereebo* has been reduced to just one minute, a world first, allowing it to be used for automotive parts and other mass production. Compared to conventional steel-based pickup boxes, *Sereebo*-based pickup boxes are 40% lighter, offer ten times greater impact resistance, and are highly corrosion resistant.

In recognition of these advantages, GM has begun utilizing *Sereebo* in the pickup boxes of two of their models. Additionally, Teijin was recognized in GM's 27th "Supplier of the Year" awards.

GM pickup truck utilizing *Sereebo*
"GMC Sierra Denali 1500"

Sereebo was utilized in the truck's pickup box

▶Toward even greater growth

Strengthening our ability to provide solutions, as a multimaterial parts supplier

As a Tier 1 supplier, we strive to strengthen our ability to offer solutions that encompass everything from materials selection to parts design, and to establish stable global supply networks based in North America, Europe and Asia. Additionally, we are working to expand the materials we use and to collaborate with other manufacturers, so as to better offer solutions for reducing weight as needed to comply with increasingly stringent environmental regulations from 2020 onward.

Teijin Solutions Support the Society of the Future

Products and services that protect human life and people's lifestyles from various natural disasters, accidents, crime and conflicts

Safety, Security and Disaster Mitigation Solutions

Following a string of natural disasters, initiatives to ensure safety, security and disaster mitigation have been attracting more and more public interest.

Teijin is actively engaged in solutions that balance both safety and performance, including high-performance materials. We aim to make a contribution to "urban disaster prevention/mitigation," a contribution to "reducing fires and fatality/casualty accidents," and a contribution to "preventing and reducing crime, terror attacks, and conflicts."

The ultra-lightweight ceiling material *Kal-ten* helps to mitigate hazards during earthquakes

Advanced fiber reinforced wood (AFRW) helps to increase the longevity of structures

Highly heat-resistant aramid fiber is used on the front lines of firefighting

Contribution to "urban disaster prevention/mitigation"

- Contribute to sustainable cities and homes utilizing light-weight, high-strength materials resilient to disasters
- Contribute to disaster mitigation through the supply of products and services that support evacuations during disasters

Contribution to "reducing fires and fatality/casualty accidents"

- Supply products and services to prevent fire, combustion, and fire spread, utilizing flame-resistant materials
- Supply products and services to protect human lives from traffic accidents, fire and hazardous jobs

Contribution to "preventing and reducing crime, terror attacks and conflicts"

- Supply crime prevention products that utilize protective materials and surveillance products and monitoring services

High-strength aramid fiber serves as a reinforcement material at public works sites

The emergency blanket *Motanka* that does double duty as a stretcher helps to reduce the time required to conduct rescues

Protecting human life with bullet-resistant vests made of aramid fiber

緊急連絡／安否確認システム
エマージェンシーコール

Supporting safety confirmation activities during disasters through emergency call systems

Example of value creation

Lighter weight, environmentally friendly reinforced wood

Resilience Award

Advanced fiber-reinforced wood, AFRW

Compared to conventional timber
Rigidity
2x or more

What is AFRW?

AFRW is a laminated timber for use in wooden buildings that offers twice the rigidity of traditional timber, created by layering together high-performance fiber composite with laminated wood*1. It was developed by Teijin in 2015. AFRW offers greater freedom of design and architectural durability compared to traditional timber, with no tradeoff in terms of heat resistance, design possibilities and soothing natural appearances.

*1 A wood material that removes defects such as large nodes and cracks in wood, aligns the fiber directions in parallel, and adheres in the direction of thickness, width, and length. It is widely used from houses to large buildings.

Society/Customer needs

- Demand for buildings that shake less during earthquakes
- Environmental effect of wood materials from CO_2 absorption

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The Teijin advantage

- Amassed technologies and know-how
- Partnerships with industry, government and academia

World's first building constructed using advanced fiber-reinforced wood

In recent years, people have been turning toward wood as a possible source of lighter weight constructions that can reduce shaking during earthquakes. Furthermore, in addition to elements of comfort and appearance offered by wood materials such as warmth and creativity, the potential for wood to satisfy the UN's Sustainable Development Goals (SDGs) due to its ability to combat global warming through CO_2 absorption has also garnered attention. In response, Teijin has constructed the world's first building using AFRW (Advance Fiber-Reinforced Wood) at our Tokyo Research Center (located in Hino, Tokyo) (Completed in March 2019).

Through use of AFRW we aimed to create a pleasant and open space, using the warmth of wood to soothe occupants and reduce stress, and avoiding pillars so as to effectively incorporate natural lighting. During construction, we received advice and cooperation from industry and academic bodies such as Maeda Corporation and the Structural Engineering Laboratory of Kochi University. Additionally, AFRW received first place in the engineering division of the "2018 Japan Resilience Award*2", in recognition of the significant potential contributions it can make toward stimulating the construction and timber industries.

*2 An award program that recognizes strong and flexible activities and technology/product development that contribute to national, community, human and industrial planning and stability in terms of preemptive disaster prevention and mitigation (sponsored by the Association for Resilience Japan).

Exterior and interior

Satoshi Nagase (right), in charge of Teijin AFRW, receives the award from Manabu Akaike, trustee for the Association for Resilience Japan

▶Toward even greater growth

Contributing to safe and secure lifestyles for people, through creation of safe and pleasant wood-constructed architectural spaces

We are cultivating the know-how required to popularize AFRW, and aim to see it used in general construction by around 2020. As part of our long-term vision of being a company that supports the society of the future, we aim to utilize our chemical expertise to help build happier lifestyles for tomorrow.

Teijin Solutions Support the Society of the Future

Products and services that support the healthy and happy lives of all people in every age group

Demographic Change and Increased Health Consciousness Solutions

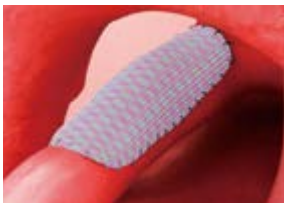
Japan's population has been aging rapidly with fewer children, and there has been an increase in the incidence of lifestyle diseases. These and other factors have only increased people's awareness of the importance of staying healthy and preventing diseases.

Through its home healthcare network platform and IT-driven solutions unique to the Teijin Group, the Company will make a contribution to "building a happy aged society," a contribution to "new-born/infant care," and a contribution to a "healthy life."

3 GOOD HEALTH AND WELL-BEING

VitalLink, a patient information sharing system that supports community healthcare

Home healthcare devices that enable therapy at home



Development of medical products for congenital diseases

Contribution to "building a happy aged society"

- Contribute to an aged society mainly through comprehensive community healthcare, home healthcare, and nursing care support

Contribution to "newborn/ infant care"

- Supply products and services to protect and nurture newborn babies and infants

Pharmaceuticals

Artificial joints and bone-bonding materials

Contribution to a "healthy life"

- Contribute to "a healthy life" by providing support for recovery from illness and injury
- Provide support to people with illnesses or disabilities or those in need of care to ensure that they can lead a healthy and happy life despite their conditions

2breathe, a wearable sensor and app that aids comfortable sleep

BARLEYmax, an enhanced barley product with double volume of dietary fibers compared to ordinary barley

Example of value creation

"Dietary fibers" are rejuvenating Japan's cereal market

Exclusive seller in Japan/Asia

BARLEYmax super barley

Compared to ordinary barley

Total dietary fiber **2x**

Resistant starch **4x**

What is *BARLEYmax*?

BARLEYmax is a non-GMO barley developed by Australia's Commonwealth Scientific and Industrial Research Organisation. *BARLEYmax* contains three dietary fibers (fructan, beta-glucan and resistant starch) that carry nutrition to gut bacteria living deep in intestines.

Society/Customer needs

- Medical issues due to aging of society
- Increased health consciousness

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The Teijin advantage

- Polymer analysis technology
- Expertise in evaluating evidence in the healthcare field, etc.

Utilizing advantages amassed over many years to enter the food ingredients market

In the healthcare field, we focused on the social issues of increased medical expenses due to the aging society. We began to consider the preventative and pre-treatment possibilities of "gut flora" and "functional food ingredients, such as dietary fiber." After surveying research institutes and companies worldwide, we discovered *BARLEYmax*, which was developed by Australia's Commonwealth Scientific and Industrial Research Organisation. It took 10 years to obtain selectively cultivated *BARLEYmax*, and we proceeded to commercialization with confidence that it would be an exceptional food ingredient.

When it came time to commercialize *BARLEYmax*, we had our amassed polymer analysis technologies and expertise in evaluating evidence to call upon, and although *BARLEYmax* is a new ingredient it is also a familiar foodstuff. As a result, we were able to move forward swiftly with development. In February 2015 we entered into an exclusive agreement for joint development with Australian startup The Healthy Grain Pty Ltd., and in July 2016 we launched a proprietary product, *Super Barley Granola*. Thanks to media attention, orders began pouring in and we created more products with a variety of foodstuff manufacturers, steadily expanding sales and product development. In 2017 crop production of *BARLEYmax* increased to four to five times that of 2016.

(Eiichi Kitazono, Functional Food Ingredients Promotion Team Leader, New Healthcare Businesses Division)

Super Barley Granola

Super Barley Keema Curry (with inulin)

▶Toward even greater growth

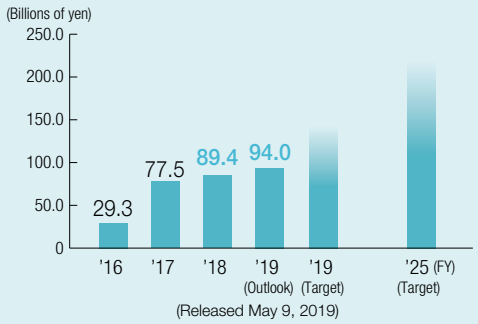
We will follow on the success of *BARLEYmax* by solidifying our functional food ingredients business with the introduction of even more products

The functional food ingredients market is expected to continue to grow. Our target sales for new healthcare initiatives is ¥150 billion by 2025, and we hope to achieve 20–30% of that through functional food ingredients. Moving forward, we will continue to carry out research and development to maintain and increase people's health through functional food ingredients such as *BARLEYmax*.

Progress on the Transformation Strategies

Materials

Net Sales Materials Business Transformation Strategy



(Released May 9, 2019)

FCA US* 2018 model Jeep
Strong sales of lightweight glass fiber composite for FCA US 2018 model Jeep

Development of high heat- and impact-resistant prepreg
Development of bismaleimide (BMI) prepreg for aerospace applications that require high heat and impact resistance

As part of our efforts to establish new, highly profitable core businesses, we are expanding as a multimaterial composites provider, combining Teijin materials such as carbon fibers, aramid fibers and plastics with materials from other companies to create new materials that reduce automobile weights and contribute to the environment.

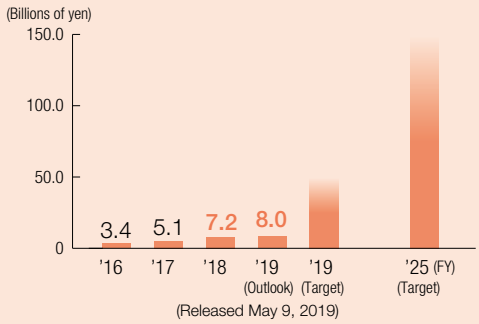
Focusing on major North American composite molding manufacturer Continental Structural Plastics Holdings Corporation (CSP), which we acquired in 2017, we are pursuing a variety of initiatives, not only as a materials supplier but as a parts supply partner to automotive companies. With CSP's core headquarters and plants in North America, our purchase of Portuguese company Inapal Plasticos SA and steps toward purchasing Czech company Benet Automotive s.r.o. in Europe, and our decision to build a second plant at our joint venture with a local company in China, we are constructing a global network for automotive composite materials.

In the carbon fibers field, we are working on development of intermediate materials for aircraft, and are aiming to increase added value through introduction of composite materials. Specifically, we are pursuing a multitude of projects, including acquiring approval as a materials supplier from Boeing, development of high heat- and impact-resistant prepreg, and acquisition of new locations through M&As.

* Fiat Chrysler Automobiles US LLC

Healthcare

Net Sales Healthcare Business Transformation Strategy



(Released May 9, 2019)

Artificial joint

Supplement

Fermentation dietary fiber

Super barley

Device for treatment of depression

We aim to expand our existing healthcare businesses and establish a network of comprehensive healthcare services, including nursing care and areas not covered by insurance such as prevention and presymptomatic treatment. Specifically, we will capitalize on the healthcare business foundations that the Teijin Group has cultivated for over 40 years so as to introduce cutting-edge information system networks and provide comprehensive services. As part of these efforts, we are working to expand our product and service lineups.

In the medical implants field, we are expanding into orthopedics, including osteosynthesis materials and spinal products. Additionally, in the superfood fields, in addition to *BARLEYmax* super barley, we have begun sale of inulin dietary fiber (under the brand name *Inulia*) as our second major functional food ingredient. Inulin is naturally water soluble and has a high capacity for intestinal fermentation. We have also established NOMON Co. Ltd., for the sale of nutraceutical products, and have developed *NADaltus*, a line of supplements containing precursors to substances that decrease in the body as we age. In the new medical devices and digital healthcare field, our *Neuro Star* device for treatment of depression is now listed under national health insurance and we have begun sales. Furthermore, we began clinical trials into cardiovascular patching for pediatric subjects with congenital disorders, which has been selected under the Ministry of Health, Labour and Welfare's "SAKIGAKE Designation System*."

* The priority review designation system

SUSTAINABILITY PLATFORM

Management Foundation to Support Business Growth

This section introduces you to the Teijin Group's CSR management, ESG actions and R&D for sustainable development of business and society, together with dialogue between the CEO and an outside director and an interview of with the Chief HR Officer.

CSR Basic Policy (FY2017–FY2019)

1. **Basic Stance: Sustainable Development of Business and Society**
2. **Contribute to Society through Business**
3. **Appropriately Respond to Various Risks**
4. **Dialogue with Society to Improve Continuously**

CSR Management

Message from the Chief Social Responsibility Officer

We aim to be "a company that supports the society of the future" by contributing to achieving the SDGs.

Guided by the ambitious Sustainable Development Goals (SDGs), the world is now taking steps to realize a sustainable global community. In business activities, companies are expected to make specific contributions in areas such as climate change mitigation, the formation of a recycling-based society, and the protection of human rights, with the aim of achieving the SDGs.

One of the fundamental principles of the Teijin Group Corporate Philosophy is "In Harmony with Society." To realize this principle, first we will responsibly manage the impacts of our activities on people, the environment and society as we effectively respond to a wide range of risks, with a view to laying a solid foundation for our businesses. By doing so, we will continuously contribute to society by predicting and anticipating social issues and turning solutions to those issues into business opportunities. This process will allow us to embody society's fundamental ideals for what companies ought to be.

We will effectively address a wide range of risks and contribute to society through our businesses. Those efforts will put us on track to being "a company that supports the society of the future"—one that is essential to society. In other words, we aim to achieve the sustainable development of our businesses and society as a whole.

Chief Social Responsibility Officer Yasuhiro Hayakawa

CSR Management Structure (As of April 1, 2019)

The Teijin Group has identified materiality in its corporate social responsibility (CSR) activities from among various CSR-related issues. It has been promoting CSR management integrated with business—an approach that strives for the sustainable development of business and society. The Teijin Group convenes meetings of the Group CSR Committee twice a year in order to implement specific, Group-wide initiatives to address CSR materiality.

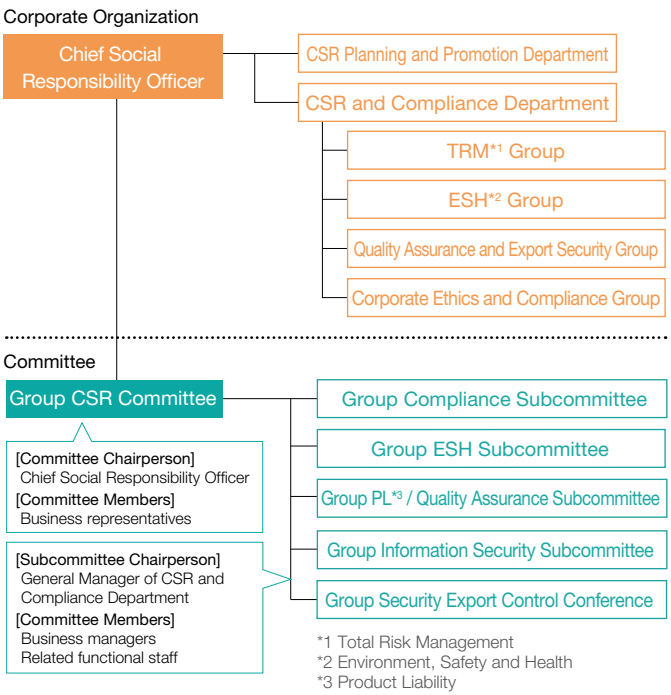
Reorganization of CSR-Related Committees and Subcommittees

In order to promote the integration of management and CSR, in November 2018 the Teijin Group reorganized the Group CSR Committee and the subcommittees under it.

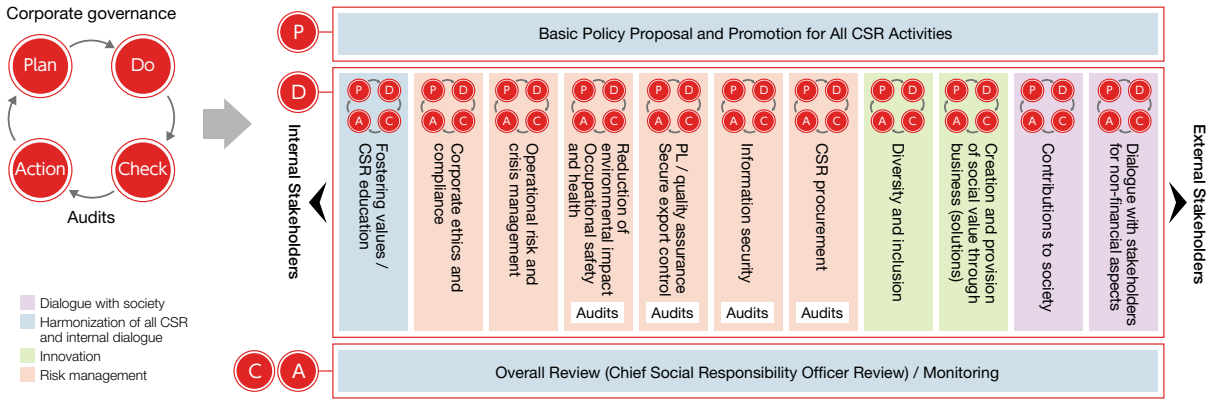
This reorganization unifies the place for deliberation, decision-making and reporting on CSR-related issues into management committees, and repositions the Group CSR Committee as a meeting structure for implementing and identifying CSR-related issues.

In conjunction with this reorganization, the Group CSR Committee has absorbed the roles of overall CSR promotion, which were previously undertaken by the Group CSR Promotion Subcommittee, and the roles of risk management, which were previously undertaken by the Compliance and Risk Management Subcommittee. By doing so, we have bolstered the implementation of Group-wide CSR.

The Group CSR Promotion Subcommittee has been abolished and the Group Compliance and Risk Management Subcommittee has been renamed as the Group Compliance Subcommittee.



Materiality-Focused Management Model for All CSR Activities



Results of the Chief Social Responsibility Officer Review (Regarding Violation of Laws, Incidents and Accidents)

Every February, the Chief Social Responsibility Officer (CSRO) reviews the annual results for CSR activities of business groups and Group companies for the period of January 1 to December 31. In this review, the CSRO confirms the responses of business groups and Group companies to key CSR issues. Based on compliance and risk management activity survey forms submitted by business groups and Group companies, the CSRO verifies the 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.

Among the matters reported to the CSRO in February 2019, there were no serious cases related to violations of laws and regulations, incidents, or accidents.

Revision of the Code of Conduct

The Teijin Group has revised its previous Corporate Code of Conduct to the Code of Conduct, and it announced this revision at its founding centennial anniversary ceremony in June 2018. This revision was made to clarify the Group's engagement with the United Nations' Sustainable Development Goals (SDGs), the Global Compact and other frameworks in accordance with changes in the social environment. The revision also seeks to encourage Group employees to share a common set of values and transform their awareness and actions based on those values. The new Code of Conduct rests on five main pillars. It is designed to be easy to learn and understand by employees working in a diverse array of cultures in numerous countries and regions where the Teijin Group conducts business, including Europe, the Americas and Asia. In fiscal 2018, the Teijin Group drew up an interpretative guidance for the Code of Conduct to impart a fuller understanding of its content. The interpretative guidance was shared within the Teijin Group in April 2019.

Implementation of an Employee Awareness (CSR Awareness Penetration) Survey

We have been implementing an employee awareness survey to monitor the understanding and behavioral awareness of employees in light of our philosophy, including the Code of Conduct, and to consider future measures to achieve greater penetration of awareness.

With this survey, we have expanded the CSR Awareness Survey we had previously implemented for all employees of Japanese Group companies through fiscal 2017 to all employees worldwide. Based on the values laid out in the new Code of Conduct, the survey contains an awareness survey of general CSR issues, with questions about items such as corporate philosophy and brand statements, awareness of corporate ethics, employee satisfaction, and diversity. The answers are scored and determined on five levels, evaluating the rate of penetration for CSR awareness.

In fiscal 2018, the survey resulted in 13,076 responses with a response rate of 59.4% (90.4% in Japan and 26.8% in other countries). The rate of penetration for CSR awareness was 73.3%. We thus achieved our CSR awareness penetration target of 60% for fiscal 2019, which was set in the current medium-term management plan. The target for fiscal 2019 will be reset in the next medium-term management plan. In addition, we will take steps to address items that received low scores as a result of the survey by identifying trends and issues and formulating improvement measures.

SECTION 2

SUSTAINABILITY PLATFORM

Governance

Corporate Governance

We will strive to build and strengthen an effective governance system in order to realize "improving transparency," "ensuring fairness," "accelerating decision-making" and "ensuring the independence of monitoring and supervision."

Basic concept

Based on the basic mission of the sustainable improvement of shareholders' value, to fulfill our responsibilities to various stakeholders (concerned parties), the Teijin Group has been quick to strengthen corporate governance.

The basics of corporate governance are "improving transparency," "ensuring fairness," "accelerating decision-making" and "ensuring the independence of monitoring and supervision," and we are working to establish and strengthen an effective corporate governance system through items such as an "Advisory Board," a "Board of Directors System including Independent Outside Directors and a Corporate Officer System" and a "Board of Statutory Auditors System including Independent Outside Auditors." The corporate governance guidelines have been established and published as the Teijin Group Corporate Governance Guide.

■ Initiatives for Strengthening Governance

		1999	2003	2012	2018
Separation of management and execution	24 directors	1999: 9 directors	2009: 10 directors		2018: 9 directors
		From 1999: Introduced the corporate officer system (to accelerate decision-making for execution of business and clarify the system of responsibility)			
Advisory Board	1999	Advisory Board established (to enhance management transparency)			
Outside directors	2003		Introduced 3 outside directors	2012: 4 members	
	1999	3 outside statutory auditors (a majority of the Board of Statutory Auditors)			
Corporate philosophy	Formulated in 1993				
Compliance	Standards of Conduct and Corporate Code of Conduct formulated in 1993	Corporate Ethics Committee established and Corporate Standards of Conduct formulated in 1998			2018: Code of Conduct

■ Overview of the Corporate Governance System

Organization form

Company that employs Board of Statutory Auditors system

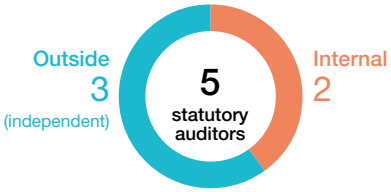
Established an Advisory Board
with a function as an advisory body for management of the Board of Directors and Nomination/Remuneration Advisory Committee for the CEO and chairman

Established a Nomination Advisory Committee and a Remuneration Advisory Committee
with nomination and remuneration function for directors other than the CEO and chairman

■ Board of Directors

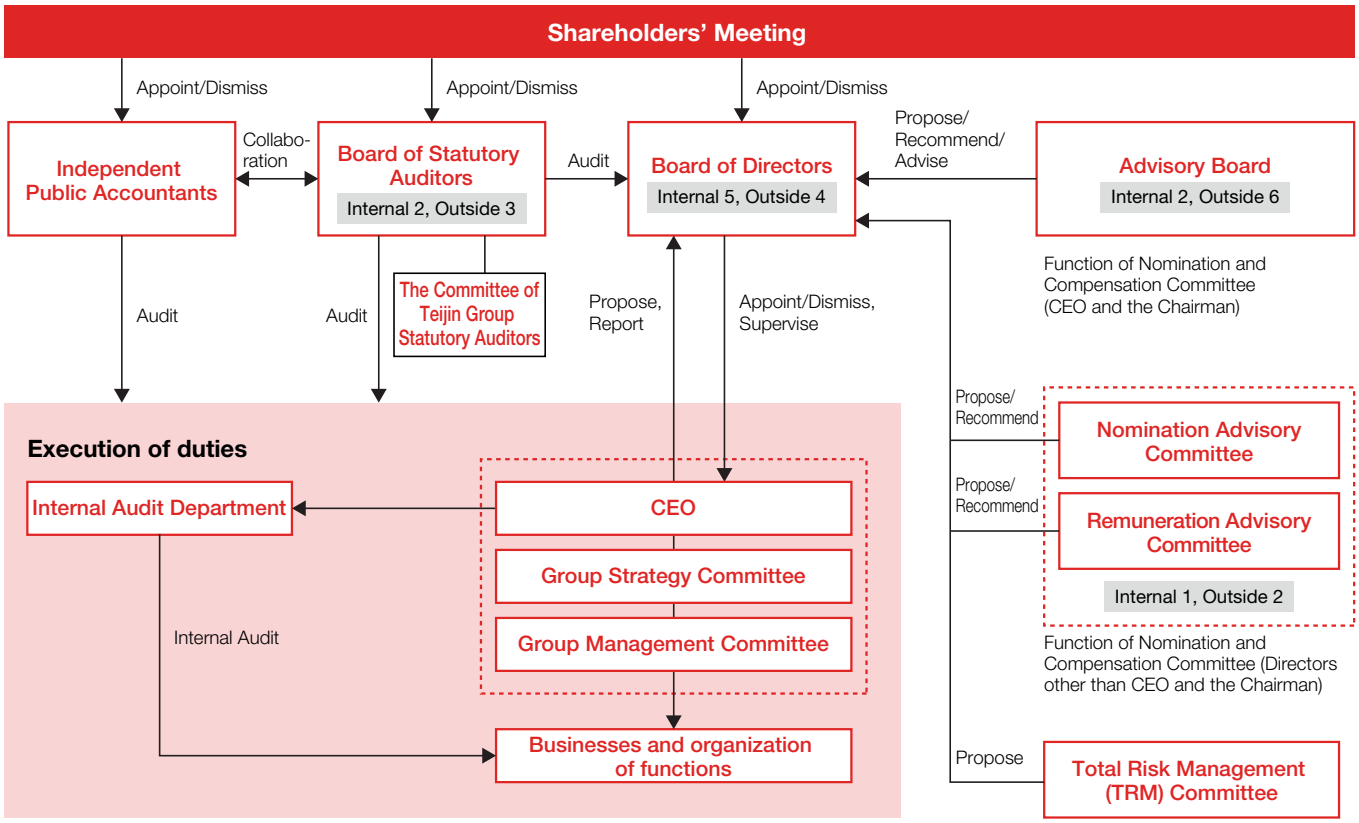
No. stipulated in Articles of Incorporation .... Up to 10
Term ..... 1 Year
Chairman of the Board of Directors... Outside director

■ 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 June 2019)



Board of Directors

The Board of Directors is comprised of 9 directors of whom 4 are outside directors that maintain independence. The Board of Directors is chaired by the chairman (in the event that the position of Chairman of the Board of Directors is unoccupied, an advisor who is a director or an outside director), to ensure the appropriate separation of responsibility for frontline management and monitoring/supervising. Currently, the Board of Directors is chaired by an outside director. 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 (Advisory Body for Management)

The Advisory Board consists of 5–7 external advisors (of which 2–3 are foreigners), the chairman of the board (an advisor in the absence of the chairman of the board) and the CEO. It carries out functions such as deliberating about the Teijin Group executive remuneration system and standards, CEO performance evaluation, changing the CEO and recommending successors, and it has a nomination and remuneration advisory function chaired by an outside director, which includes giving advice and recommendations on Company strategy and performance. For matters related to the CEO, the CEO will leave and will not participate in the deliberation. In addition, for matters related to the chairman, the chairman will leave and will not participate in the deliberation.

Nomination Advisory Committee/ Remuneration Advisory Committee

In addition to the Advisory Board, the Nomination Advisory Committee and the Remuneration Advisory Committee are operated to further improve the transparency of executive personnel.

Two outside directors, the chairman of the board (vacant if absent) and the CEO participate as members, and the chairman is an outside director. Both committees serve as advisory bodies to the Board of Directors. With regards to the nomination, evaluation and remuneration of directors other than the chairman and the CEO, management executives and the nomination of corporate auditors, they have the function of making proposals to the Board of Directors.

Advisory Board (As of July 2019)

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

Advisor, Teijin Limited	Shigeo Ohyagi (Board chairman)
Special Advisor to Panasonic Corporation	Fumio Ohtsubo
Board Chair, Japan Women's Innovative Network (NPO)	Yukako Uchinaga
Former Ambassador to France, former government representative	Yoichi Suzuki
Senior Representative External Affairs, Japan Airlines Co., Ltd.	Masaru Onishi
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 2019

- Fiscal 2018 results, progress made with the Medium-Term Management Plan (Fiscal 2017–2019) and the Fiscal 2019 Short-Term Management Plan
- CEO succession plan
- Deliberations on the performance review in the previous fiscal year and remuneration of the CEO

TRM (Total Risk Management)

In April 2003, the TRM Committee was established under the Board of Directors for management strategy risk and business operation risk handling as a preventive measure against uncertainties the Company may face. The Board of Directors deliberates and decides on the TRM basic policy and the TRM annual plan proposed by the TRM Committee. In addition, the CEO is in charge of management strategy risk assessment and provides it as important decision material for the Board of Directors. The statutory auditors audit whether the Board of Directors is making appropriate policy decisions, and does monitoring and supervision for TRM.

Board of Auditors and Committee of Teijin Group Statutory Auditors

The Board of Statutory Auditors consists of five members, with a majority of three outside corporate auditors ensuing independence to perform management monitoring and audit functions and ensure transparency. Each corporate auditor attends meetings of the Board of Directors and other important internal meetings to express opinions and make recommendations. The Committee of Teijin Group Statutory Auditors is responsible for monitoring and auditing the entire Teijin Group in response to Group consolidated management, and based on the Teijin Group's audit policies and plan determined by the Board of Statutory Auditors, we thoroughly discuss audit policies and plans by business, selection of priority audit items, etc.

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.

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

Evaluation of the Effectiveness of the Board of Directors

We will conduct a "self evaluation on the effectiveness of the Board of Directors" for the purpose of ensuring the effectiveness of the Board of Directors and improving its functions. In fiscal 2018, along with reviewing each improvement item recognized in the previous year, the Board of Directors discussed the current corporate governance system and measures to improve the effectiveness of the Board of Directors.

As a result, improvements were confirmed in dialogue with stakeholders, which was an issue. In addition, active discussions were held at Board of Directors meeting, confirming that there are no problems with the current governance system and operation, and that the Board of Directors is functioning properly.

Going forward, we will continue to improve the effectiveness of the Board of Directors by continuing to regularly review the corporate governance system (institutional design, composition of directors, etc.) to ensure higher effectiveness.

Director Remuneration

The remuneration of internal directors, in order to be conscious of achieving short-term results and improving mid to long-term corporate value, consists of basic remuneration, which is a fixed amount, performance-linked remuneration, which is variable remuneration (short-term incentive remuneration), and stock compensation-type stock options (medium- to long-term incentive remuneration).

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

The Advisory Board deliberates the Teijin Group's director remuneration system and standards, and evaluates the performance of the CEO and Representative Directors.

■ Internal Director Remuneration Composition Ratio

Fixed amount	Basic remuneration	65%
Variable remuneration	Performance-linked remuneration	25%
	Stock compensation-type stock options	10%
	Subtotal	35%
Total		100%

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

■ Compensation Results in Fiscal 2018

(Millions of yen)

Position	No. of people	Compensation amount
Directors	12	498
Of which, outside directors	6	64
Statutory auditors	5	104
Of which, outside statutory auditors	3	35

IR 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 Director Responsible for Corporate Strategy, we conduct investor relations activities including information disclosure and communication with shareholders and investors. In disclosing information, our basic policy is to disclose information in a timely, fair, accurate and continuous manner, both in and outside Japan simultaneously. In addition to disclosing legally stipulated financial information, we proactively disclose corporate information from the perspective of CSR. In particular, we are making establishing a relationship of trust with shareholders and investors an important management priority, proactively disclosing information and enriching two-way communication.

■ Main IR Activities in Fiscal 2018

Activity	Details
Presentations for analysts and institutional investors	Presentations are held during each quarterly performance announcement. We also hold presentations on medium- to long-term management policies, individual businesses, factory tours and other important disclosure matters (Fiscal 2018 results: Held a total of six times.)
Presentations for overseas institutional investors	The CEO, CFO or director in charge of IR visited overseas investors and held individual meetings (four times in the same period). In addition, we actively participated in conferences held by securities companies (seven times in the same period).
Presentations for individual investors	We actively participate in presentations for individual investors organized by securities companies (seven times in the same period). At the "Management Briefing" held annually for individual shareholders, the CEO explains the management policy and business overview.
Disclosure of IR materials on website	In addition to timely disclosure of materials such as quarterly performance announcements, integrated reports, fact books, etc., from the perspective of fair disclosure, documents of explanatory materials for institutional investors and explanatory materials for individual investors in both Japanese and English are posted in a timely manner. For presentations for institutional investors, explanation videos and Q&A summaries are posted in Japanese and English. (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	Attendance at meetings of the Board of Directors and Board of Statutory Auditors in fiscal 2018
Directors	Jun Suzuki	Appointed for his experience as President and then formulating the revised medium-term management plan. On this basis, we expect him to continue 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 head of the functional management, we expect him to make an effort to oversee company-wide functions.	☐	☐	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 revenue of the Materials Business and put efforts into promoting the transformation and growth strategy.	☐	☐	Attended 12 of 12 Board of Directors meetings
	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 CFO and head of the accounting administration field, we expect him to put efforts into company-wide cost management.	☐	☐	Attended 12 of 12 Board of Directors meetings
	Akihisa Nabeshima	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 and promote the transformation and growth strategy.	☐	☐	Assumed the post in June 2019
(Outside)	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 12 of 12 Board of Directors meetings
	Yukako Uchinaga	Appointed for her considerable business experience, acute insight and deep knowledge of diversity, developed as the vice president of a listed company, and based on which we expect her to provide us with advice and recommendations on our business operations.	☑	☑	Attended 9 of 9 Board of Directors meetings
	Yoichi Suzuki	Appointed for his experience as a diplomat regarding international economy and trade issues, his considerable knowledge, and his deep insight from a global perspective, based on which we expect him to provide us with guidance and advice on our business operations.	☑	☑	Attended 9 of 9 Board of Directors meetings
	Masaru Onishi	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.	☑	☑	Assumed the post in June 2019
Statutory Auditors	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 audit entire company management and provide us with effective advice.	☐	☐	Attended 12 of 12 Board of Directors meetings Attended 12 of 12 Board of Statutory Auditors meetings
	Masanori Shimai	Appointed for his experience in the administration and accounting departments, his considerable knowledge regarding accounting and finance, and his familiarity with our business. Accordingly, we expect him to audit entire company management and provide us with effective advice.	☐	☐	Assumed the post in June 2019
(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 11 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 compliance.	☐	☑	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 compliance.	☐	☑	Attended 12 of 12 Board of Directors meetings Attended 12 of 12 Board of Statutory Auditors meetings

Overview of Directors

(As of July 2019)

Board of Directors

1 President and CEO, Representative Director of the Board

Jun Suzuki

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

2 Executive Vice President, Representative Director of the Board

Kazuhiro Yamamoto

1975 Joined Teijin Limited
2011 General Manager, IT Business Group
2012 General Manager, Corporate Strategy Office
2014 Chief Financial Officer (CFO), General Manager, Accounting, Finance & Procurement Division
2015 Member of the Board
2017 Representative Director of the Board (incumbent), Chief Information & Innovation Officer
2019 President, Responsible for Chief Officers of Teijin Group (incumbent)

3 Senior Executive Officer, Member of the Board

Yasumichi Takesue

1980 Joined Teijin Limited
2010 Corporate Officer of Teijin Group, Chief Human Resources Officer (CHO)
2015 General Manager, Electric Materials & Performance Polymer Products Business Group; General Manager, Resin & Plastic Processing Business Unit
2017 President, Material Business of Teijin Group (incumbent), Member of the Board (incumbent)

4 Senior Executive Officer, Member of the Board

Yoshihisa Sonobe

1980 Joined Teijin Limited
2010 Deputy Chief Financial Officer (CFO), General Manager, Accounting and Finance Office
2011 Chief Financial Officer (CFO), General Manager, Accounting and Finance Division
2014 Member of the Board (incumbent), General Manager, Corporate Strategy Office
2017 Chief Officer (Corporate Strategy), Chief Officer (Global Business Strategy)
2019 Chief Financial Officer (incumbent)

5 Executive Officer, Member of the Board

Akihisa Nabeshima

1982 Joined Teijin Limited
2015 Corporate Officer of Teijin Group
2017 General Manager, Healthcare Business Group; President, Teijin Pharma Limited
2019 President, Healthcare Business of Teijin Group (incumbent), Member of the Board of Teijin Limited (incumbent)

1 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 of the Board, Teijin Limited (incumbent)

2 Independent Outside Director

Yukako Uchinaga

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

3 Independent Outside Director

Yoichi Suzuki

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

4 Independent Outside Director

Masaru Onishi

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

Statutory Auditors

1 Full-Time Statutory Auditor

Noriaki Endo

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

2 Full-Time Statutory Auditor

Masanori Shimai

1987 Joined Teijin Limited
2010 General Manager, Business Strategy Office
2016 General Manager, Accounting Department
2017 General Manager, Material Business Strategy Division
2019 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, Trade and Industry Organization Division, International Trade Policy Bureau, METI
2007 Director-General of International Energy Agency
2012 Statutory Auditor, Teijin Limited (incumbent)
2015 President, The Sasakawa Peace Foundation
2016 Chairman, The Sasakawa Peace Foundation (incumbent)

4 Independent Outside Statutory Auditor

Gen Ikegami

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

5 Independent Outside Statutory Auditor

Hitomi Nakayama

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

Chief Officers

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

Business Group General Managers

Material Business Group	Toshiya Koyama
Aramid Business Unit	Gert W. Frederiks
Carbon Fibers Business Unit	Shukei Inui
Films Business Unit	Yoshihiro Nomi
Resin and Plastic Processing Business Unit	Noboru Yamanishi
Composites Business Unit	Akio Nakaishi
Material Technology Center	Hiroyuki Umetani
Fibers and Products Converting Business Group	Shinji Nikko
Healthcare Business Group	Ichiro Watanabe
Pharmaceutical Business Unit	Ichiro Watanabe
Home Healthcare Business Unit	Yasuhiko Kuriyama
IT Business Group	Norihiro Takehara

Corporate Governance Talk

CEO Suzuki × Outside Director Ohtsubo

Highly effective governance enhances transparency in management and facilitates world-leading business execution.

Jun Suzuki
President and CEO
Representative Director of the Board

Fumio Ohtsubo
Outside Director
(Special Advisor to
Panasonic Corporation)

Hallmarks of Teijin's Governance Structure

Suzuki The year 1999 marked a major turning point in Teijin's corporate governance. It was the year the Company introduced a corporate officer system, established the Advisory Board, and instituted outside auditors. In 2003, outside directors were added to the team, leading to the current company with Board of Statutory Auditors system. Teijin currently has nine directors (five inside and four outside directors) and five auditors (two inside and three outside auditors), for a total of 14 members.

We take pride in our pioneering approach to corporate governance, having established the Advisory Board 20 years ago as an advisory body for management with functions to give recommendations for the nomination and compensation of the CEO and chairman.

Ohtsubo From the perspective of an outside director, I agree that Teijin has taken some pioneering steps in corporate governance. However, other companies are also quick to adapt to changes in the external environment as we did with establishment of the Corporate Governance Code in 2015. Teijin needs to continue evolving, without stopping to enjoy the progress it has made in the past. Another hallmark feature of Teijin is its easily understandable corporate philosophy from both an internal and external standpoint. From a broad perspective, the role of corporate governance is to efficiently monitor and ascertain whether business execution adheres to the corporate philosophy from a strategic and ethical perspective. In this sense, Teijin's well-defined corporate philosophy allows it to effectively implement corporate governance. This is why I believe Teijin has continued to be in business for an entire century.

Impact of Board of Directors on Management

Suzuki At Teijin, we believe the role of the Board of Directors goes beyond monitoring business execution (supervision) to also encompass coaching and advising management. The Board of Directors deals with three kinds of agenda items: policy debates, decision-making and reporting. The corporate officers first present the course of action and broader strokes of policy for an agenda item as a matter for policy debate, then receive any necessary advice and submit a final proposal as a matter for "decision-making," which is followed up with "reporting" after transitioning to the business execution stage. Multiple matters are advanced at the same time in parallel, so members of the Board of Directors tend to ask many questions and give plenty of guidance. These matters vary from improving returns for shareholders to the social significance of Teijin. Meetings of the Board of Directors last an average of four hours, and usually with a feeling of tension like at a General Meeting of Shareholders. I sometimes get nervous before going to the meetings once a month.

Ohtsubo After becoming an outside director, my lasting impression of the first Board of Directors meeting I attended was the openness of the discussions. The meetings are not merely a formality where the agenda is set in stone in advance and discussions follow the agenda without detour. I believe the Board of Directors is highly effective with this approach.

Suzuki Another feature of Teijin is that important matters are deliberated in three layers.

Ohtsubo Regarding major items like M&A decisions or formulating medium-term business plans, for example, information is shared with the Board of Directors from the initial planning stages. These items are thoroughly discussed from a variety of perspectives, such as macroeconomic, geopolitical and practical standpoints. Then the policy proposed by the business execution side is deliberated a second time in this context. If it is an M&A proposal, specifics are discussed in detail, such as how to take the best approach and ready capital. In the third and final round of deliberation, a decision is reached after discussing the actual plan put together after the second round of talks. These repeated deliberations allow discussions to focus on key points.

Suzuki In our case, outside directors can either apply the brakes or push the accelerator on decision-making. For example, even if the business execution side sets an upper limit for funds allocated for M&A, if an acquisition candidate is a must-have company that aligns well with our strategy, outside directors may push for the M&A deal as a necessary acquisition, even if it means increasing the amount of the investment.

Ohtsubo We are able to push down on the accelerator because of Teijin's high level of transparency in management. This is evident in the sheer number of matters that are discussed by and reported to the Board of Directors, and the volume of documents for each agenda item is considerable. A fair amount of time is required to digest these documents before the meetings, but they must be read in order to participate in the discussions. I feel that the outside directors and outside auditors have diligently read through the documents, judging by the quality of their questions and criticisms. When I was first appointed, I remember struggling to carry a thick stack of documents to each meeting of the Board of Directors.

Suzuki Outside auditors read the same documents as the outside directors, and provide their opinions after gaining an understanding of the situation. Basically, Teijin is leveraging the benefits of being a company with Board of Statutory Auditors to the fullest extent. There are a total of 14 members in the discussions on the Board of Directors, evenly split between 7 inside members and 7 outside members, including the auditors. Most matters are not decided by majority vote. Everyone engages in a thorough discussion, and even when matters are left for the next meeting due to lingering issues, a priority is placed on making decisions that all members can agree with.

Advisory Board Improves Transparency of Management

Suzuki Members of the Advisory Board comprise two non-Japanese experts, four outside directors, the Company's advisor and the CEO. Meetings are convened twice a year, once each in the spring and fall. The Advisory Board has three main objectives, namely, to advise management from a broad viewpoint, evaluate the performance of the CEO and propose compensation amounts for the CEO, and nominate the next CEO. The Advisory Board does not have any voting rights. The results of their discussions are reported to the Board of Directors.

The Advisory Board was created due to strong concerns about excessive influence of the CEO and management team on promotions and other personnel matters. The longer the same person serves as CEO, the more influence that person tends to have on personnel matters. The Advisory Board was introduced as a system of checks and balances on this influence.

Ohtsubo In the context of advising management, we have received astute criticisms and accurate advice from non-Japanese experts on our board, an executive director & CEO of an American chemicals company and a professor at a famous university. All outside directors are members of the Advisory Board, so they are able to understand current conditions within Teijin and provide advice from an objective point of view.

Teijin also thoroughly evaluates the performance of its CEO. For starters, the CEO must give a 90-minute presentation about business results and a Q&A session for 30 minutes in English. I think CEO Suzuki struggles to speak in English this entire time, but the listeners are also struggling to understand him (laughs). The Advisory Board holds meetings once every six months. The participants read documents before each meeting, and also review the minutes of the previous two meetings. It would not be possible to evaluate performance without doing so.

Suzuki I am also a member of the Advisory Board. For matters concerning the nomination and compensation advisory functions of the Advisory Board, an outside director takes the lead on deliberations, and I do not participate in discussions about matters concerning the CEO. After my presentation and the Q&A session are over, I leave my seat during the performance evaluation portion of the meeting. The time I spend waiting outside during my performance evaluation always seems long.

Ohtsubo Performance evaluations are based on numerical benchmarks, such as ROE and ROIC. Areas difficult to express in figures are thoroughly discussed in the meeting. This is why the meetings tend to last a long time.

Suzuki Regarding future CEO candidates, the Advisory Board gives advice from the succession planning stage. Teijin does not simply select candidates from a pool of available people.

Ohtsubo At every meeting, I have an opportunity to see the presentations of future CEO candidates. The most important thing, I think, is that the candidates have their confidence and insight in answering questions after their presentation. Since there are still many things that cannot be learned from the first or second presentation, we need to continuously watch the candidates. We feel significant responsibility in assuming an integral part of the selection process.

Suzuki The members would probably have a hard time reaching a decision without taking all these steps. Naturally, I also went through this process when the Advisory Board recommended me for the CEO position.

Ohtsubo I believe the Advisory Board is a system that has been put together well from the standpoint of keeping management on their toes. The Advisory Board fulfills an advisory function for CEO nominations and compensation, and outside directors are also involved in the Nomination Advisory Committee and Remuneration Advisory Committee for advising on the nomination and compensation of directors other than the CEO. This structure facilitates liaisons between these entities. Performance evaluations for the CEO also relate to the evaluations of other directors, because the CEO is not solely responsible for performance.

Suggestions from an Outside Director

Ohtsubo As an outside director, I think Teijin needs to strengthen its on-site execution capabilities. Information is shared with the Board of Directors from the initial planning stage of an M&A deal or medium-term business plan, so it is clearly understood how a particular idea is advancing. Teijin is quite capable at planning. However, I sometimes feel that the Company lacks sufficient momentum on execution and progress once a plan moves to the execution stage.

Suzuki Can you give a specific example?

Ohtsubo For instance, I recall the plan of action after Teijin acquired U.S.-based Continental Structural Plastics Holdings Corporation (CSP) in 2017. For starters, a major deal like this never goes according to the initial plan, but I sensed a lack of momentum after the acquisition. As an outside director, I went to see what was actually going on over there. After talking with a local manager, I quickly figured out that he fully understands the problem. Back then, immigration policy was changing in the U.S., and CSP had a hard time hiring enough people to work in manufacturing. In this case, I honestly thought local management should quickly come up with ideas to solve this problem.

Suzuki I am thankful that our outside directors are willing to put their foot on the accelerator rather than the brakes.

Ohtsubo I believe Teijin has a practical system of corporate governance with thorough information sharing, lively and open discussions, and advice and ideas from human resources who have diverse backgrounds. However, we should not be completely satisfied with its current state.

Suzuki I will keep that in mind.

SECTION 2

SUSTAINABILITY PLATFORM

Environment

Reduction of Environmental Impact

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.

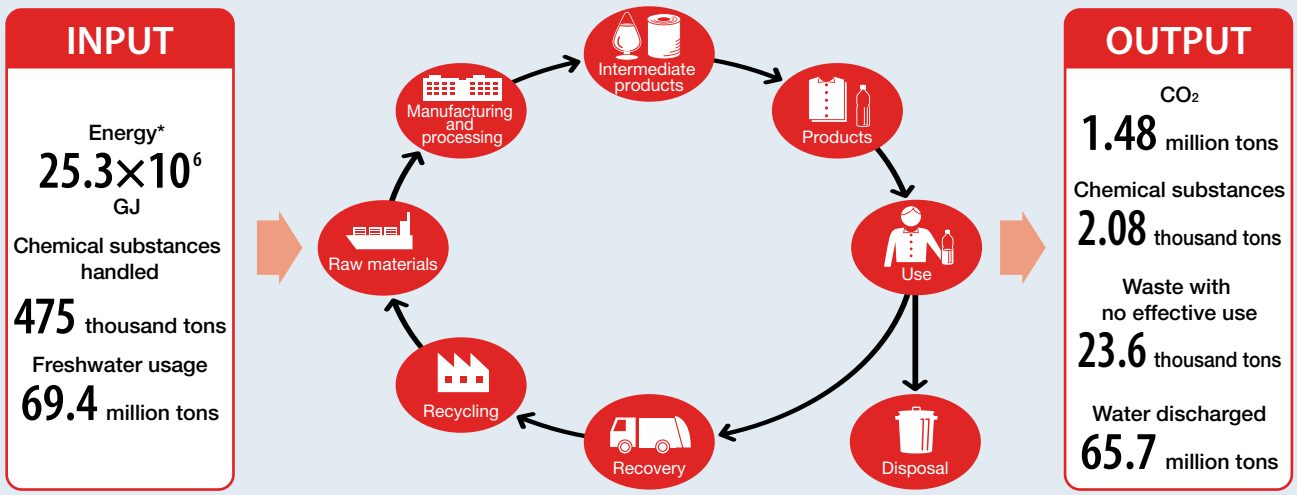
Environmental Management and Reduction of Environmental Impact

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, and reduce environmental impacts.

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 FY2018 by Input/Output ★

★…Independently assured indicators



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

Climate Change Initiatives

Climate change will have a tremendous impact on the international community and global economy. For the Teijin Group, climate change presents a major problem that has a bearing on the sustainability of its business platform.

In March 2019, the Teijin Group announced its support for the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). In fiscal 2019, the Teijin Group participates in the TCFD Consortium, a new initiative backed by the Ministry of Economy, Trade and Industry (METI), the Financial Services Agency (FSA), and the Ministry of the Environment (MOE). We will step up our responses to the TCFD recommendations, hold numerous dialogues with stakeholders on climate-related risks and opportunities, and strive to provide appropriate disclosure of information.

Teijin Group's Climate Change Governance
(→P.40)

Activity policies and plans for climate change and progress thereon are deliberated and reported to the Board of Directors through the following channels: (1) function-specific executive reports by the Chief Social Responsibility Officer (once a year); and (2) deliberation on basic plans and reports on progress in the Total Risk Management (TRM) Committee (twice a year).

Strategy
(→P.30)

The Teijin Group aims to be "a company that supports the society of the future" as its long-term vision. The Teijin Group's environmental value solutions harness technologies we have developed to reduce weight and increase efficiency. Through the supply of environmental value solutions, we have been continually seeking to make a contribution to a "low-carbon society," a contribution to a "recycling-based society," and a contribution to a "society to preserve the global environment." In addition, given that the Teijin Group conducts a wide range of businesses globally, we recognize that the global environmental footprint associated with our business operations is not small. Mindful of this, we have been working towards finding a variety of solutions and striving to reduce our environmental impact while adhering to the fundamental tenet of ensuring safety. Through these efforts, we aim to achieve sustainable growth of companies and society as a whole.

Risk Management
(→P.29)

The TRM Committee covers management strategy and business operating risks. This committee manages transition and physical risks associated with climate change as important risks, and proposes policies and plans to the Board of Directors. One example of physical risk management is to develop a business continuity system for business sites where there is a high risk of flooding.

■ Targets for FY2012–FY2020*1

CO_2

Greenhouse Gas Emissions from Production Operations*2

Achieve CO_2 emissions reduction ratio of 1% or more per year

(compared to the level in the base year of fiscal 2011)

Fiscal 2018 **1.48** million tons-CO_2★

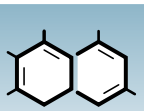
Annual average decrease of 4.9%
compared to FY2011

The Teijin Group is working to reduce its greenhouse gas emissions released during production, globally. In fiscal 2018, the Teijin Group's overall CO_2 emissions increased by 5% compared to fiscal 2017. In Japan, emissions were 0.64 million tons-CO_2 (a decrease of 7% from fiscal 2017), owing to the 100% external supply of electricity at the Iwakuni Factory and the promotion of energy-saving projects such as the reduction of energy loss in each business, in addition to the closure of the Tokuyama Factory. In other countries, emissions were 0.83 million tons-CO_2 (an increase of 15% from fiscal 2017), due to the inclusion in the scope of aggregation of Continental Structural Plastics Holdings Corporation (CSP), which was acquired in February 2017.

*1 Targets for fiscal 2021 and subsequent fiscal years are scheduled to be set in fiscal 2019.
*2 Includes CO_2, methane and nitrous oxide. CO_2 emissions are calculated according to the coefficients specified in the Law Concerning the Promotion of Measures to Cope with Global Warming. (Adjusted emissions coefficients of individual electric power companies are used for power purchased in Japan, and latest available IEA country-specific emissions coefficients are used for power purchased in other countries.) However, for power purchased overseas, where known, power company-specific emissions coefficients are used for the calculations. We deduct an amount of CO_2 emissions equivalent to the amount of energy sold to other companies.

Reducing Chemical Substance Emissions

■ Targets for FY2012–FY2020*1



Emissions of Chemical Substances into the Environment*2
By fiscal 2020,

reduce by 80% or more
(compared to fiscal 1998 level)

Fiscal 2018 **2.08** kilotons★

77% decrease compared to FY1998
15% increase compared to FY2017

We are actively committed to reducing emissions into the environment, covering 567 substances. These 567 chemical substances comprise 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 (105 substances).

In fiscal 2018, emissions of targeted chemical substances into the environment were 2.08 kilotons, a 15% increase compared to fiscal 2017. From fiscal 2018, chemical substance emissions have increased due to the inclusion of CSP in the scope of aggregation. The Teijin Group recognizes that the reduction of chemical substance emissions is a crucial issue and will implement measures to address such emissions.

Management and Reduction of Waste

■ Targets for FY2012–FY2020*1

Waste with No Effective Use*3
By fiscal 2020,

reduce by 85% or more
(compared to fiscal 1998 level)

Fiscal 2018 **23.6** kilotons★

49% decrease compared to FY1998
504% increase compared to FY2017

The Teijin Group is committed to reducing the amount of waste it generates, as well as to reducing waste with no effective use by shifting to reusing resources and to material, chemical, thermal and other forms of recycling treatment.

In fiscal 2018, waste with no effective use amounted to 23.6 kilotons, compared with the total amount of waste of 80.0 kilotons★. Waste with no effective use thus represented 29.5% of the total amount of waste. From fiscal 2018, the amount of waste has increased substantially due to the inclusion of CSP in the scope of aggregation. The Teijin Group by reducing loss during molding composite materials will implement measures to address this issue.

*1 Targets for fiscal 2021 and subsequent fiscal years are scheduled to be set in fiscal 2019.
*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.

Measures to Address the Marine Plastic Waste Problem

Marine plastic waste has become a serious problem as a result of its negative impacts on life and ecosystems through marine pollution and food chains. This problem has become an increasingly urgent global concern.

In September 2018, the Teijin Group issued a "Declaration for Solving the Plastic Marine Waste Problem" to demonstrate its commitment to this problem.

Regulatory trends surrounding marine plastic waste could elevate the risk of a loss of existing business. However, the Teijin Group considers this as an opportunity to drive growth in the markets for recycling and alternative products. Based on this belief, the Teijin Group is advancing initiatives to reduce its environmental impact and provide environmental value solutions.


Declaration for Solving the plastic Marine Waste Problem

The Teijin Group will contribute to the reduction of plastic marine waste through our voluntary efforts of management / recycling promotion of plastic we produce and /or use, and material development.

September 1, 2018

(Jun Suzuki)
Representative Director and President & CEO,
Teijin Ltd.

Helping to Solve the Marine Plastic Waste Problem through the Recycling of PET Bottles

Teijin Frontier Co., Ltd. has been implementing a recycling project based on the concept of "local production for local consumption" in various parts of Japan. In this project, Teijin Frontier collects waste generated at the venues of outdoor events and recycles this waste into resources.

In July 2018, Teijin Frontier collected PET bottles at a beach cleanup event at Katsuura Beach and recycled the PET bottles into original straps. In September 2018, "Munakata Fes," an outdoor music festival, was held in the city of Fukutsu in Fukuoka Prefecture. At the event, Teijin Frontier handed out the original straps made from recycled PET bottles to participants in the cleanup activities and volunteers at the venue of the music festival. Teijin Frontier also collected PET bottles on the days of the "Munakata Fes" for recycling. The PET bottles are scheduled to be recycled into official merchandise for next year's music festival.


Cleanup activities at Munakata Fes

Support for an Expedition to the South Pole in a Solar Vehicle

In November 2018, the Clean2Antarctica (C2A) project led by Dutch adventurer Edwin ter Velde embarked on an ambitious expedition to reach the South Pole in an eco-friendly solar vehicle. The vehicle was made largely from recycled materials such as used PET bottles and other recycled plastic waste.

The Teijin Group offered its full support to this project through such means as supplying lightweight, highly durable materials for the solar vehicle chassis and structural components, and providing design and analysis support for its tires.

SECTION 2

SUSTAINABILITY PLATFORM

Society

Diversity

Basic Stance

To promote our business activities globally, it is essential to make full use of the abilities of diverse human resources who differ in race, religion, gender, cultural background and other attributes. The Teijin Group upholds "Empowering Our People" as part of its corporate philosophy and accordingly has put in place a work environment in which every Group member can fully harness their individuality and advantages to make the most of their abilities.

With regard to diversity and workstyle reforms to accelerate it, we have set KPIs from many different perspectives, and we have been promoting and following-up on the utilization of human resources directed at achieving these targets.

Harness and Nurture Diverse Human Resources

Woman's Advancement

Number of female executives*1

Fiscal 2018 **3**

(Fiscal 2027 target 10+)

Female in managerial positions

Japan*2 fiscal 2018 **109★**

(Fiscal 2027 target 285+)

Overseas*3 fiscal 2018 **21%★**

(Fiscal 2027 target 33%+)

Since December 1999, the Teijin Group has been pursuing women's advancement. In Japan, in accordance with the "Act on Promotion of Women's Participation and Advancement in the Workplace" ("Women's Participation and Advancement Promotion Act") enacted in August 2015, the Teijin Group has drawn up and published action plans. We have also set Group-wide targets for the number of females in managerial positions, and we are implementing policies and measures to promote women's advancement.

■ Female Leadership Training

Since fiscal 2011, we have continually held the Female Advanced Program EWA for selected members who are candidates for managerial positions. In this training, we conduct a three-day group training session and a presentation session attended by supervisors. Through fiscal 2018, 157 employees have participated in this training on a cumulative basis, and these employees are working successfully as leaders in various workplaces.

Personnel Diversity

Number of foreign-national executives*1

Fiscal 2018 **3**

(Fiscal 2027 target 12+)

From 2009, we have established the Global Human Resources Office in the Human Resources Division to create a human resources management system and mechanism of appointment to aid Teijin employees to be active on a global basis. In April 2019, a foreign-national executive was appointed as Chief Human Resources Officer of the Teijin Group for the first time, and has been accelerating the Teijin Group's human resources strategy on a global level.

■ Increase the number of selected excellent overseas human resources for core human resources development programs

We have implemented a variety of training programs to develop core human resources who will forge the future of the Teijin Group. In fiscal 2018, we commenced selection training in English primarily for employees in their 30s and 40s who are working successfully overseas.

*1 The total number of female executives and foreign-national executives covers Teijin Limited.
*2 The number of female employees in managerial positions in Japan covers the four core Group companies in Japan: Teijin Limited, Teijin Pharma Limited, Teijin Frontier Co., Ltd. and Infocom Corporation.
*3 The ratio of female employees in managerial positions overseas covers the 18 core companies.

Promotion of Workstyle Reform

Diverse Workstyles

Work-at-home system utilization rate

Fiscal 2018 **14%**

(Fiscal 2027 target 50%+)

■ Work-at-home system

From fiscal 2007, Teijin Limited and Teijin Pharma Limited have implemented a work-at-home system. One of the following conditions must apply in order that an employee may use the system: (1) An employee has a child who has not reached the end of the academic year of the sixth grade; (2) An employee has a family member who requires nursing care; (3) A female employee is pregnant or for whom not more than one year has passed since giving birth; or (4) An employee has a disability. As of the end of fiscal 2018, 74 employees have used the system.

From fiscal 2019, the Teijin Group has abolished the restrictions (1) to (4) referred to above, and has introduced a telework system that allows employees to work from their homes or other locations. We will manage the telework system so as to enhance the flexibility of employees' workstyles and maximize the abilities of every employee.

■ Promotion of Robotic Process Automation (RPA)

From fiscal 2018, the Teijin Group has been promoting the adoption of RPA in business processes to raise operating efficiency and reduce the workload of routine tasks, thereby enabling employees to focus on decision-making processes and creative tasks that people can perform more effectively. We are pushing ahead with measures to reshape conventional workstyles. These measures include not only the automation of routine tasks that have previously been performed manually by people, but also extend to decisions on whether a given business process is truly necessary or not.

Improvement of Job Satisfaction

Previously, Teijin Limited and Teijin Pharma Limited had provided opportunities for career-track employees in their 20s and 30s to reflect on their career paths through tier-specific training. From fiscal 2015, the two companies have offered career development training for a broader range of employees, with coverage extended to employees in managerial positions in their 40s and 50s. Through fiscal 2018, 1,219 employees have received this training on a cumulative basis. In this training, the participants review their careers to date, developing a deeper self-understanding based on their values and the strengths gained and lessons learned from experience. The training seeks to enable the participants to voluntarily find and obtain a new career that fits their individual preferences after they identify what gives them the greatest job satisfaction. In order to enhance the job satisfaction of every employee, we have strengthened our support system for employees after they attend training. For example, we offer counseling sessions led by internal career consultants*1 and provide financial support to employees for a portion of the costs they may incur to develop or strengthen the abilities they seek to demonstrate*2 in their new careers.

Career training

*1 Internal career consultants hold national certification as career consultants.

*2 Career development follow-up support system

A program to subsidize one-third of training costs, or up to an annual limit of ¥100,000 per person, for employees who seek to obtain certifications and skills in accordance with the plan prepared in career development training.

Diversity Recognition Rate

Fiscal 2018 **84.3%**

(Fiscal 2020 target 60%,
Fiscal 2027 target 100%)

Teijin measures the diversity recognition rate based on the results of the employee awareness survey (see page 39). In fiscal 2018, Teijin conducted a survey of all employees of Group companies in Japan and other countries. As a result, the diversity recognition rate was 84.3% (82.0% in Japan, 92.2% overseas). In order to further increase the awareness of employees in Japan, Teijin will conduct measures in Japan such as helping employees to balance work and nursing care responsibilities, promoting the successful employment of people with disabilities, and fostering an understanding of LGBT issues.

Initiatives on Respect for Human Rights

In its corporate philosophy, the Teijin Group pledges to "enhance the quality of life through a deep insight into human nature and needs, together with the application of our creative abilities." In order to achieve this, it is essential to respect the rights and dignity of all human beings.

Until now, the Teijin Group has laid out its policy with regard to human rights in its Corporate Code of Conduct and Standards of Conduct. These were revised in June 2018, and our new Code of Conduct now includes the statement, "Integrity: We act with integrity in compliance with laws and regulations, and show respect for human rights and local communities in which we operate." Additionally, in March 2019, we established the Teijin Group Human Rights Policy. Under this policy, we pledge to endeavor not to be involved directly—or to be complicit indirectly by way of external affiliates—in any kind of human rights violations in our business activities, in recognition of the fact that respect for human rights is an important social responsibility to be fulfilled as a company.

Teijin Group Human Rights Policy

(Items)

1. Commitment
2. Foundational principles
3. Responsibility
4. Education and Training
5. Due Diligence
6. Remedy
7. Disclosure and Dialogues

Due Diligence Regarding Human Rights

In addition to building a system for due diligence with regard to human rights, we have also commenced activities to ascertain negative impacts to human rights and risks thereof. In fiscal 2018, based on the results of reviews conducted by external organizations, the Teijin Group's Human Rights Policy was recognized as mostly complying with good international examples. We also conducted comparisons of the Teijin Group's business operations and operating regions, and were able to identify operations that are relatively prone to the occurrence of human rights violations. These were identified as our Polyester Fibers & Trading and Retail Business Group operations, which are regarded as labor intensive industry operations. We also identified businesses with a relatively high potential risk of human rights violations based on occupational health and safety and other situations in operating regions. With regard to these businesses, we are conducting inspections to check that human rights violations are not taking place, and continuous monitoring to prevent the occurrence of such violations.

As of fiscal 2018, the Teijin Group and its suppliers do not use forced labor, and no examples of violations of rights such as the right to freedom of association, the right to collective bargaining, or the rights of indigenous peoples have been found.

Human Rights Education for Employees

Every October, during the Corporate Ethics Month campaign, we conduct training for all employees (including contract employees and temporary dispatch staff) in order to increase awareness of respect for human rights. In November, we conducted an employee awareness survey to ascertain the state of recognition and active awareness of employees with regard to respect for human rights, and are using the results in consideration of educational initiatives and other measures for FY2019 and onwards. While poor working conditions in the garment industry are a global problem, Teijin Frontier Co., Ltd.—which is deeply involved in this industry—runs thorough educational training for employees globally in order to avoid involvement or complicity in these kinds of human rights issues.

Initiatives on Respect for Human Rights with Suppliers

To ensure respect for human rights across our entire supply chain, we established human rights-related items within our CSR Procurement Guidelines, and request for suppliers to engage in initiatives to ensure respect for human rights. In November 2017, we bolstered our initiatives in the supply chain by revising the CSR Procurement Guidelines by expanding the range of content relating to respect for human rights, including sections covering forced labor, child and youth labor, and foreign workers.

Teijin Frontier Co., Ltd., which operates the Polyester Fibers & Trading and Retail Business Group business activities, continuously holds seminars and on-site audits for suppliers in the ASEAN region, for the purposes of ensuring thorough legal compliance and protection of human rights by those suppliers.

Chief HR Officer Interview

Ms. Karola Japke
Executive Officer of
Teijin Group
Chief Human Resources Officer

1992, joined Hoechst AG in Germany;
Apr. 2001, joined Teijin Monofilament Germany;
Apr. 2009, Global HR Manager at Teijin Creative Staff Ltd.;
Apr. 2012, HR Manager at Teijin Aramid;
Apr. 2014, Corporate Officer, Deputy CHO (global HR) of Teijin Group;
Apr. 2019, CHO, Teijin Group

Talent development and diversity for the future of business: Strategic HR to become a business partner

In April 2019, Ms. Japke was appointed as the first non-Japanese Chief HR Officer in the 100-year history of the Teijin Group. In this interview, she talked about globalization and diversification of human resources in the Teijin Group, based on her experiences and philosophy as an HR professional.

My Career and New Assignment in Teijin

I have spent my entire career in HR. My starting point in Teijin was in 2001, as a HR manager of Teijin Monofilament in Germany. In 2009, I got an opportunity to come to Japan as the general manager of the Global Human Resources Office. During my stay in Osaka, I implemented the Group-wide leadership training program “EaGLES,” my main achievement. After spending three years in Osaka, I went back to Europe and took over the HR manager position for sales and marketing international and headquarters at Teijin Aramid in the Netherlands, where I engaged in the reorganization of the departments.

In 2014, I was appointed as a corporate officer and deputy CHO (Chief Human Resources Officer) and implemented a global talent management system. Although Teijin Japan has a very good talent development system and the identification of talents is done in a very proper manner, outside of Japan, Teijin has very little insight into who the talents are, where they are and how we can develop them globally. So, my task was

to make people from outside of Japan visible inside Japan. The project was focused on the Materials Business Field, because the group is the most global business in Teijin.

I know that my new assignment is a huge step for Teijin, promoting a non-Japanese in the position of CHO because HR is usually the most local department that you can think of. And I really appreciate this appointment and it was a big, big surprise even for myself. But this is only the first step. I know that Suzuki-san, CEO of Teijin, has very ambitious targets, and I will do my very best to support him in achieving them. However, I can't do this all by myself. Luckily, I have colleagues and coworkers by my side that share the same vision and support me on my journey.

Strategic HR that I Consider

"Diversity is more than promoting females, diversity should add value to the business."

In my new role, I will focus on strategic HR matters. I received challenging targets from Suzuki-san. My goal is to support the business to be fit for the future, by providing the right people needed to evolve the Company. This means identifying talents early, developing talents for future needs, and making Teijin more diverse. Diversity for me is more than promoting females. I think we need to see diversity from a business point of view, because diversity is not a kind of trophy that we display and say, "Oh, we are so diverse!" Diversity should add value to the business. It also means that we have to implement diversity globally and therefore I would like to set global diversity KPIs for Teijin.

In terms of promoting females, I would like to focus my initiatives on promoting females to executive positions because I think this is the biggest challenge for Teijin. In the past years, we made good progress in promoting females to lower and middle management positions but when it comes to top positions, we still have a lot to do.

My Vision for the Role of HR

"HR should be a business partner, and a promoter and guardian of Teijin's philosophy and Code of Conduct"

I think the purpose of HR is to support business. HR needs to understand very well what the business needs, anticipate problems and offer solutions even before the business knows that there is a problem. The world and the business environment are changing very fast and HR should be on top of that change.

This requires that HR employees can speak the business language and are close to the business. At the moment, we are lacking HR people who can perform this role. Therefore, we need to empower our HR people as well.

Next to that, we should be a promoter of the overall Teijin philosophy and Code of Conduct. As HR, we should be the guardian of Teijin's philosophy and Code of Conduct and should make sure that this philosophy is not just a nice booklet but it's part of our DNA.

Teijin's Improvement Potential

"One Teijin Culture"

I would say Teijin as an organization has some improvement potential. One of the biggest areas for improvement from my point of view is that we have to move away from "thinking in silos," such as "We are carbon fiber," "We are Teijin Aramid," "We are resins," etc. We have to have a "One Teijin Culture" and that is missing.

Based on our past, the lack of one corporate identity is not so surprising as Teijin has not grown organically. Teijin has an organic part which was born here in Japan 100 years ago. But the rest of Teijin, which is now more than 50%, was acquired at a certain point or set up by Teijin in some Asian countries. The acquired companies have different backgrounds and have their own backpack of culture coming from the previous owner. However, what we missed in the past is an "integration process." Without a corporate culture, employees develop less of a sense of belonging. It also has an impact on our employer attractiveness because potential candidates might evaluate the smaller entity rather than the bigger enterprise and see less development opportunities.

My Philosophy

"A culture where everyone feels appreciated and respected and a new leadership style built on communication and coaching"

I would like to create a culture where everyone feels appreciated and respected regardless of their location. Respect and appreciation don't cost much but have a big impact on employee performance and retention. Communication is key in providing a respectful work environment. Regular positive feedback is what employees expect. However, all of us, me included, forget about it too often.

I also think we need to develop a new leadership style. Including myself, we grew up in a world where being a leader was a combination of being an expert in your area/class and directing people. But this is not our world anymore. What we need to do nowadays is "coach our people to do their best." Of course, you sometimes need to give direction, but you have adults in front of you, and they can very well manage their personal lives. So why do we think they cannot manage their work lives in Teijin too? We should give them more responsibility for their own careers. This again requires a lot of communication and a lot of feedback.

Especially, Millennials want to have the freedom to solve their own challenges. At the same time, they would like to get guidance and advice to reach their own solutions. Our role is to coach them and to set clear expectations.

Equally important to the young generation is a positive contribution to society. They would like to work for a company that offers solutions to the big challenges of our time, such as climate change. Teijin's philosophy and long-term vision are therefore very good and we just have to promote them more.

SECTION 2

SUSTAINABILITY PLATFORM

R&D

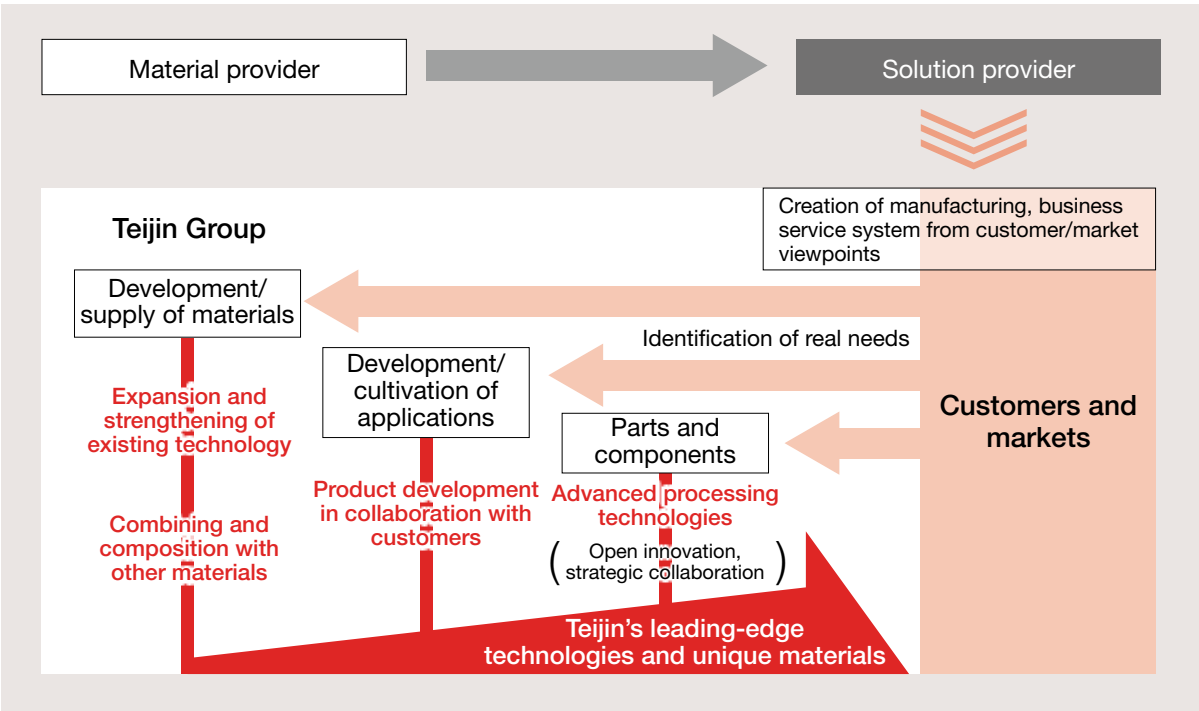
The Teijin Group continues to transform by anticipating changes in the external environment, aiming to become "a company that supports the society of the future," and strives to continuously create new value. In R&D, we have been creating new products in response to the needs of society and our customers by using technology clusters of polymerization/resin, film, healthcare, IT, fiber products, composite material and fiber that are leveraged by our core technologies such as polymer chemistry, nanotechnology, biotechnology and synthesis technology. Going forward, we will present society and customers with valuable new solutions driven by further advances in the innovation and integration of technologies.

Research and Development Strategy

Increased technological capabilities to realize a solution-oriented business

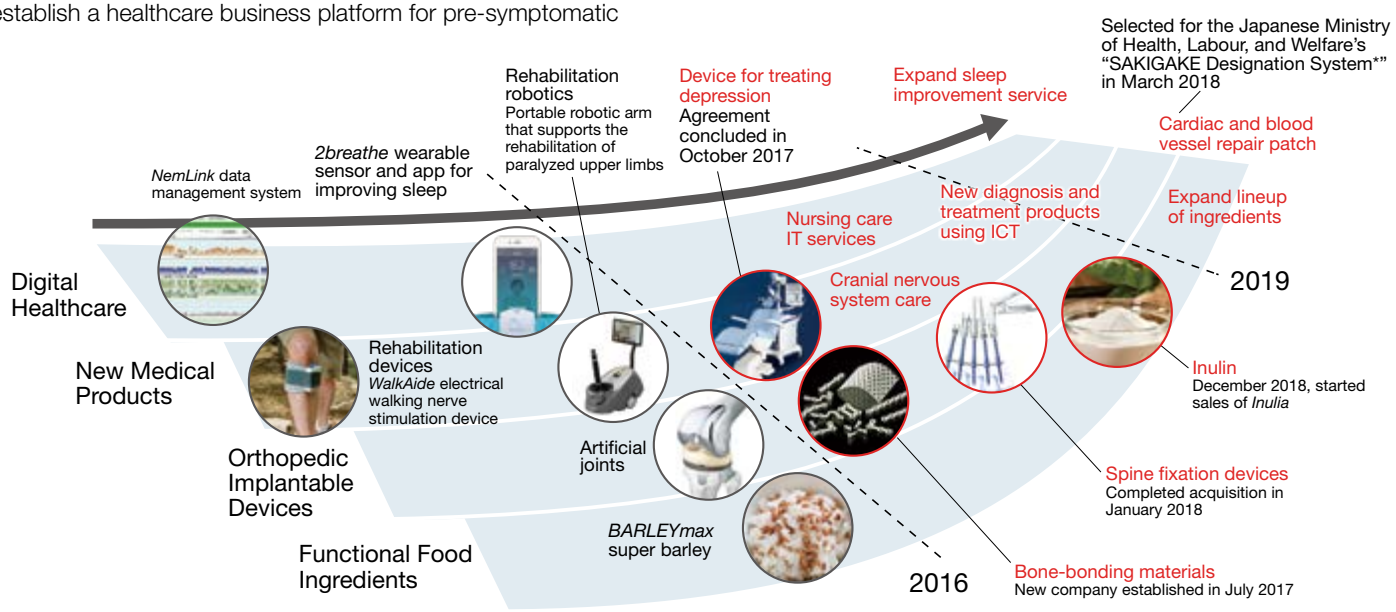
There are certain limitations in creating new businesses with growth capacities under the business models of a materials provider based on discovering potential needs from customers and markets. Therefore, we develop unique components, materials and devices not only by extending our existing technologies and strengthening our competitiveness but also by implementing customer-involved product developments combining our cutting-edge materials with advanced processing technologies.

Furthermore, to enable provision of valuable new solutions to customers and markets, Teijin is expanding the materials fields by leveraging our flexibilities in combining useful materials both in and outside the Company.



Development in the new healthcare business

Teijin will diversify its product and service lineups in the fields of new medical products, digital healthcare, orthopedic implantable devices and functional food ingredients without merely relying on the fields in the existing pharmaceutical and home healthcare businesses. We also make every effort to establish a healthcare business platform for pre-symptomatic conditions, diseases and nursing care, and new business using the Group's information platform. To this end, we will allocate R&D resources to home healthcare, implantable medical products and businesses for pre-symptomatic diagnosis and health promotion.



* The priority review designation system

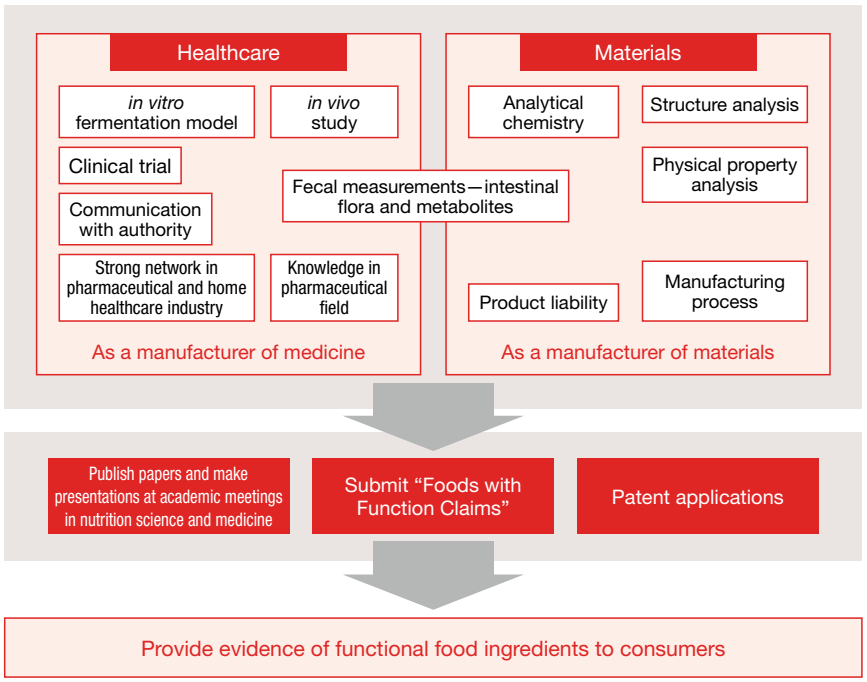
Core technologies in functional food ingredients

We advance our development from the perspectives of food "healthcare" and "materials," utilizing the viewpoints of researchers with a wide range of specializations.

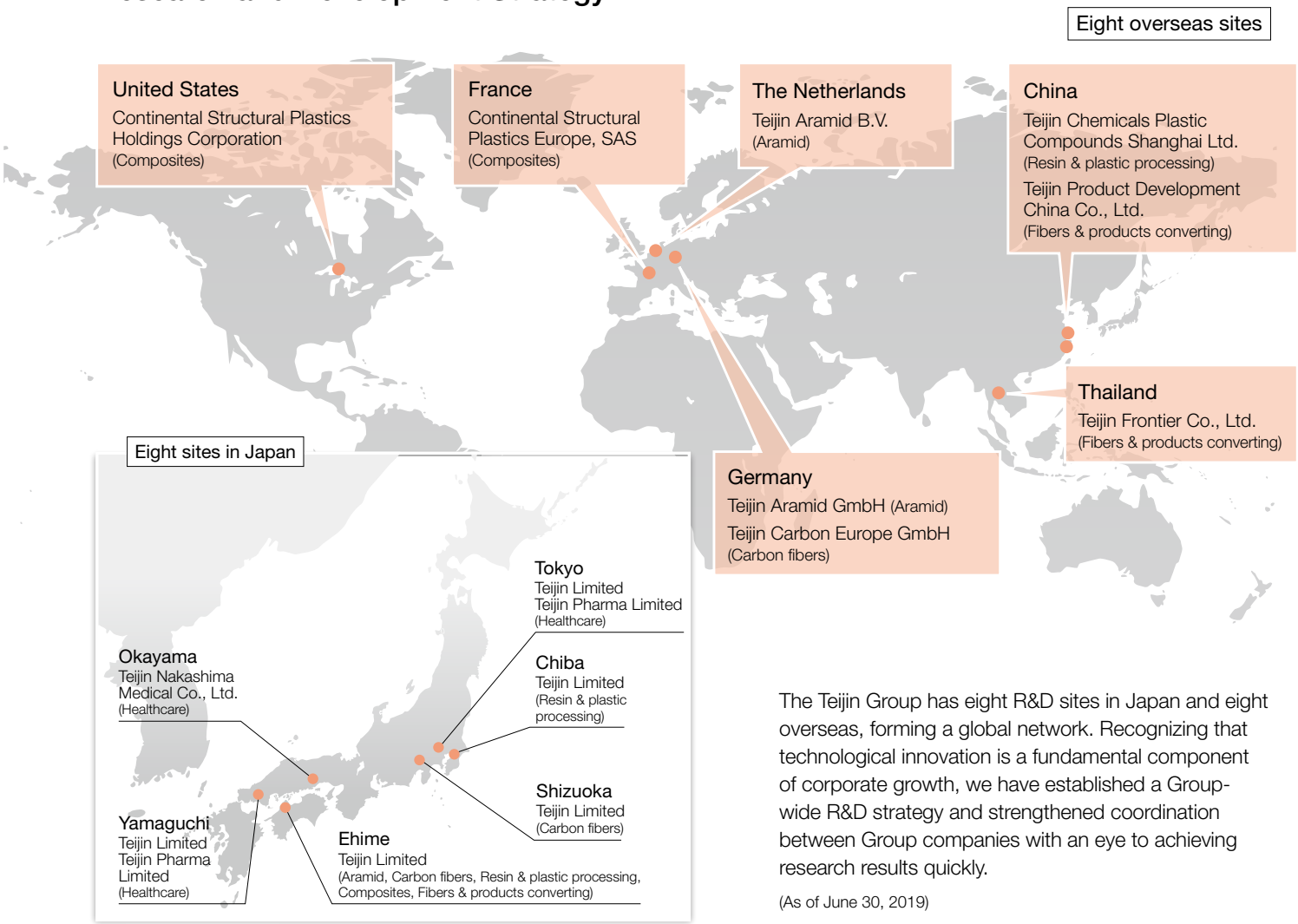
To confirm healthcare functions, we utilize non-clinical and clinical trial knowledge and expertise accumulated in the field of pharmaceuticals, such as bone metabolism, metabolism, inflammation, immunization, the cardiovascular system, etc.

To confirm material functions, we make use of knowledge and expertise in polymer science, analytical chemistry and structure analysis.

Using our foundational knowledge in these areas, we are working each day on development in order to provide functional food ingredients backed by scientific evidence.



Research and Development Strategy



The Teijin Group has eight R&D sites in Japan and eight overseas, forming a global network. Recognizing that technological innovation is a fundamental component of corporate growth, we have established a Group-wide R&D strategy and strengthened coordination between Group companies with an eye to achieving research results quickly.

(As of June 30, 2019)

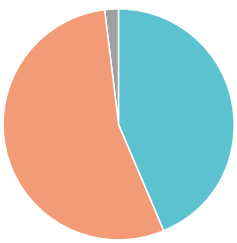
Investment in Research and Development

In fiscal 2018, ¥36.4 billion was spent on R&D, up ¥0.5 billion compared to the previous fiscal year.

Teijin allocated ¥16.0 billion for R&D spending in the Materials Business Field, which comprises the Material Business Group, Polyester Fibers & Trading and Retail Business Group, and Composites and Others, and ¥19.8 billion in the Healthcare Business Field. We also invested ¥0.7 billion in R&D related to basic technologies that are shared throughout the Group.

R&D Expense Allocation Data for Fiscal 2018

Materials Business Field	¥16.0 billion
Healthcare Business Field	¥19.8 billion
Other basic technologies	¥ 0.7 billion



Fostering R&D Personnel

To realize sustainable corporate growth, it is essential to have technological innovations and to develop technologically skilled human resources to propel these innovations forward. Teijin is focusing on cultivating technologically skilled personnel who will lead the future. For example, the Teijin Mirai Forum, which aims to foster young researchers and create a network of researchers involved in polymer science and other chemical fields, and the Teijin Technology Advisory Council, a committee comprised of university professors and researchers from various fields of specialties, that gives researchers opportunities to discuss future technologies, innovative processes and technology trends, and assigns young researchers to leading research institutions globally. We have also established the Teijin Techno College, an educational institution that involves retired employees as lecturers, passing down technical knowledge, skills and techniques to our next-generation R&D personnel.

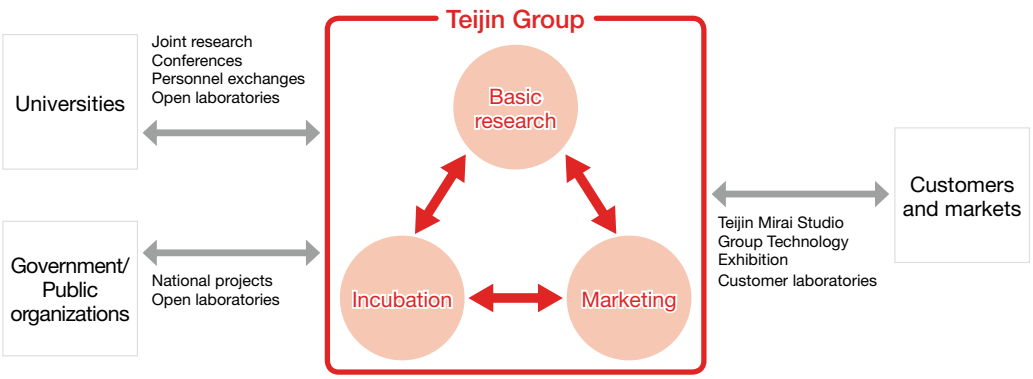
Open Innovation

To promote R&D aimed at developing new businesses, Teijin follows an open innovation strategy for strengthening internal and external collaboration. This policy aims to provide timely and advanced solutions to customers by building strong and active networks for R&D-related information and personnel exchanges among industry, government and academia.

Based on this open innovation strategy, we have implemented a more open R&D structure, and integrated basic research, incubation and marketing systems, aiming to speed up development and efficiently produce R&D results.

In basic research, we are proactively networking with researchers and academic societies conducting frontline research in the areas of polymer science, drug discovery, nanotechnology and biotechnology. In addition, we are focusing on the development of emerging and leading-edge technologies matched to market needs through participation in public-sector projects and collaborative research with universities.

At the incubation stage, targeting commercialization, we aim to combine our technologies with the technologies of customers in our key fields and joint research partners to accelerate development and achieve more efficient results.



Intellectual Property Strategy

With the advent of the Fourth Industrial Revolution, the business and intellectual property (IP) environments are changing dramatically. Nowadays, it is increasingly important for business enterprises to strategically utilize IP in addition to just developing technology and applying patent protection. It is essential for us to focus on effective IP utilization and business model creation in formulating management, business and R&D strategies to avoid finding ourselves winning in technologies but losing in business. Our intention is to use ICT-based analysis tools to grasp technology/IP trends inside and outside of the Teijin Group, establish procedures for acquiring technologies and IP developed both in-house and through open innovation, and then develop business models.

ESG Topics

Reducing CO_2 Emissions at Our Polyester Plant in Thailand

Teijin (Thailand) Limited is to introduce an environmentally friendly gas cogeneration system at its polyester fiber plant. The system will be supplied by Kansai Energy Solutions (Thailand) Co., Ltd. (a subsidiary of the Kansai Electric Power Co., Inc. in Thailand), and will enable reductions in CO_2 emissions and greater energy-saving in plant operations by recycling waste heat using natural gas. The system will contribute to reducing CO_2 emissions by approximately 20,000 tons. Construction work commenced in June 2019, and operation is scheduled to commence in July 2020.

CSR Supply Chain Seminar Held in China

On October 26, Teijin Frontier Co., Ltd. held a CSR Supply Chain Seminar at the Gubei Garden Hotel for local sewing and embroidery factory operators and materials manufacturers. Teijin Frontier has held the same seminar in other countries such as Vietnam and Myanmar since 2012, in order to ensure through legal compliance and protection of human rights by local suppliers. This was the first time that the seminar had been held in China, and 58 people participated from 27 companies, including suppliers and other fellow textiles companies.

Environmental and Safety Briefing Held for Members of the Local Community

On November 21, an explanatory briefing on environmental and safety activities for members of the local community was held at Teijin's Matsuyama Factory. The briefing is held every two years, and this year 22 people participated, including local residents and local government personnel. On the day, opinions were exchanged on topics such as environmental and safety risks, and measures to combat those risks. We also introduced Teijin products and gained deeper understanding with regard to our business.

Declaration of Support for UNICEF's Children's Rights in Sport Principles

On February 2019, Teijin Group officially endorsed the Children's Rights in Sport Principles put forward by UNICEF and the Japan Committee for UNICEF. Until now, the Teijin Group has supplied materials and products for the field of sports, and sponsored the All Japan High School Soccer Tournament as part of its social contribution activities. Teijin Polyester (Thailand) Limited has provided support for soccer clinics. In ways such as these, we are working to aid in the development of young people through sports, and to protect children's rights to ensure that they are not negatively impacted by sports.

Special Subsidiary Established to Promote the Employment of People with Disabilities

In February 2019, Teijin Limited established the special subsidiary Teijin Soleil Co., Ltd., with the objective of creating workplaces in which people with disabilities can experience the satisfaction and enjoyment of working. Teijin Soleil offers a diverse range of workplaces and work duties including office support (administrative assistant), cleaning services (including cleaning and weeding), and agricultural work. In the Golden Week holiday period of 2019, the company held a hands-on agricultural experience event, in which 40 people participated, including Teijin Group employees and their families.

IR Briefing Held for Individual Shareholders

On December 8, Teijin held a management briefing for individual shareholders at the Iino Hall & Conference Center (Chiyoda-ku, Tokyo). Due to the large number of shareholders wishing to participate, a drawing was held, and over 200 shareholders attended on the day. Teijin's President and CEO Jun Suzuki and the executive officer responsible for the Materials Business were also in attendance to give an overview of the Group's businesses and explain its medium-term management plan. An active question and answer session was also held with shareholders, and many participants also visited an exhibition corner showcasing a selection of Teijin products.

BUSINESS STRATEGY

Business Strategy to Increase Corporate Value

The Teijin Group describes business opportunities, medium- to long-term strategies and how its businesses and products bring value to society and increase corporate value.

SECTION 3

BUSINESS STRATEGY

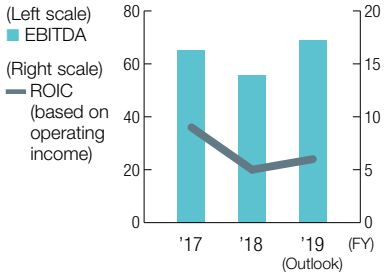
Materials Business Field

We are promoting the provision of materials and the development of composite materials that combine the characteristics of these materials in order to respond appropriately to the needs of the renewal of infrastructure, which is the social foundation. We are also responding to requests for lower fuel consumption and increased awareness of disaster prevention accompanying advanced environmental laws and regulations.

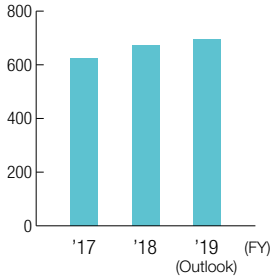
Yasumichi Takesue

Senior Executive Officer, Member of the Board
President, Materials Business of Teijin Group

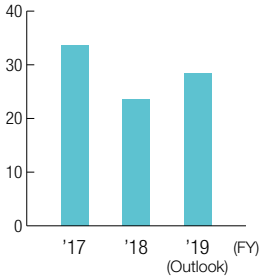
EBITDA (Billions of yen)
ROIC (based on operating income) (%)



Net Sales (Billions of yen)



Operating Income (Billions of yen)



Material Business Group

Aramid Fibers

Global share of para-aramid fibers *Twaron* and *Technora*

Among the **Approx. 50% (1st)**

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

Top share

Fiscal 2018 Performance

Sales of aramid fibers expanded mainly for automotive and infrastructure-related applications

Sales of para-aramid fiber *Twaron* for tires and other automotive applications and optical fiber applications were firm. In the meta-aramid fiber *Teijinconex*, sales related to automobiles such as turbocharger hoses, protective clothing and industrial materials remained strong.

Carbon Fibers

Global share of carbon fibers

Among the **top class**

Contributing to **energy conservation and CO_2 emissions cuts** through weight reduction

Fiscal 2018 Performance

Sales for use in aircraft grew steadily

The sales volume of carbon fiber *TENAX* has increased for pressure vessel applications along with steady sales for aircraft use applications. However, the rise in raw material and fuel prices pushed down profits in addition to slight stagnation seen through the market impact in compound applications.

Resin and Plastics Processing

Polycarbonate resins

Among the **top class** in Asia

Providing high added value through **Teijin's proprietary technologies**

Fiscal 2018 Performance

Sales mix improved for polycarbonate resin

In main polycarbonate resin, despite a shift in sales to high-value-added products, profits were pushed down by the slowdown in demand for polycarbonate resin and the decline in market prices, which have progressed rapidly since the second quarter.

Films*

Expanded Teijin's proprietary **PEN film products** to automotive applications

Strengths in processing technologies

Multi-layer film formation technologies and surface processing

Fiscal 2018 Performance

Sales expanded for use in smartphones and automotive electronics

Sales of *Purex*, a mold release film for processes such as MLCC (Multilayer Ceramic Capacitors), a related material for smartphones and electronic parts for automobiles, continued to expand. Sales of PEN films for automobiles and electronic components remained strong.

* Plans to transfer the film business company to Toyobo Co., Ltd. effective October 1, 2019

MATERIALS

SWOT Analysis

S

Fundamental technologies to create new materials and products, composite technologies of various materials and a customer-oriented business platform starting from CSP*

W

Early profit contribution of new business

O

Increasing needs of material for mobility, weight reduction, high durability and disaster prevention against the background of environmental issues

T

Changes in material needs due to industrial structural changes and intensifying competition across industries

Production Sites	Para-aramid fibers ▶ The Netherlands, Japan Meta-aramid fibers ▶ Japan, Thailand	**Business Opportunities** Aramid fibers possess outstanding features such as high strength and heat resistance. They can be divided into two broad categories: para-aramid fibers and meta-aramid fibers. Para-aramid fibers are particularly outstanding in terms of strength and heat resistance. Accordingly, they are mainly used as reinforcement for tires and friction material for automobile brake pads, as well as reinforcement for optic fiber cables. The market for para-aramid fibers is expected to grow at an annual rate of 3%. Meta-aramid fibers have outstanding long-term heat resistance and flame retardant properties, enabling them to be used in heat-resistant filters and special environment uniforms such as those worn by firefighters, as well as other industrial materials where heat resistance is required.
Production Sites	Carbon fibers ▶ Japan, Germany	**Business Opportunities** With ten times the strength and only one-quarter of the weight of steel, carbon fiber is attracting interest as an environmentally friendly material that will contribute to CO_2 emissions cuts and provide other benefits. This growing interest has driven expansion in demand particularly for aerospace applications and industrial applications. The Teijin Group's *TENAX* carbon fibers boast a high global market share, mainly in aircraft applications. Moreover, against the backdrop of tighter environmental regulations in recent years, carbon fiber is expected to see rapid growth in applications as automotive components.
Production Sites	Polycarbonate resins ▶ Japan, China Polycarbonate films and sheets ▶ Japan	**Business Opportunities** With an impact resistance 200 times greater than glass, and only half the weight, polycarbonate (PC) resins offer outstanding heat resistance, transparency and weatherability. These resins are now widely used in the markets of the electronics and automotive fields, with market growth projected at an annual rate of about 3–4%. Teijin has a strong presence in Asia, mainly in the electronics field. The reason is that we have materials technologies that comprise compounds and are developing specialty polymers, and we also have large-scale molding and coating technologies. Polycarbonate films and sheets are also used in products that leverage their functionality due to factors including sophisticated optical control technologies.
Production Sites	Polyester films ▶ Japan, Indonesia	**Business Opportunities** 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 used in high-density data backup tapes, electronic materials, and the automotive field.

* Continental Structural Plastics Holdings Corporation

MATERIALS

Material Business Group

Medium- and Long-Term Strategies

Accelerate measures to build a stable earnings base by expanding solutions-oriented businesses

Aramid fibers

The para-aramid fiber *Twaron* will focus on expanding products which meet demands for weight reduction and higher performance in the automotive field, such as tire reinforcement and rubber materials. In addition, looking ahead to the coming of a revolution in communications (5G, etc.), we will expand business opportunities around communication infrastructure with items such as optical fiber. With regards to *Technora*, we will respond to the growing demand for rubber material reinforcement in the automotive field. A wide range of demand is expected in infrastructure-related fields for ropes and deep-sea oil field mining applications.

For the meta-aramid fiber *Teijinconex neo*, 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.

Carbon fibers

In the aircraft field, 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. Moreover, 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.

To address further growth in demand for carbon fiber primarily in North America, we have begun construction of a new carbon fiber production facility in the U.S. and the construction work is proceeding steadily.

Resin and plastics processing

We will strive to add even more value by proposing weight reduction and design improvements using our high-performance compound products that use the “super engineering plastic” polyphenylene sulfide (PPS) resin and suchlike, in addition to polycarbonate resins.

In addition, a compound factory and development technology center were newly established in Thailand to further expand the resin business globally. Teijin is promoting the added value of plastic products with compound technology cultivated for many years, and we aim to further expand our business, focusing on growth regions such as China and the ASEAN region.

Films

There are plans to transfer the film company to Toyobo Co., Ltd. effective October 1, 2019.

Polyester Fibers & Trading and Retail Business Group

Specialized textiles trading company

Among the **top class** in Japan

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

Fiscal 2018 Performance

Sales of Sports/Outdoor Materials and Polyester Staple Fibers Expanded Steadily

In the clothing fabric field, sales of fabrics for sports and the outdoors are strong. While the product business utilizing materials such as *SOLOTEX* also grew, heavy winter clothing struggled due to inclement weather, and a rise in raw material and logistics costs pushed down profits. In the industrial materials field, full-scale production of polyester yarn and raw cotton transferred to Thailand due to structural reforms began, and sales of short-fiber raw cotton for RO membrane support and artificial leather remained strong. Due to the slowdown in growth in China, sales of automotive parts such as airbags were sluggish.

Production Sites

Polyester fibers	▶ Japan, Thailand
Textiles	▶ Japan, China, Thailand
Sewn products	▶ Japan, Vietnam, Myanmar

Business Opportunities

Teijin Frontier Co., Ltd. boasts top sales in Japan as a textile trading company, and it is the only business entity in the industry that does consistent handling from research and development of materials to production, processing and sales. With hybrid functions as a manufacturer and trading company as a growth engine, we have a wide range of businesses that meet various customer needs globally in the field of industrial materials, with items from materials to final products such as clothing fibers, automobile related materials, membrane structures, civil engineering/building materials and lifestyle-related products.

Medium- and Long-Term Strategies

We contribute to the realization of a beautiful environment and a prosperous future by creating new value through fiber

Thorough customer-oriented pursuit, that is, to further evolve the "solution provision business model," as the only company in the industry which consistently handles research and development, production and sales, we will strive to further improve customer service through speedy development capabilities and stable supply capabilities. With the strength of the global supply chain from manufacturing to retail, we will develop more advanced and differentiated products, and we will create and provide products which meet customer needs and those products which are not on the market. We will also promote local production for local consumption and will use M&A and alliances to strengthen production functions. With automobile-related materials in particular, we will expand production and sales by strengthening the supply chain across Japan, China, the ASEAN region, Europe and the United States.

In environment-related fields, we are advocating an activity guide called "THINK ECO" consisting of seven themes: (1) Recycling, (2) Bio origin, (3) Energy saving, (4) Organic, (5) Reduction in the use of hazardous chemical substances, (6) Reduction in emissions of environmentally hazardous substances, (7) Adaptation to climate change. We are also focusing on CSR procurement activities and are working to build and expand environmentally conscious businesses, such as the development of materials that contribute to the reduction of plastic waste in the ocean.

SECTION 3

BUSINESS STRATEGY

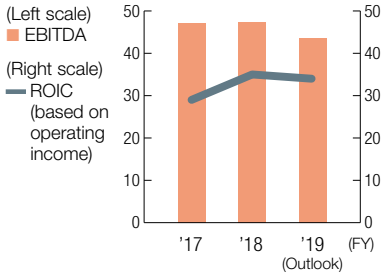
Healthcare Business Field

While providing unique medical solutions through synergies between "pharmaceutical business" and the "home healthcare business" and also through fusion with "material technology," we have entered non-insurance medical areas such as nursing and prevention of illness. We will develop comprehensive healthcare services that meet the needs of society.

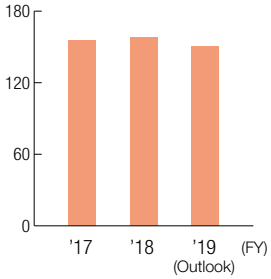
Akihisa Nabeshima

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

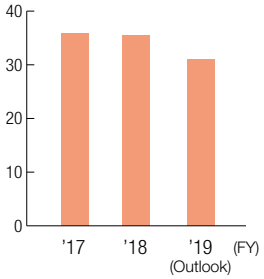
EBITDA (Billions of yen)
ROIC (based on operating income) (%)



Net Sales (Billions of yen)



Operating Income (Billions of yen)



Healthcare Business Group

Pharmaceuticals

Hyperuricemia and gout treatments

Top share* in Japan

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Countries or regions where the Teijin Group has business alliances

78

Fiscal 2018 Performance

Favorable sales of hyperuricemia and gout treatment *FEBURIC*

Although the following drugs have been affected by drug price revisions in the Japanese market, sales grew steadily for *FEBURIC*, for hyperuricemia/gout treatment, the transdermal absorption-type analgesic/anti-inflammatory agent *LOQOA Tape* and *Somatuline*®* for treatment of acromegaly, pituitary gigantism and neuroendocrine tumors.

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

Sales Offices

▶ 70 sales offices in Japan

Business Opportunities

While a difficult business environment continues for companies developing new drugs, due to drug price revisions and growth in the generic drug market, the Teijin Group has developed a new drug, febuxostat, for treatment of hyperuricemia and gout, for the first time in 40 years worldwide. We have established a top market share in Japan, and we expect further sales expansion as a driving force for business growth. It is on the market in 78 countries and regions as of the end of June 2019.

Home Healthcare

Therapeutic oxygen concentrators for HOT, and CPAP ventilators for the treatment of SAS

Top level share* in Japan

* Estimated from external reports and Teijin's rental volume

Number of users in Japan and overseas

Approx. 450,000

Fiscal 2018 Performance

Solid rental volume for home oxygen therapy

In the home oxygen therapy (HOT) market, we enhanced the product lineup of the portable oxygen concentrators (*Hi-Sanso Portable α* and *Hi-Sanso Portable α II*), and we maintained a high level of rental units. Also, in the home continuous positive airway pressure (CPAP) market for sleep apnea syndrome treatment, our rental volume grew steadily, with promotion of *NemLink*, which monitors the operating status of devices using a mobile phone network, and the sleep evaluation device *SAS-2100*.

Sales Offices

▶ 65 sales offices in Japan

Business Opportunities

In Japan, the Teijin Group 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 approx. 450,000 patients inside and outside of Japan. We have also secured the top level share in Japan for the rapidly growing market for continuous positive airway pressure (CPAP) ventilators for the treatment of sleep apnea syndrome (SAS), as well as with our HOT services.

HEALTHCARE

SWOT Analysis

S

Product creativity focusing on unmet medical needs, a sales base built on pharmaceuticals and home healthcare, high-quality services centered on patients, and technology utilization of materials and IT

W

In-house sales and marketing power for the global market

O

Growing needs for regional comprehensive care and home medical care, needs in prevention of illness and rising health consciousness

T

Revision of drug prices and medical costs through a domestic medical cost containment policy
Increase in research and development costs for new drugs

Medium- and Long-Term Strategies

We will strive to capture synergies between both the pharmaceuticals and home healthcare businesses.
Our goal is to help to enhance the quality of life (QOL) of our patients

Pharmaceuticals

Sales of febuxostat, a treatment for hyperuricemia and gout, have been increasing steadily in Japan. Aiming to maximize earnings from febuxostat, we will work to raise disease awareness and to boost recognition of the importance of treatment, striving to absorb the impact of downward revisions to drug prices.

In drug discovery research, we will continue working to expand drug discovery, enhancing technologies in nuclear receptor drug discovery, macrocyclic and constrained peptide drug discovery, and focusing on advanced medical materials based on the integration of materials and healthcare technologies. We will also continue to promote alliances on a global scale.

Home Healthcare

Although there was an impact in fiscal 2018 from revisions to medical fees, we will continue to strengthen the base of the Home Healthcare field by striving to further increase rental volume of HOT and CPAP devices. This will be done primarily by enhancing the functionality of these devices, bolstering support systems and upgrading and expanding the product lineup.

VitalLink is a multidisciplinary collaboration and information sharing system used by medical professionals as a tool to support comprehensive community healthcare. We have made steady progress on signing agreements with general practitioners directly or through medical associations. In 2018, the number of *VitalLink* users reached more than 2,000.

■ Pipeline

Area	Code No.	Target Disease	Clinical Development Phase: Phase 2	Phase 3	Filed	Approval/ Launch
Bone and joint disease	ITM-058	Osteoporosis				
	NT 201	Upper limb/lower limb spasticity				
	KTP-001	Lumbar disc herniation				
Respiratory disease	PTR-36	Bronchial asthma				
Cardiovascular and metabolic disease	TMX-67 (PRC)	Hyperuricemia and gout				
	STM-279	ADA deficiency				
	ITM-014T	Thyroid stimulating hormone-secreting pituitary tumors				
	TCF-12	Chronic kidney disease				
	TMX-049	Hyperuricemia and gout				
	TMX-049DN	Diabetic nephropathy in Type 2 diabetes				
	TMX-67HK	Hyperuricemia and gout in children				
Others	GGS-CIDP	Chronic inflammatory demyelinating polyneuropathy				
	GGS-ON	Optic neuritis				
	GGS-MPA	Microscopic polyangiitis				
	JTR-161	Acute cerebral infarction				

* As of the end of June 2019
* Approval/launch is described in the last year

SECTION 3

BUSINESS STRATEGY

IT Business Field

With Infocom Corporation as the core, we are developing an online business field that provides electronic comic distribution services to general consumers and an IT service field to provide system building services and package products for companies, healthcare and public institutions.

Norihiro Takehara
President and CEO,
Infocom Corporation

SWOT Analysis

S
Marketing power of electronic comics using data analysis, collaboration in healthcare services with Teijin Limited and Teijin Pharma Limited

W
Small-scale compared to major IT service providers

O
Changes and the expansion of the electronic comic market, increasing needs for a more efficient medical/nursing care field due to aging society

T
Intensifying competition in the e-comic market, intensifying competition in healthcare IT services

IT Business Group

MECCHA COMICS e-comics distribution service for smartphone and mobile phone users
Surpassed 1 million paying subscribers

Creating new services using
IoT in nursing care

Fiscal 2018 Performance

The IT Business delivered steady growth in the e-comics distribution service and healthcare services

The electronic comic distribution service *MECCHA COMICS* performed well in the internet business field. In addition to strengthening collaboration with publishers such as exclusive advance distribution and sales of collaboration magazines, *MECCHA COMICS* posted record sales as a result of maximizing advertising effectiveness through data analysis. In the IT services field, sales of employment management systems for hospitals were steady in response to workstyle reforms.

Business Opportunities

With Infocom Corporation at the core, we are engaged in Business Solutions (B2B) and 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 the *MECCHA COMICS* e-comics distribution service 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.

Medium- and Long-Term Strategies

Contribute to the realization of an even better society through collaborative creation with related companies, governments and communities

In the IT Business, we have positioned the e-comics business and the healthcare-related business as priority businesses. In these areas, we will strive to strengthen our competitiveness and expand business by leveraging our proprietary technologies and expertise.

In the Business Solutions field, specifically the healthcare-related field, we are accelerating business development initiatives in the comprehensive community healthcare and nursing care areas through the creation of new IoT-driven services that will realize higher efficiency at medical and nursing care sites. These initiatives include promoting *Nursing care whole IT!*, a project designed to reduce the workload of staff at nursing care facilities using sensors and other devices, as well as expanding the provision of monitoring services using IoT and a nursing care recordkeeping system.

In the Digital Entertainment field, we aim to grow at a faster pace than the market growth rate as the industry's frontrunner in the e-comics distribution service through *MECCHA COMICS*. We will upgrade and expand collaboration projects with major publishers centered on exclusive pre-release e-comics distribution campaigns. In addition, we will bolster and enhance our ability to analyze big data using artificial intelligence (AI), thereby laying the groundwork for expanding personalized services fields and for monitoring strong-selling works. Moreover, we have commenced collaboration with peer companies in the same industry through initiatives such as the establishment of the Japan E-Bookstore Association, a measure to combat pirated content. We are also working to expand the size of our business through initiatives such as launching a publishing agency business for Asia and North America and exploring the feasibility of providing a proprietary content distribution service.

Business Topics

■ Start of Supply of Materials to Boeing Commercial Airplanes

In January 2019, Teijin's thermoplastic unidirectional pre-impregnated tape, *TENAX* TPUD (TPUD: ThermoPlastic Unidirectional) was qualified by Boeing (headquarters: Illinois, U.S.A.).

TENAX TPUD is a carbon fiber thermoplastic unidirectional pre-impregnated tape made with thermoplastic resin (carbon fiber sheet impregnated with resin). It achieves high heat, impact and fatigue resistances and helps to reduce production costs and improve component manufacturing efficiency considerably thanks to its significantly shortened molding process. Teijin expects the product to be fully adopted for the next generation of aircraft being planned by Boeing, and will begin supplying *TENAX* TPUD to Boeing's approved aircraft parts manufacturers going forward.

■ Global Development of Composites Business Acquisition of Inapal Plasticos SA and Installation of New Manufacturing Facility at CSP Europe

In January 2017, Teijin acquired Continental Structural Plastics Holdings Corporation (CSP), the largest automotive composites manufacturer in North America. As a Tier 1 supplier of composites, we decided to build a new GF-SMC* plant at CSP's local subsidiary in France, CSP Europe. In addition, we acquired Inapal Plasticos SA (headquarters: Porto, Portugal), a Portuguese automotive composites manufacturer with an extensive track record of supplying European automakers. Through these measures, we are further expanding our global composites business.

* GF-SMC: Glass Fiber-Sheet Molding Compound. A sheet material formed by impregnating glass fiber with a thermosetting resin.

■ Start of Construction of a New Carbon Fiber Plant in the US

We started construction on a new carbon fiber plant planned in the US in June 2018. The plant will be operated by Teijin Carbon Fibers, Inc. of Greenwood, South Carolina, and the governor of South Carolina was invited to the construction commencement ceremony.

To respond to demand for reducing environmental load following a global tightening of environmental regulations, we aim to promote development for aerospace and automotive applications and expand our carbon fiber business.

■ Start of Clinical Trials of JTR-161 Dental Pulp Stem Cells

We have jointly developing an allogenic regenerative medicine product JTR-161 composed of dental pulp stem cells (DPCs) with biopharmaceutical manufacturer JCR Pharmaceutical Co., Ltd. Phase I/II clinical trials on patients have now started for the indication of acute cerebral infarction (stroke) with the test product being administered to the first patient.

The trial is examining the safety and effectiveness of intravenously administered JTR-161 for patients who have suffered acute cerebral infarction. JTR-161 is expected to contribute to the quality of life of patients as a new treatment option for acute cerebral infarction. We will continue research and development of the product, aiming to launch it commercially as quickly as possible.

■ Launch of *Inulia* Fermentable Dietary Fiber as the Next Functional Food Material to Follow Super Barley

Teijin acquired an exclusive license from Netherlands-based food materials manufacturer Sensus B.V., the second largest player in the global market for the water soluble dietary fiber inulin, to sell inulin in Japan. Under this license, we have started selling our own branded product, *Inulia*.

Highly water soluble and easily used in beverages and foods, inulin is expected to provide an easy way to supplement a lack of dietary fiber as a food material. In particular, *Inulia* has a notably high intestinal fermentation potential, and its natural sweetness makes it suitable for a sugar or fat substitute, helping to reduce calories and enabling the design of beverages and foods that facilitate dietary fiber intake.

■ Patch for Cardiovascular Repair Received Designation as One of the Items Covered under the "SAKIGAKE Designation System*1" of the Japanese Ministry of Health, Labour and Welfare and Clinical Trials Begin

The cardiovascular patch OFT-G1 is currently being jointly developed by Osaka Medical College (Takatsuki City, Osaka Prefecture), Fukui Tateami Co., Ltd. (headquarters: Fukui City, Fukui Prefecture) and Teijin. The patch has been designated as an item under the "SAKIGAKE Designation System" by the Japanese Ministry of Health, Labour and Welfare.

OFT-G1 is a medical material that combines the surgical expertise in cardiovascular surgery of Osaka Medical College with the advanced polymer technology of Teijin and the world-class warp-knitting technology of Fukui Tateami. It has been developed with support from a program to facilitate collaboration between medical academia and industrial field promoted by AMED*2. OFT-G1 is ideal for children who need the implanted material to expand in size along with their body growth, and clinical trials for pediatric patients with congenital conditions started in June 2019. We will accelerate development aiming to gain regulatory approval as soon as possible.

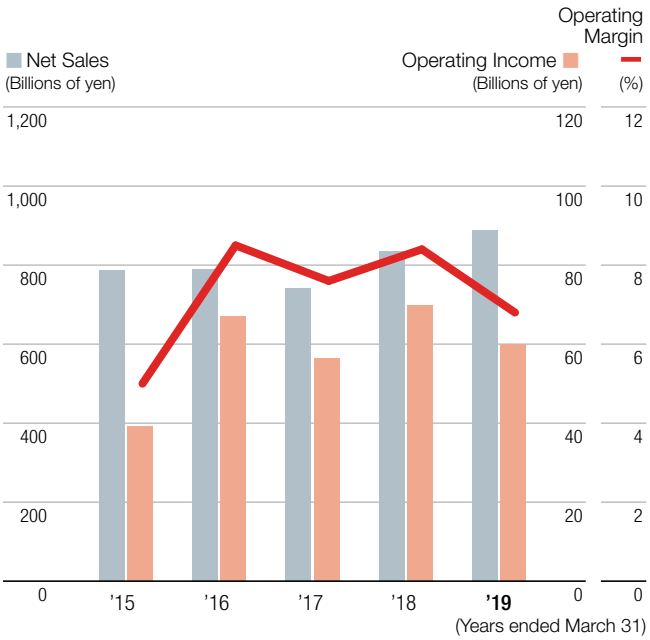
*1 The priority review designation system
*2 AMED: Japan Agency for Medical Research and Development

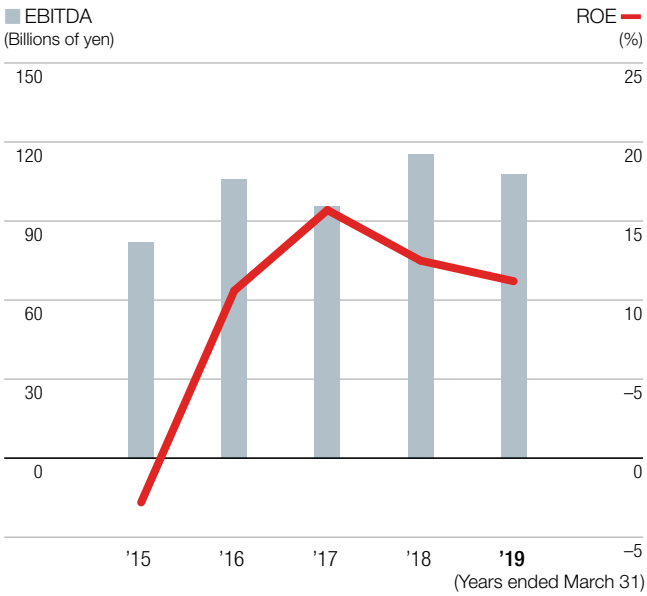
Financial Highlights and Consolidated 11-Year Summary

Years ended/as of March 31		2009	2010	2011	2012
Operating Results	Net sales	¥ 943,410	¥765,840	¥815,656	¥854,371
	Operating income	17,966	13,436	48,560	34,044
	Profit (loss) attributable to owners of parent	(42,963)	(35,684)	25,182	11,979
Financial Position	Total assets	¥ 874,157	¥823,071	¥761,535	¥762,118
	Interest-bearing debt	361,342	320,285	267,400	261,034
	Shareholders' equity	305,577	271,306	284,236	292,030
Cash Flows	Cash flows from operating activities	¥ 40,392	¥ 80,433	¥ 77,132	¥ 53,669
	Cash flows from investing activities	(116,304)	(33,437)	(27,745)	(35,165)
	Free cash flow	(75,912)	46,996	49,387	18,504
	Cash flows from financing activities	79,178	(42,949)	(42,063)	(14,123)
Major Indicators	ROE (%)	(12.3)	(12.4)	9.1	4.2
	ROIC (based on operating income) (%)	2.6	2.1	8.5	6.3
	EBITDA	85,330	75,315	104,971	86,348
Per Share Data	Profit (loss) attributable to owners of parent	¥ (218.3)	¥ (181.3)	¥ 128.0	¥ 60.9
	Shareholders' equity	1,552.5	1,381.2	1,444.0	1,483.5
	Cash dividends	25.0	10.0	25.0	30.0
Other Data	Capital expenditure	¥ 75,806	¥ 36,314	¥ 29,249	¥ 32,294
	Depreciation and amortization	67,364	61,879	56,410	52,304
	R&D expenses	37,630	33,356	31,483	31,845
	Number of employees	19,453	18,778	17,542	16,819

Notes: 1. The U.S. dollar amounts represent translations of Japanese yen, for convenience only, at the rate of ¥110.99 to U.S.$1.00, the prevailing exchange rate at March 31, 2019.

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.

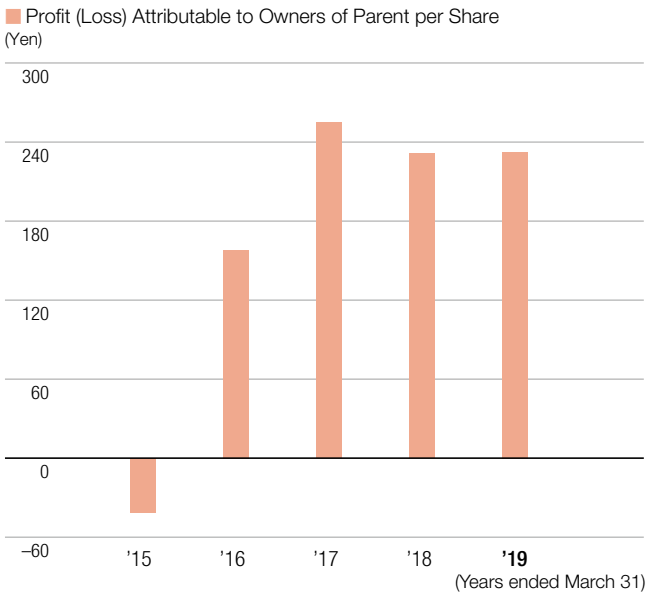


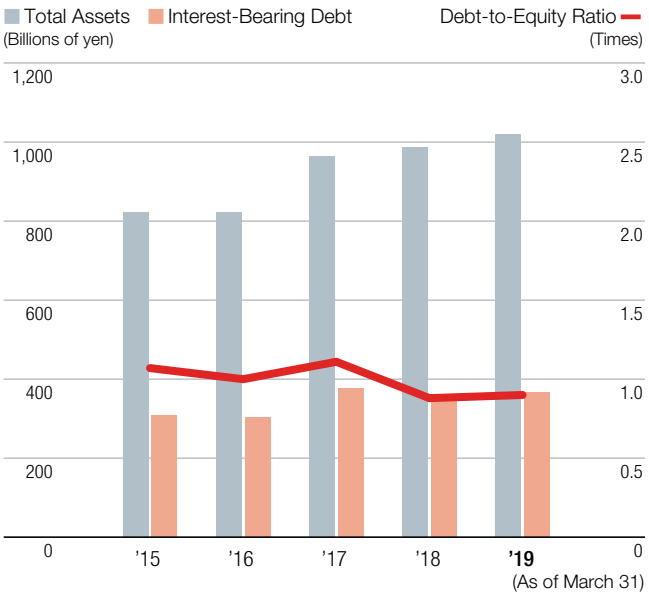


2013	2014	2015	2016	2017	2018	Millions of yen 2019	Percentage change 2019/2018	Thousands of U.S. dollars 2019
¥745,713	¥784,425	¥786,171	¥790,748	¥ 741,292	¥834,986	¥ 888,589	6.4%	$8,006,028
12,358	18,078	39,086	67,130	56,512	69,823	60,000	–14.1%	540,589
(29,131)	8,356	(8,086)	31,090	50,133	45,556	45,057	–1.1%	405,955
¥762,399	¥768,411	¥823,695	¥823,429	¥ 964,053	¥981,967	¥1,020,654	3.9%	$9,195,910
270,765	281,524	308,246	303,298	376,218	344,242	369,195	7.2%	3,326,381
271,252	281,680	287,074	300,113	338,384	392,925	410,727	4.5%	3,700,577
¥ 64,305	¥ 38,587	¥ 76,030	¥ 80,641	¥ 79,040	¥ 80,092	¥ 80,899		$ 728,885
(37,868)	(47,279)	(49,624)	(40,323)	(127,650)	(51,307)	(41,288)		(371,997)
26,437	(8,692)	26,406	40,318	(48,610)	28,784	39,611		356,888
(12,606)	(7,902)	10,394	(8,317)	63,765	(31,485)	(15,353)		(138,328)
(10.3)	3.0	(2.8)	10.6	15.7	12.5	11.2		
2.3	3.4	7.1	12.7	10.0	11.2	9.3		
59,234	63,742	82,116	106,024	95,843	115,478	107,551		969,015
						Yen		U.S. dollars
¥ (148.1)	¥ 42.5	¥ (41.1)	¥ 158.2	¥ 254.9	¥ 231.3	¥ 232.4		$ 2.09
1,380.0	1,433.1	1,460.4	1,526.2	1,720.1	1,986.3	2,141.3		19.29
20.0	20.0	20.0	35.0	55.0	60.0	70.0		0.63
						Millions of yen		Thousands of U.S. dollars
¥ 36,261	¥ 30,182	¥ 28,098	¥ 38,341	¥ 46,224	¥ 44,610	¥ 62,828		$ 566,069
46,877	45,664	43,030	38,894	39,331	45,655	47,551		428,426
33,184	32,234	32,366	33,285	35,417	35,926	36,423		328,165
16,637	15,756	15,780	15,756	19,292	19,711	20,671		

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





Management's Discussion and Analysis

Operating Environment

Concerning global economic conditions in fiscal 2018 (April 1, 2018 – March 31, 2019), against a backdrop of uncertainty over trade friction between the US and China, although moderate growth continued in the US, conditions in Europe and China began to show signs of a slowdown. While modest recovery continued in Japan, against a backdrop of strong corporate earnings and improvements in employment, attention will need to be paid to developments in the global economy.

Outline of Consolidated Operating Results

Key Indicators

(FY)

	2014	2015	2016	2017	2018
ROE*1	–2.8%	10.6%	15.7%	12.5%	11.2%
ROIC (based on operating income)*2	7.1%	12.7%	10.0%	11.2%	9.3%
EBITDA (billions of yen)*3	82.1	106.0	95.8	115.5	107.6

*1 Return on Equity (ROE) is calculated as net income divided by shareholders' equity.
2 Return on Invested Capital (ROIC) based on operating income is calculated as operating income divided by invested capital.
* Invested capital is calculated as net assets plus interest-bearing debt, minus cash and deposits.
*3 Earnings Before Interest, Tax, Depreciation and Amortization (EBITDA) is calculated as operating income plus depreciation and amortization (including goodwill).

In fiscal 2018, we achieved an ROE of 10% or more and an ROIC based on operating income of over 8%, both of which are targets set forth in the medium-term management plan. EBITDA steadily increased to ¥107.6 billion toward our target of over ¥120.0 billion, for fiscal 2019, the final year of the medium-term management plan.

Net Sales

In fiscal 2018, net sales totaled ¥888.6 billion, an increase of 6.4% year on year, due to strong sales in the materials and healthcare fields.

Costs and Expenses

In fiscal 2018, cost of sales increased 9.7%, or ¥55.0 billion year on year, to ¥620.7 billion. This increase was mainly due to an increase in costs of raw materials and fuel. As a percentage of net sales, cost of sales increased 2.1 percentage points to 69.9%.

Selling, general and administrative (SG&A) expenses including R&D expenses increased 4.2%, or ¥8.4 billion, to ¥207.9 billion. SG&A expenses represented 23.4% of net sales, a decrease of 0.5 points.

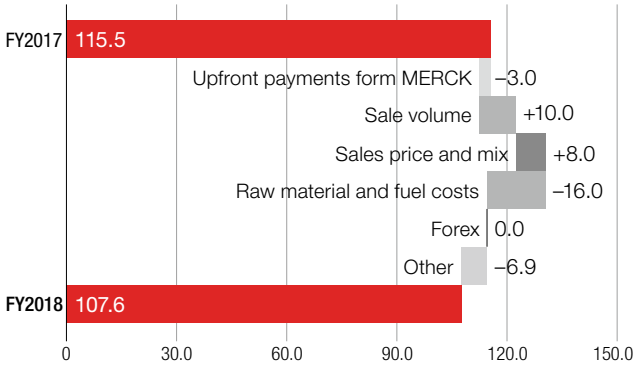
R&D expenses recorded under SG&A expenses increased 1.4%, or ¥0.5 billion, to ¥36.4 billion, due to ongoing proactive investment in R&D.

Operating Income/EBITDA

In fiscal 2018, operating income decreased 14.1% year on year to ¥60.0 billion. This decrease is due to the fact that, although sales were strong in both the healthcare and materials fields, in the materials fields raw material and fuel costs increased and project startup costs increased due to new orders at CSP, and in the healthcare field payments (¥3.0 billion) for licensing of a candidate for treatment of Alzheimer's disease, recorded in the previous year, were no longer a factor. The operating margin on sales decreased 1.6 points to 6.8%.

EBITDA decreased ¥7.9 billion to ¥107.6 billion, due to the decrease in operating income.

Analysis of EBITDA
(Billions of yen)



Other Income/Expenses

Other income/expenses (net) amounted to a ¥0.4 billion profit, an improvement of ¥2.3 billion from a loss of ¥1.9 billion the previous fiscal year. While foreign exchange gains and losses including gain on valuation of derivatives improved, totals of items such as gain on sales of investment securities and settlement received exceeded loss on sales and retirement of non-current assets and impairment loss.

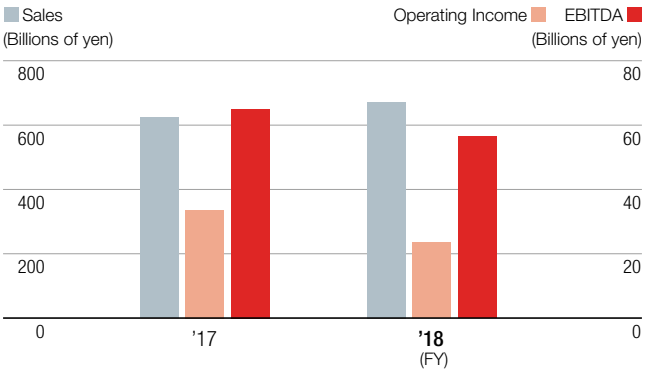
Profit Attributable to Owners of Parent

After deducting income taxes and profit attributable to non-controlling interests, we recorded profit attributable to owners of parent of ¥45.1 billion, nearly in line with the profit of ¥45.6 billion recorded in the previous fiscal year.

Business Segment Results

Materials Business Field

Sales ¥671.6 billion (up 7.5% year on year)
Operating income ¥23.5 billion (down 30.1% year on year)
EBITDA ¥56.4 billion (down 13.2% year on year)



[Materials Business Group]

■ Sales of aramid fibers were strong, increased raw material and fuel costs for resin and carbon fibers drove down profits

In aramid fibers, sales of *Twaron* para-aramid fibers for automotive and optical fiber applications, such as tire reinforcements, were strong. Sales of *Teijinconex* meta-aramid fibers for automotive-related applications such as turbocharger hoses and for protective clothing and industrial applications were also strong.

In carbon fibers, sales of *TENAX* carbon fibers for use in aircraft were satisfactory, and sales for pressure vessel applications grew. However, there was some stagnation due to market conditions for compound applications, and profits were inhibited by increased raw material and fuel costs.

In resin and plastics processing, the shift toward sale of high-value-added products for our mainstay polycarbonate resin continued. However, demand for polycarbonate resin slowed dramatically from the second quarter and market prices fell, which drove down profits.

In films, sales of *Purex*, which is used as a release film for manufacturing processes for items such as smartphone and automotive electronic component materials and MLCCs (multilayer ceramic capacitors), continued to grow. Sales also remained strong for PEN film, which is used for items such as automobiles and electronic components.

[Polyester Fibers & Trading and Retail Business Group]

■ Sales of functional fabrics were strong, but increased raw material costs drove down profits

In fiber materials and apparel, sales of fabrics for sports and outdoor use were strong, and we were able to grow the trading and retail businesses by leveraging strategic materials such as *SOLOTEX*. Unfortunately, unseasonable weather presented a challenge for heavy winter clothing, and increased raw material and distribution costs drove down profits.

In industrial textiles and materials, production of polyester raw yarn and raw cotton, which was transferred to Thailand due to restructuring, was brought up to speed, and sale of short fiber raw cotton was strong. However, due to decelerated growth in China, sales of automotive materials, such as cloth for airbags, were sluggish.

[Composites and Others]

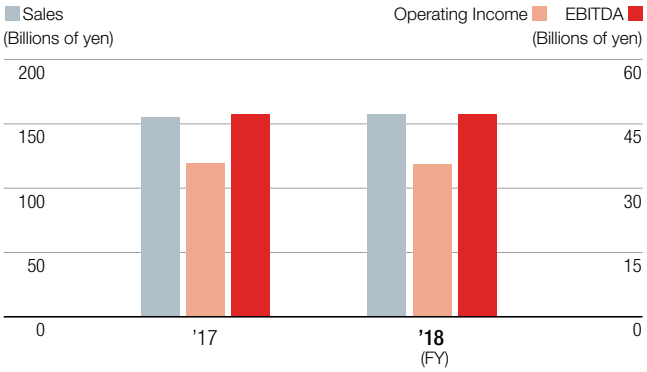
■ Sales of automotive components in North America were strong, but temporary costs increased

In composites, sales of mass-produced automotive components for pickup trucks and SUVS in North America (which have performed strongly), led by CSP, and for large trucks for which the market showed signs of recovery were strong. However, raw material costs and temporary project startup costs due to new orders increased, which drove down profits.

In battery materials, sales growth for *LIELSORT* lithium-ion battery (LIB) separators for consumer applications were disappointing, due to sluggish smartphone demand.

Healthcare Business Field

Sales ¥157.5 billion (up 1.4% year on year)
Operating income ¥35.5 billion (down 1.4% year on year)
EBITDA ¥47.3 billion (up 0.1% year on year)



■ Despite the effect of licensing payments in pharmaceuticals received in previous year, year on year sales were strong

In pharmaceuticals, in the Japanese market, despite the effects of drug price revisions, sales growth was strong for hyperuricemia and gout treatment *FEBURIC* (febuxostat), transdermal anti-inflammatory analgesic patch formulation *LOQOA* Tape, and acromegaly, pituitary gigantism and neuroendocrine tumor treatment *Somatuline**.

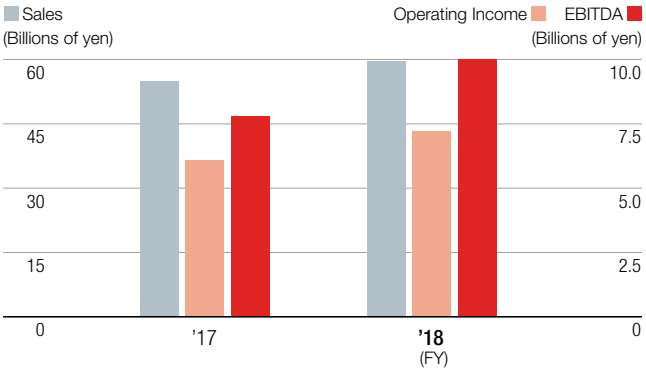
**Somatuline*® is a registered trademark of Ipsen Pharma, France.

In home healthcare, we maintained a high level of rental volume for therapeutic oxygen concentrators for home oxygen therapy (HOT). This was done by enhancing the lineup and expanding the use of portable oxygen concentrators (*Hi-Sanso Portable α (alpha), Hi-Sanso Portable α II*). Rental volume for continuous positive airway pressure (CPAP) ventilators for the treatment of sleep apnea syndrome also continued to increase favorably, due to marketing of *NemLink*, a monitoring system for CPAP ventilators that uses mobile phone networks, and due to use of the *SAS-2100* sleeping pattern analysis devices.

In the area of new healthcare initiatives, particularly in the field of medical implants, performance was strong for Teijin Nakashima Medical Co., Ltd., which focuses on artificial joint and spinal products.

Others

Sales ¥59.5 billion (up 8.6% year on year)
Operating income ¥7.2 billion (up16.7% year on year)
EBITDA ¥10.0 billion (up 28.4% year on year)



■ The IT business expanded steadily, supported by e-comics and hospital employment management systems

In the IT business, sales were strong in the digital entertainment field for our *MECCHA COMICS* e-comics distribution service. Thanks to stronger cooperation with publishers (for instance through exclusive titles or collaborative magazines) and maximization of data-driven advertising, *MECCHA COMICS* sales reached a record high. In the IT service fields, due to efforts to comply with workstyle reforms, sales of hospital employment management systems were strong.

Financial Position

Assets, Liabilities and Net Assets

Total assets amounted to ¥1,020.7 billion, up ¥38.7 billion from the end of fiscal 2017. This was due to reasons such as an increase in working capital.

Total liabilities amounted to ¥593.4 billion, up ¥19.7 billion from the end of fiscal 2017. This was due to causes such as an increase in short-term loan payable.

Total net assets amounted to ¥427.2 billion, up ¥19.0 billion from the end of fiscal 2017. This was due to causes such as an increase by booking profit attributable to owners of parent.

Rating
(As of March 31, 2019)

	Rating	Outlook
Rating and Investment Information, Inc.	A–	Stable

Overview of Capital Expenditures

The Teijin Group implements capital expenditures primarily to increase production capacity in growing fields, as well as to maintain quality and rationalize operations. In fiscal 2018, capital expenditures amounted to ¥62.8 billion (including investments in long-term prepaid expenses and intangible fixed assets).

Cash Flows

Net cash and cash equivalents provided by operating activities in fiscal 2018 amounted to ¥80.9 billion. This result reflected income before income taxes, along with the impact of non-cash items such as depreciation and amortization.

Net cash and cash equivalents used in investing activities amounted to ¥41.3 billion, due to a mixture of capital expenditures, including outlays for growth and transformation strategies, and divestiture of unnecessary stocks.

Net cash and cash equivalents used in financing activities amounted to ¥15.4 billion, due to factors such as repayment of long-term loans payable and cash dividends paid.

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 ¥24.3 billion.

Dividends

Our year-end dividend for fiscal 2018, including a ¥10 commemorative dividend to celebrate the 100th anniversary of our founding, was ¥40 per share. This brought dividends for the full term, including the ¥30 per share interim dividend, to ¥70 per share.

Outlook for Fiscal 2019

Forecast for Consolidated Operating Results

In order to realize our long-term vision for becoming a company that supports the society of the future, as laid out in the new "ALWAYS EVOLVING" Medium-Term Management Plan for 2017–2019 announced in February 2017, the Teijin Group has clarified the actions we must take in the fiscal 2017–2019 period.

In fiscal 2019, the plan's third year, we will continue to steadily push ahead with strategic actions based on the medium-term management plan in order to achieve business portfolio transformation. These actions will pave the way for further growth and transformation.

Specifically, in materials, we will expand composites and components businesses and strengthen our revenue base. In healthcare, we will optimize resources and strengthen our revenue base in pharmaceuticals and home healthcare, as well as create and expand new healthcare initiatives.

Looking at our consolidated full-term operating results forecasts for fiscal 2019, we are forecasting net sales of ¥900.0 billion, up 1.3% from fiscal 2018. We also forecast operating income of ¥60.0 billion, in line with fiscal 2018, and ordinary income of ¥60.0 billion, down 0.4%. Profit attributable to owners of parent is forecast at ¥41.0 billion, down 9.0% from fiscal 2018. These forecasts assume exchange rates of ¥108 to US$1.00 and ¥123 to €1.00, and an average Dubai crude oil price of US$65 per barrel.

Regarding management indices, 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. Based on these initiatives, we are forecasting ROE of 10%, ROIC based on operating income of 9% and EBITDA of ¥115.0 billion.

Forecasted Dividends

Assuming consolidated results as forecast, for fiscal 2019 we expect to provide interim dividends of ¥30 per share and year-end dividends of ¥30 per share, for total yearly dividends of ¥60 per share.

* Forecasts for fiscal 2019 are as of August 2, 2019.

Consolidated Balance Sheets

As of March 31	Millions of yen 2018	Millions of yen 2019	Thousands of U.S. dollars (Note 1) 2019
ASSETS			
Current assets:			
Cash and time deposits (Notes 3 and 4)	¥ 96,418	¥ 100,592	$ 906,316
Receivables:			
Notes and accounts receivable—trade (Note 4):			
Unconsolidated subsidiaries and affiliates	546	403	3,631
Other	177,231	193,839	1,746,455
Short-term loans receivable (Note 4):			
Unconsolidated subsidiaries and affiliates	12,783	13,898	125,218
Other	343	310	2,793
Other	17,211	13,373	120,488
Securities (Notes 4 and 5)	14,000	33,000	297,324
Inventories (Note 7)	136,264	145,880	1,314,353
Other current assets	23,640	23,141	208,497
Allowance for doubtful accounts	(578)	(582)	(5,244)
Total current assets	477,858	523,854	4,719,831
Property, plant and equipment (Note 11):			
Land	42,092	43,334	390,432
Buildings and structures	185,164	187,805	1,692,089
Machinery, equipment and vehicles	581,451	572,988	5,162,519
Tools	96,954	103,086	928,786
Construction in progress	20,608	30,827	277,746
Other	2,365	2,471	22,263
Subtotal	928,634	940,511	8,473,835
Accumulated depreciation	(688,345)	(672,624)	(6,060,222)
Total property, plant and equipment	240,289	267,887	2,413,613
Intangible assets:			
Goodwill	27,192	32,845	295,928
Other	33,149	36,665	330,345
Total intangible assets	60,341	69,510	626,273
Investments and other assets:			
Investment securities (Notes 4 and 5):			
Unconsolidated subsidiaries and affiliates	28,369	26,771	241,202
Other	99,352	69,408	625,354
Long-term loans receivable (Note 4):			
Unconsolidated subsidiaries and affiliates	1,601	413	3,721
Other	1,385	859	7,739
Net defined benefit assets (Note 9)	39,576	31,382	282,746
Deferred tax assets (Note 13)	10,676	7,521	67,763
Other	24,622	24,719	222,714
Allowance for doubtful accounts	(2,102)	(1,670)	(15,046)
Total investments and other assets	203,479	159,403	1,436,193
Total assets	¥ 981,967	¥1,020,654	$ 9,195,910

See accompanying Notes to Consolidated Financial Statements.

As of March 31	Millions of yen 2018	Millions of yen 2019	Thousands of U.S. dollars (Note 1) 2019
LIABILITIES AND NET ASSETS			
Current liabilities:			
Short-term loans payable (Notes 4 and 8)	¥ 66,291	¥ 104,265	$ 939,409
Current portion of long-term debt (Notes 4 and 8)	34,161	22,662	204,181
Payables (Note 4):			
Notes and accounts payable—trade:			
Unconsolidated subsidiaries and affiliates	1,123	877	7,902
Other	91,260	92,622	834,508
Other	30,579	35,817	322,705
Income taxes payable	5,111	6,879	61,979
Provision for business structure improvement	9,572	81	730
Accrued expenses	24,617	23,542	212,109
Other current liabilities	13,472	13,460	121,270
Total current liabilities	276,186	300,205	2,704,793
Long-term liabilities:			
Long-term debt (Notes 4 and 8)	242,216	240,622	2,167,961
Net defined benefit liabilities (Note 9)	35,650	37,553	338,346
Asset retirement obligations (Note 18)	1,426	2,645	23,831
Deferred tax liabilities (Note 13)	5,058	3,539	31,886
Other long-term liabilities	13,194	8,878	79,989
Total long-term liabilities	297,544	293,237	2,642,013
Contingent liabilities (Note 17)			
Net assets (Note 10)			
Shareholders' equity:			
Common stock			
Authorized— 600,000,000 shares in 2018 600,000,000 shares in 2019			
Issued— 197,953,707 shares in 2018 197,953,707 shares in 2019	71,833	71,833	647,202
Capital surplus	104,685	104,256	939,328
Retained earnings	202,414	235,324	2,120,227
Treasury stock, at cost: 133,480 shares in 2018 6,141,576 shares in 2019	(167)	(13,413)	(120,848)
Total shareholders' equity	378,765	398,000	3,585,909
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities	28,377	26,720	240,743
Deferred gains (losses) on hedges	903	(52)	(469)
Foreign currency translation adjustments	(14,815)	(11,402)	(102,730)
Remeasurements of defined benefit plans	(305)	(2,538)	(22,867)
Total accumulated other comprehensive income	14,160	12,728	114,677
Subscription rights to shares	860	889	8,010
Non-controlling interests	14,453	15,595	140,508
Total net assets	408,238	427,212	3,849,104
Total liabilities and net assets	¥981,967	¥1,020,654	$9,195,910

Consolidated Statements of Income

Years ended March 31	Millions of yen 2018	Millions of yen 2019	Thousands of U.S. dollars (Note 1) 2019
Net sales	¥834,986	¥888,589	$8,006,028
Costs and expenses:			
Cost of sales	565,689	620,715	5,592,531
Selling, general and administrative expenses	163,548	171,451	1,544,743
Research and development expenses	35,926	36,423	328,165
Operating income	69,823	60,000	540,589
Other income (expenses):			
Interest and dividend income	3,002	3,293	29,669
Interest expenses	(2,646)	(3,499)	(31,525)
Gain on sales of investment securities (Note 5)	585	4,849	43,689
Gain on sales of non-current assets	5,595	300	2,703
Foreign exchange gains (losses)	601	(846)	(7,622)
Contribution	(588)	(494)	(4,451)
Gain (loss) on valuation of derivatives	(3,109)	2,424	21,840
Settlement received	—	4,500	40,544
Loss on sales and retirement of non-current assets	(4,147)	(2,325)	(20,948)
Loss on valuation of investment securities (Note 5)	(89)	(246)	(2,216)
Impairment loss (Note 11)	(1,076)	(5,990)	(53,969)
Equity in earnings (losses) of unconsolidated subsidiaries and affiliates	1,215	434	3,910
Business structure improvement expenses	(828)	(29)	(261)
Reversal of provision for business structure improvement	377	34	306
Other, net	(821)	(2,045)	(18,425)
Total other income (expenses)	(1,929)	360	3,244
Income before income taxes	67,894	60,360	543,833
Income taxes (Note 13):			
Current	11,269	13,834	124,642
Deferred	9,524	(271)	(2,442)
Total income taxes	20,793	13,563	122,200
Net income	47,101	46,797	421,633
Profit attributable to non-controlling interests	1,545	1,740	15,678
Profit attributable to owners of parent	¥ 45,556	¥ 45,057	$ 405,955

	Yen 2018	Yen 2019	U.S. dollars (Note 1) 2019
Profit attributable to owners of parent per share (Note 2)	¥231.26	¥232.39	$2.09
Profit attributable to owners of parent per share—diluted	209.61	214.35	1.93
Cash dividends applicable to the year	60.00	70.00	0.63

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Comprehensive Income

Years ended March 31	Millions of yen 2018	Millions of yen 2019	Thousands of U.S. dollars (Note 1) 2019
Net income	¥47,101	¥46,797	$421,633
Other comprehensive income (Note 12):			
Valuation difference on available-for-sale securities	6,854	(1,412)	(12,722)
Deferred gains (losses) on hedges	1,180	(956)	(8,613)
Foreign currency translation adjustments	8,679	4,382	39,481
Remeasurements of defined benefit plans, net of tax	862	(2,275)	(20,497)
Share of other comprehensive income of associates accounted for using the equity method	1,468	(913)	(8,227)
Total	19,043	(1,174)	(10,578)
Comprehensive income	¥66,144	¥45,623	$411,055
Breakdown of comprehensive income:			
Comprehensive income attributable to owners of parent	¥64,199	¥43,624	$393,044
Comprehensive income attributable to non-controlling interests	1,945	1,999	18,011

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Changes in Net Assets

		Millions of yen				
		Shareholders' equity				
	Number of shares of common stock	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance at March 31, 2017	196,951,733	¥70,817	¥103,664	¥168,661	¥ (275)	¥342,867
Changes of items during the period:						
Conversion of convertible bond-type bonds with subscription rights to shares		1,016	1,016			2,032
Dividends from surplus				(11,804)		(11,804)
Net income				45,556		45,556
Purchase of treasury stock					(22)	(22)
Disposal of treasury stock			5		130	135
Net changes of items other than shareholders' equity						
Total		1,016	1,021	33,753	108	35,898
Balance at March 31, 2018	197,953,707	¥71,833	¥104,685	¥202,414	¥ (167)	¥378,765
Changes of items during the period:						
Dividends from surplus				(11,688)		(11,688)
Net income				45,057		45,057
Purchase of treasury stock					(20,039)	(20,039)
Disposal of treasury stock			(624)		6,793	6,169
Transfer of loss on disposal of treasury stock			459	(459)		—
Change in ownership interest of parent due to transactions with non-controlling interests			(264)			(264)
Net changes of items other than shareholders' equity						
Total		—	(429)	32,910	(13,246)	19,235
Balance at March 31, 2019	197,953,707	¥71,833	¥104,256	¥235,324	¥(13,413)	¥398,000

	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, 2018	$647,202	$943,193	$1,823,715	$ (1,505)	$3,412,605
Changes of items during the period:					
Dividends from surplus			(105,307)		(105,307)
Net income			405,955		405,955
Purchase of treasury stock				(180,548)	(180,548)
Disposal of treasury stock		(5,622)		61,205	55,583
Transfer of loss on disposal of treasury stock		4,136	(4,136)		—
Change in ownership interest of parent due to transactions with non-controlling interests		(2,379)			(2,379)
Net changes of items other than shareholders' equity					
Total	—	(3,865)	296,512	(119,343)	173,304
Balance at March 31, 2019	$647,202	$939,328	$2,120,227	$(120,848)	$3,585,909

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, 2017	¥21,842	¥ (276)	¥(24,889)	¥(1,160)	¥ (4,483)	¥862	¥12,584	¥351,830
Changes of items during the period:								
Conversion of convertible bond-type bonds with subscription rights to shares								2,032
Dividends from surplus								(11,804)
Net income								45,556
Purchase of treasury stock								(22)
Disposal of treasury stock								135
Net changes of items other than shareholders' equity	6,535	1,179	10,074	855	18,643	(2)	1,869	20,510
Total	6,535	1,179	10,074	855	18,643	(2)	1,869	56,408
Balance at March 31, 2018	¥28,377	¥ 903	¥(14,815)	¥ (305)	¥14,160	¥860	¥14,453	¥408,238
Changes of items during the period:								
Dividends from surplus								(11,688)
Net income								45,057
Purchase of treasury stock								(20,039)
Disposal of treasury stock								6,169
Transfer of loss on disposal of treasury stock								—
Change in ownership interest of parent due to transactions with non-controlling interests								(264)
Net changes of items other than shareholders' equity	(1,657)	(955)	3,413	(2,233)	(1,432)	29	1,142	(261)
Total	(1,657)	(955)	3,413	(2,233)	(1,432)	29	1,142	18,974
Balance at March 31, 2019	¥26,720	¥ (52)	¥(11,402)	¥(2,538)	¥12,728	¥889	¥15,595	¥427,212

	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, 2018	$255,672	$ 8,136	$(133,480)	$ (2,748)	$127,580	$7,748	$130,219	$3,678,152
Changes of items during the period:								
Dividends from surplus								(105,307)
Net income								405,955
Purchase of treasury stock								(180,548)
Disposal of treasury stock								55,583
Transfer of loss on disposal of treasury stock								—
Change in ownership interest of parent due to transactions with non-controlling interests								(2,379)
Net changes of items other than shareholders' equity	(14,929)	(8,605)	30,750	(20,119)	(12,903)	262	10,289	(2,352)
Total	(14,929)	(8,605)	30,750	(20,119)	(12,903)	262	10,289	170,952
Balance at March 31, 2019	$240,743	$ (469)	$(102,730)	$(22,867)	$114,677	$8,010	$140,508	$3,849,104

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

Years ended March 31	Millions of yen 2018	Millions of yen 2019	Thousands of U.S. dollars (Note 1) 2019
Cash flows from operating activities:			
Income before income taxes	¥ 67,894	¥ 60,360	$ 543,833
Depreciation and amortization	45,655	47,551	428,426
Impairment loss	1,076	5,990	53,969
Increase (decrease) in net defined benefit liability	2,179	1,911	17,218
Decrease (increase) in net defined benefit asset	(2,782)	4,985	44,914
Increase in investment securities due to retirement benefit trust return	—	(6,099)	(54,951)
Increase (decrease) in allowance for doubtful accounts	(101)	(27)	(243)
Increase (decrease) in provision for business structure improvement	(16,485)	(1,202)	(10,830)
Interest and dividend income	(3,002)	(3,293)	(29,669)
Interest expenses	2,646	3,499	31,525
Equity in losses (earnings) of affiliates	(1,215)	(434)	(3,910)
Loss (gain) on sales and retirement of non-current assets	(1,448)	2,025	18,245
Loss (gain) on sales of investment securities	(585)	(4,845)	(43,653)
Loss (gain) on valuation of derivatives	3,109	(2,424)	(21,840)
Loss (gain) on valuation of investment securities	89	246	2,216
Settlement received	—	(4,500)	(40,544)
Decrease (increase) in notes and accounts receivable—trade	(10,813)	(13,751)	(123,894)
Decrease (increase) in inventories	(11,295)	(8,187)	(73,763)
Increase (decrease) in notes and accounts payable—trade	12,307	(1,343)	(12,100)
Other, net	5,030	723	6,513
Subtotal	92,259	81,185	731,462
Interest and dividend income received	5,968	7,751	69,835
Interest expenses paid	(2,564)	(3,493)	(31,471)
Settlement package received	—	4,500	40,544
Income taxes paid	(15,571)	(9,044)	(81,485)
Net cash and cash equivalents provided by operating activities	80,092	80,899	728,885
Cash flows from investing activities:			
Purchase of property, plant and equipment	(42,605)	(55,599)	(500,937)
Proceeds from sales of property, plant and equipment	10,143	310	2,793
Purchase of intangible assets	(3,431)	(3,328)	(29,985)
Purchase of investment securities	(5,161)	(3,620)	(32,616)
Proceeds from sales of investment securities	690	40,357	363,609
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(1,942)	(16,411)	(147,860)
Proceeds (payments) for sales of shares of subsidiaries resulting in change in scope of consolidation (Note 3)	(3,685)	1,056	9,514
Decrease (increase) in short-term loans receivable	(529)	(489)	(4,406)
Payments of long-term loans receivable	(868)	(532)	(4,793)
Collection of long-term loans receivable	300	93	838
Other, net	(4,219)	(3,125)	(28,154)
Net cash and cash equivalents used in investing activities	(51,307)	(41,288)	(371,997)
Cash flows from financing activities:			
Net increase (decrease) in short-term loans payable	10,619	31,433	283,206
Proceeds from long-term loans payable	16,051	25,918	233,517
Repayment of long-term loans payable	(45,831)	(27,858)	(250,996)
Purchase of treasury shares	(21)	(20,039)	(180,548)
Cash dividends paid	(11,804)	(11,688)	(105,307)
Cash dividends paid to non-controlling shareholders	(287)	(436)	(3,928)
Redemption of bonds	—	(11,910)	(107,307)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	—	(478)	(4,307)
Other, net	(212)	(295)	(2,658)
Net cash and cash equivalents used in financing activities	(31,485)	(15,353)	(138,328)
Effect of exchange rate changes on cash and cash equivalents	1,308	(184)	(1,658)
Net increase (decrease) in cash and cash equivalents	(1,392)	24,074	216,902
Cash and cash equivalents at beginning of year	117,550	116,158	1,046,563
Increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation	—	202	1,820
Cash and cash equivalents at end of year (Note 3)	¥116,158	¥140,434	$1,265,285

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 Act (the "Act") 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")). 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, 2018 and 2019.

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, 2019, which was ¥110.99 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 97 significant subsidiaries for the year ended March 31, 2019 (88 in 2018). Investments made in 75 (75 in 2018) 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, 14 subsidiaries in 2019 (12 in 2018) did not change their fiscal year-end of December 31. These 14 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 unconsolidated subsidiaries and affiliates, 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.

Equity securities issued by unconsolidated subsidiaries and affiliates, 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 equity securities issued by unconsolidated subsidiaries and affiliates and available-for-sale securities declines significantly, such securities are stated at fair market value and the difference between fair market value and the book value is recognized

as a loss in the period of the decline. If the fair market value of equity securities issued by unconsolidated subsidiaries and affiliates 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 used as the book value 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, customer-related assets, technology-related assets 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, 2018 and 2019 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.

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 book values 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 shares 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.

Profit attributable to owners of parent per share for the years ended March 31, 2018 and 2019 is calculated based on the following factors:

Year ended March 31, 2018

(1) Profit per share	
(a) Profit attributable to owners of parent:	¥45,556 million
(b) Amount not attributable to common shareholders:	¥ — million
(c) Profit attributable to owners of parent related to common stock:	¥45,556 million
(d) Average number of shares outstanding during the period:	196,991 thousand shares
(2) Diluted profit per share	
(e) Profit adjustment attributable to owners of parent:	¥ (30) million
(f) Increase in number of common shares:	20,210 thousand shares
(g) Summary of outstanding potential shares excluded from the computation of diluted profit per share, since such potential shares do not have a dilutive effect:	—

Year ended March 31, 2019

(1) Profit per share	
(a) Profit attributable to owners of parent:	¥45,057 million ($405,955 thousand)
(b) Amount not attributable to common shareholders:	¥ — million ($ — thousand)
(c) Profit attributable to owners of parent related to common stock:	¥45,057 million ($405,955 thousand)
(d) Average number of shares outstanding during the period:	193,885 thousand shares
(2) Diluted profit per share	
(e) Profit adjustment attributable to owners of parent:	¥ (22) million ($ (198) thousand)
(f) Increase in number of common shares:	16,214 thousand shares
(g) Summary of outstanding potential shares excluded from the computation of diluted profit per share, since such potential shares do not have a dilutive effect:	—

(Standards and guidance not yet adopted)

The following standard and guidance were issued but not yet adopted.
"Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 30, 2018)
"Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30, March 30, 2018)

1. Overview

The above standard and guidance provide comprehensive principles for revenue recognition. Under the standard and guidance, revenue is recognized by applying the following 5 steps:

Step 1: Identify contract(s) with customers.
Step 2: Identify the performance obligations in the contract.
Step 3: Determine the transaction price.
Step 4: Allocate the transaction price to the performance obligation in the contract.
Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.

2. Effective date

Effective from the beginning of the fiscal year ending March 31, 2022.

3. Effects of the application of the standards

The Company and its consolidated domestic subsidiaries are currently in the process of determining the effects of these new standards on the consolidated financial statements.

The following standard and guidance were issued but not yet adopted.
"Accounting Standard for Business Combinations" (ASBJ Statement No. 21 (revised 2019), January 16, 2019)
"Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestures" (ASBJ Guidance No. 10 (revised 2019), January 16, 2019)

1. Overview
The amendment clarified the accounting treatment of a portion of contingent consideration returned to the acquirer.

2. Effective date
The amendment will be applied to business combinations, etc. for which the acquisition date is on or after the beginning of the fiscal year ending March 31, 2020.

3. Effects of the application of the standards
The Company and its consolidated domestic subsidiaries are currently in the process of determining the effects of these new standards on the consolidated financial statements.

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

(Changes in presentation method)
(Changes due to adoption of "Partial Amendments to Accounting Standard for Tax Effect Accounting")
Upon application of "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018 (hereinafter, "Statement No. 28")) from the beginning of the current fiscal year, the Company and its domestic subsidiaries changed the presentation and related notes of deferred tax assets and deferred tax liabilities, such that deferred tax assets and deferred tax liabilities are classified as part of "investments and other assets" and "non-current liabilities," respectively.

As a result, deferred tax assets classified as "Current assets" decreased by ¥11,874 million, deferred tax assets classified as "Investments and other assets" increased by ¥7,657 million, deferred tax liabilities classified as "Current liabilities" decreased by ¥52 million and deferred tax liabilities classified as "Non-current liabilities" increased by ¥4,165 million in the consolidated balance sheets as of the end of the previous fiscal year.

In addition, deferred tax assets and deferred tax liabilities of the same taxpayer are indicated as offset with each other, and total assets decreased by ¥4,218 million from before the change.

The notes related to tax effect accounting additionally included those described in notes 8 (excluding total amount of valuation reserves) and 9 of "Accounting Standard for Tax Effect Accounting," which are required in paragraphs 3 to 5 of Statement No. 28. However, this additional information corresponding to the previous fiscal year is not disclosed, in accordance with the transitional treatments prescribed in paragraph 7 of Statement No. 28.

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, 2018 and 2019 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Cash and time deposits in the consolidated balance sheets	¥ 96,418	¥100,592	$ 906,316
Securities	14,000	33,000	297,324
Money held in trust (Other current assets)	7,000	7,000	63,069
Time deposits with maturities exceeding three months	(1,260)	(158)	(1,424)
Cash and cash equivalents in the consolidated statements of cash flows	¥116,158	¥140,434	$1,265,285

(2) Important non-cash transactions
The amounts recognized for important asset retirement obligations as of March 31, 2018 and 2019 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Important asset retirement obligations recognized	¥860	¥1,702	$15,335

Non-cash transactions resulting from exercise of bonds with subscription rights to shares of common stock for the years ended March 31, 2018 and 2019 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Increase in capital stock due to an exercise of bonds with subscription rights to shares	¥ 1,016	¥ —	$ —
Increase (decrease) in capital surplus due to an exercise of bonds with subscription rights to shares	1,016	(562)	(5,064)
Decrease in treasury stock due to an exercise of bonds with subscription rights to shares	—	(6,624)	(59,682)
Decrease in bonds with subscription rights to shares	(2,032)	(6,062)	(54,618)

(3) Assets and liabilities of newly consolidated subsidiaries through acquisition of shares

Assets and liabilities of acquired companies (Brick Holding GmbH and its 7 consolidated subsidiaries), acquisition cost of shares and net cash outflow for such acquisition for the year ended March 31, 2019 are as follows:

	Millions of yen	Thousands of U.S. dollars
Current assets	¥ 3,471	$ 31,273
Noncurrent assets	8,404	75,719
Goodwill	8,026	72,313
Current liabilities	(8,482)	(76,421)
Noncurrent liabilities	(1,614)	(14,542)
Foreign currency translation adjustments	(250)	(2,253)
Acquisition cost of shares	9,555	86,089
Cash and cash equivalents	(702)	(6,325)
Cash used for underwriting of debt	3,230	29,102
Net cash used for the acquisition	¥12,083	$108,866

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, foreign currency forward contract transactions and foreign currency swap. The transactions 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 the 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, 2018 and 2019. Items for which fair value is difficult to estimate are not included in the following tables.

	Millions of yen		
	2018		
	Book value	Fair value	Difference
(1) Cash and time deposits	¥ 96,418	¥ 96,418	¥ —
(2) Notes and accounts receivable—trade	177,777	177,777	—
(3) Short-term loans receivable	13,093	13,093	—
(4) Marketable securities and investment securities	107,919	107,919	—
(5) Long-term loans receivable	3,019		
Allowance for doubtful accounts*	(506)		
	2,513	2,513	—
Total	¥397,720	¥397,720	¥ —
(1) Notes and accounts payable—trade	¥ 92,383	¥ 92,383	¥ —
(2) Short-term loans payable	66,291	66,291	—
(3) Bonds	53,039	56,952	3,913
(4) Long-term loans payable	223,338	223,663	325
Total	¥435,051	¥439,289	¥4,238
Derivative transactions†			
(1) To which hedge accounting is not applied	¥ (3,596)	¥ (3,596)	¥ —
(2) To which hedge accounting is applied	1,197	1,197	—
Total	¥ (2,399)	¥ (2,399)	¥ —

	Millions of yen		
	2019		
	Book value	Fair value	Difference
(1) Cash and time deposits	¥100,592	¥100,592	¥ —
(2) Notes and accounts receivable—trade	194,242	194,242	—
(3) Short-term loans receivable	12,926	12,926	—
(4) Marketable securities and investment securities	95,732	95,732	—
(5) Long-term loans receivable	2,553		
Allowance for doubtful accounts*	(228)		
	2,325	2,325	—
Total	¥405,817	¥405,817	¥ —
(1) Notes and accounts payable—trade	¥ 93,499	¥ 93,499	¥ —
(2) Short-term loans payable	104,265	104,265	—
(3) Bonds	35,039	36,882	1,843
(4) Long-term loans payable	228,245	228,544	299
Total	¥461,048	¥463,190	¥2,141
Derivative transactions†			
(1) To which hedge accounting is not applied	¥ (1,081)	¥ (1,081)	¥ —
(2) To which hedge accounting is applied	(40)	(40)	—
Total	¥ (1,121)	¥ (1,121)	¥ —

	Thousands of U.S. dollars		
	2019		
	Book value	Fair value	Difference
(1) Cash and time deposits	$ 906,316	$ 906,316	$ —
(2) Notes and accounts receivable—trade	1,750,086	1,750,086	—
(3) Short-term loans receivable	116,460	116,460	—
(4) Marketable securities and investment securities	862,528	862,528	—
(5) Long-term loans receivable	23,002		
Allowance for doubtful accounts*	(2,054)		
	20,948	20,948	—
Total	$3,656,338	$3,656,338	$ —
(1) Notes and accounts payable—trade	$ 842,409	$ 842,409	$ —
(2) Short-term loans payable	939,409	939,409	—
(3) Bonds	315,695	332,300	16,605
(4) Long-term loans payable	2,056,447	2,059,140	2,694
Total	$4,153,960	$4,173,258	$19,299
Derivative transactions†			
(1) To which hedge accounting is not applied	$ (9,740)	$ (9,740)	$ —
(2) To which hedge accounting is applied	(360)	(360)	—
Total	$ (10,100)	$ (10,100)	$ —

* 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) Notes and accounts receivable—trade 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) Notes and accounts payable—trade 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 method.

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
	2018	2019	2019
Unlisted shares	¥ 5,433	¥ 6,677	$ 60,159
Shares in affiliated companies	28,369	26,771	241,201
Total	¥33,802	¥33,448	$301,360

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		
	2018		
	Within one year	One year to five years	Over five years
Cash and time deposits	¥ 96,418	¥ —	¥ —
Notes and accounts receivable—trade	177,777	—	—
Short-term loans receivable	13,093	—	—
Long-term loans receivable	33	2,486	500

	Millions of yen		
	2019		
	Within one year	One year to five years	Over five years
Cash and time deposits	¥100,592	¥ —	¥—
Notes and accounts receivable—trade	194,242	—	—
Short-term loans receivable	12,926	—	—
Long-term loans receivable	1,281	1,272	—

	Thousands of U.S. dollars		
	2019		
	Within one year	One year to five years	Over five years
Cash and time deposits	$ 906,316	$ —	$—
Notes and accounts receivable—trade	1,750,086	—	—
Short-term loans receivable	116,460	—	—
Long-term loans receivable	11,542	11,460	—

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

See Note 8, "Short-term loans payable, long-term debt and lease obligation."

Note 5. Marketable securities and investment securities

(1) Information on securities held by the Companies at March 31, 2018 is as follows:

(a) There were no held-to-maturity debt securities with fair values at March 31, 2018.

(b) The following table summarizes acquisition costs and book values of available-for-sale securities as of March 31, 2018.

	Millions of yen		
	2018		
	Acquisition cost	Book value	Difference
Securities with book values exceeding acquisition costs:			
Corporate shares	¥14,846	¥ 61,907	¥47,061
Securities with book values not exceeding acquisition costs:			
Corporate shares	43,925	37,445	(6,480)
Negotiable certificates of deposit	14,000	14,000	—
Total	¥72,771	¥113,352	¥40,581

(c) In the year ended March 31, 2018, total sales of available-for-sale securities amounted to ¥690 million, gains on the sales amounted to ¥586 million, and losses on the sales amounted to ¥1 million.

(d) Loss on valuation of investment securities of ¥89 million was recognized as of March 31, 2018.

(2) Information on securities held by the Companies at March 31, 2019 is as follows:

(a) There were no held-to-maturity debt securities with fair values at March 31, 2019.

(b) The following table summarizes acquisition costs and book values of available-for-sale securities as of March 31, 2019.

	Millions of yen		
	2019		
	Acquisition cost	Book value	Difference
Securities with book values exceeding acquisition costs:			
Corporate shares	¥23,072	¥ 61,734	¥38,662
Securities with book values not exceeding acquisition costs:			
Corporate shares	7,802	7,676	(126)
Negotiable certificates of deposit	33,000	33,000	—
Total	¥63,874	¥102,410	¥38,536

	Thousands of U.S. dollars		
	2019		
	Acquisition cost	Book value	Difference
Securities with book values exceeding acquisition costs:			
Corporate shares	$207,874	$556,213	$348,338
Securities with book values not exceeding acquisition costs:			
Corporate shares	70,295	69,160	(1,135)
Negotiable certificates of deposit	297,324	297,324	—
Total	$575,493	$922,696	$347,203

(c) In the year ended March 31, 2019, total sales of available-for-sale securities amounted to ¥40,357 million ($363,609 thousand), gains on the sales amounted to ¥4,849 million ($43,689 thousand), and losses on the sales amounted to ¥3 million ($27 thousand).

(d) Loss on valuation of investment securities of ¥246 million ($2,216 thousand) was recognized as of March 31, 2019.

Note 6. Derivative transactions

(1) The following tables summarize market value information of outstanding derivative transactions to which hedge accounting is not applied as of March 31, 2018.

Outstanding positions for which gains and losses were recognized in the consolidated financial statements as of March 31, 2018, were as follows:

Currency-related derivatives

	Millions of yen			
	2018			
	Contract amount	Amount of principal due over one year	Fair value	Recognized gain (loss)
Foreign currency swap transactions:				
U.S. dollars received for Euro	¥ 3,916	¥ 3,916	¥ (426)	¥ (426)
U.S. dollars received for Japanese yen	¥64,814	¥64,814	¥(3,389)	¥(3,389)
Foreign currency forward contract transactions:				
Sell: U.S. dollars	¥ 4,219	¥ —	¥ 224	¥ 224
Sell: Euro	¥ 1,740	¥ —	¥ 0	¥ 0
Sell: Japanese yen	¥ 624	¥ —	¥ 41	¥ 41
Sell: Thai baht	¥ 2	¥ —	¥ (0)	¥ (0)
Buy: U.S. dollars	¥ 3,135	¥ —	¥ (48)	¥ (48)
Buy: Euro	¥ 195	¥ —	¥ (1)	¥ (1)
Buy: Renminbi	¥ 4	¥ —	¥ 0	¥ 0
Buy: British pounds	¥ 4	¥ —	¥ (0)	¥ (0)
Buy: Thai baht	¥ 0	¥ —	¥ —	¥ —
Buy: Japanese yen	¥ 225	¥ —	¥ 2	¥ 2

(2) The following tables summarize market value information of outstanding derivative transactions to which hedge accounting is applied as of March 31, 2018.

Currency-related derivatives: Principle-based method

	Millions of yen		
	2018		
	Contract amount	Amount of principal due over one year	Fair value
Foreign currency forward contract transactions:			
Sell: U.S. dollars	¥14,530	¥3,797	¥1,325
Sell: Euro	¥ 1,085	¥ —	¥ 13
Sell: Japanese yen	¥ 2,357	¥ 862	¥ 244
Buy: U.S. dollars	¥21,767	¥ —	¥ (335)
Buy: Euro	¥ 65	¥ —	¥ (0)
Buy: Thai baht	¥ 4	¥ —	¥ 0
Buy: Renminbi	¥ 47	¥ —	¥ 1

Interest rate-related derivatives: Principle-based method

	Millions of yen		
	2018		
	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	¥3,916	¥3,916	¥(51)

Interest rate-related derivatives: Special method

	Millions of yen		
	2018		
	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	¥50,070	¥40,070	¥—

(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 swap transactions to which special method has been applied are included in long-term loans payable. Therefore, the fair value of these interest rate swap transactions 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 to which hedge accounting is not applied as of March 31, 2019.

Outstanding positions for which gains and losses were recognized in the consolidated financial statements as of March 31, 2019 were as follows:

Currency-related derivatives

	Millions of yen			
	2019			
	Contract amount	Amount of principal due over one year	Fair value	Recognized gain (loss)
Foreign currency swap transactions:				
U.S. dollars received for Euro	¥ 3,737	¥ 3,737	¥ (85)	¥ (85)
U.S. dollars received for Japanese yen	¥64,814	¥64,814	¥(964)	¥(964)
Foreign currency forward contract transactions:				
Sell: U.S. dollars	¥ 1,074	¥ —	¥ (11)	¥ (11)
Sell: Euro	¥ 19	¥ —	¥ 0	¥ 0
Sell: Japanese yen	¥ 57	¥ —	¥ 0	¥ 0
Buy: U.S. dollars	¥ 1,928	¥ —	¥ (17)	¥ (17)
Buy: Japanese yen	¥ 770	¥ —	¥ (4)	¥ (4)

	Thousands of U.S. dollars			
	2019			
	Contract amount	Amount of principal due over one year	Fair value	Recognized gain (loss)
Foreign currency swap transactions:				
U.S. dollars received for Euro	$ 33,670	$ 33,670	$ (766)	$ (766)
U.S. dollars received for Japanese yen	$583,963	$583,963	$(8,685)	$(8,685)
Foreign currency forward contract transactions:				
Sell: U.S. dollars	$ 9,677	$ —	$ (99)	$ (99)
Sell: Euro	$ 171	$ —	$ 0	$ 0
Sell: Japanese yen	$ 514	$ —	$ 0	$ 0
Buy: U.S. dollars	$ 17,371	$ —	$ (153)	$ (153)
Buy: Japanese yen	$ 6,938	$ —	$ (36)	$ (36)

(6) The following tables summarize market value information of outstanding derivative transactions to which hedge accounting is applied as of March 31, 2019.

Currency-related derivatives: Principle-based method

	Millions of yen		
	2019		
	Contract amount	Amount of principal due over one year	Fair value
Foreign currency forward contract transactions:			
Sell: U.S. dollars	¥22,443	¥6,516	¥(219)
Sell: Euro	¥ 1,470	¥ —	¥ 9
Sell: Thai baht	¥ 2	¥ —	¥ 0
Sell: Japanese yen	¥ 823	¥ —	¥ 63
Buy: U.S. dollars	¥12,952	¥ —	¥ 133
Buy: Euro	¥ 67	¥ —	¥ (0)
Buy: British pounds	¥ 17	¥ —	¥ 0
Buy: Renminbi	¥ 93	¥ —	¥ (0)
Buy: Thai baht	¥ 404	¥ —	¥ (5)

	Thousands of U.S. dollars		
	2019		
	Contract amount	Amount of principal due over one year	Fair value
Foreign currency forward contract transactions:			
Sell: U.S. dollars	$202,207	$58,708	$(1,973)
Sell: Euro	$ 13,244	$ —	$ 81
Sell: Thai baht	$ 18	$ —	$ 0
Sell: Japanese yen	$ 7,415	$ —	$ 568
Buy: U.S. dollars	$116,695	$ —	$ 1,198
Buy: Euro	$ 604	$ —	$ (0)
Buy: British pounds	$ 153	$ —	$ 0
Buy: Renminbi	$ 838	$ —	$ (0)
Buy: Thai baht	$ 3,640	$ —	$ (45)

Interest rate-related derivatives: Principle-based method

	Millions of yen		
	2019		
	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	¥3,737	¥3,737	¥(21)

	Thousands of U.S. dollars		
	2019		
	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	$33,670	$33,670	$(189)

Interest rate-related derivatives: Special method

	Millions of yen		
	2019		
	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	¥40,070	¥40,070	¥—

	Thousands of U.S. dollars		
	2019		
	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	$361,024	$361,024	$—

(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 swap transactions to which special method has been applied are included in long-term loans payable. Therefore, the fair value of these interest rate swap transactions is included in the fair value of the hedged long-term loans payable.

Note 7. Inventories

Inventories at March 31, 2018 and 2019 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Merchandise and finished goods	¥ 91,258	¥ 98,727	$ 889,513
Work in process	10,828	11,556	104,117
Raw materials	28,083	29,936	269,718
Supplies	6,095	5,661	51,005
Total	¥136,264	¥145,880	$1,314,353

Note 8. Short-term loans payable, long-term debt and lease obligations

Short-term loans payable were represented by bank overdrafts and short-term notes with average annual interest rates of approximately 2.2% in 2018 and 1.5% in 2019.

Long-term debt at March 31, 2018 and 2019 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Unsecured:			
Banks and insurance companies at 0.0–0.7%, maturing serially through 2027	¥137,235	¥142,344	$1,282,494
0.7% straight bonds, due 2019	15,000	15,000	135,147
Convertible bond-type zero coupon bonds with subscription rights to shares, due 2018	17,986	0	0
Convertible bond-type zero coupon bonds with subscription rights to shares, due 2021	20,053	20,039	180,548
Loans denominated in foreign currencies (principally U.S. dollars) at 0.0–4.3%, maturing serially through 2025	86,103	85,901	773,953
Lease obligations at 6.2%, maturing serially through 2047	1,136	1,200	10,811
	277,513	264,484	2,382,953
Less amounts due within one year	34,389	22,916	206,469
Total	¥243,124	¥241,568	$2,176,484

The aggregate annual maturities of long-term debt at March 31, 2019 were as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2020	¥ 22,916	$ 206,469
2021	31,807	286,575
2022	32,964	297,000
2023	26,786	241,337
2024 and thereafter	150,011	1,351,572

Note 9. Employees' retirement benefits

(1) Defined benefit pension plans as of March 31, 2018

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

	Millions of yen
	2018
Balance at April 1, 2017	¥63,938
Service cost	2,082
Interest cost	580
Actuarial gains and losses	118
Benefits paid	(5,292)
Others	150
Balance at March 31, 2018	¥61,576

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

	Millions of yen
	2018
Balance at April 1, 2017	¥68,018
Expected return on plan assets	618
Actuarial gains and losses	2,100
Contributions paid by the employer	119
Benefits paid	(3,547)
Others	(172)
Balance at March 31, 2018	¥67,136

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

	Millions of yen
	2018
Balance at April 1, 2017	¥1,520
Retirement benefit costs	384
Benefits paid	(124)
Contributions paid by the employer	(125)
Others	(21)
Balance at March 31, 2018	¥1,634

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

	Millions of yen
	2018
Funded retirement benefit obligations	¥ 64,466
Plan assets	(69,151)
	(4,685)
Unfunded retirement benefit obligations	759
Total net liability (asset) for retirement benefits at March 31, 2018	¥ (3,926)
Liability for retirement benefits	¥ 35,650
Asset for retirement benefits	(39,576)
Total net liability (asset) for retirement benefits at March 31, 2018	¥ (3,926)

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

(e) Severance and retirement benefit costs

	Millions of yen
	2018
Service cost	¥2,082
Interest cost	580
Expected return on plan assets	(618)
Actuarial gains and losses amortization	(869)
Past service costs amortization	7
Total retirement benefit costs for the fiscal year ended March 31, 2018, based on the simplified method	384
Others (Extra retirement payments, etc.)	287
Total retirement benefit costs for the fiscal year ended March 31, 2018	¥1,853

(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
	2018
Past service costs	¥ 7
Actuarial gains and losses	928
Total balance at March 31, 2018	¥935

(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
	2018
Past service costs that are yet to be recognized	¥ (61)
Actuarial gains and losses that are yet to be recognized	(225)
Total balance at March 31, 2018	¥(286)

(h) Composition of plan assets

The composition of plan assets was as follows:

	2018
Equity securities	26%
Debt securities	29%
General accounts	14%
Negotiable certificates of deposit	24%
Others	7%
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, 2018 were as follows:

	2018
Discount rate (defined benefit pension plans)	Mainly 0.1%
(lump-sum benefit plans)	Mainly 0.8%
Long-term expected rate of return on plan assets	Mainly 0.7%

(2) Defined contribution pension plans as of March 31, 2018

Contributions to the defined contribution pension plans of the Companies totaled ¥3,131 million.

(3) Multi-employer pension plans as of March 31, 2018

The Teijin Group's contributions to multi-employer pension plans, for which contributions are negotiated, as well as contributions to defined contribution plans, totaled ¥1,968 million.

The funded status of the multi-employer funded contributory pension plans at December 31, 2017 (based on information available as of March 31, 2018), for which contributions are recorded as net periodic retirement benefit costs by the Companies, is as follows:

	Millions of yen
	2018
Fair value of plan assets	¥ 3,345,619
Benefit obligation in the calculation of pension financing	(3,048,425)
Difference	¥ 297,194
Companies' contribution percentage for multi-employer funded contributory pension plans*	3.40%

* 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) Defined benefit pension plans as of March 31, 2019

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

	Millions of yen	Thousands of U.S. dollars
	2019	2019
Balance at April 1, 2018	¥61,576	$554,789
Service cost	2,113	19,038
Interest cost	592	5,334
Actuarial gains and losses	84	757
Benefits paid	(4,516)	(40,688)
Change in scope of consolidation	298	2,685
Others	30	269
Balance at March 31, 2019	¥60,177	$542,184

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

	Millions of yen	Thousands of U.S. dollars
	2019	2019
Balance at April 1, 2018	¥67,136	$604,883
Expected return on plan assets	581	5,235
Actuarial gains and losses	(3,025)	(27,255)
Contributions paid by the employer	145	1,306
Benefits paid	(3,129)	(28,192)
Change in scope of consolidation	26	234
Return of retirement benefit trust	(6,099)	(54,951)
Others	154	1,389
Balance at March 31, 2019	¥55,789	$502,649

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

	Millions of yen	Thousands of U.S. dollars
	2019	2019
Balance at April 1, 2018	¥1,634	$14,722
Retirement benefit costs	309	2,784
Benefits paid	(96)	(865)
Contributions paid by the employer	(138)	(1,243)
Others	74	667
Balance at March 31, 2019	¥1,783	$16,065

(d) Adjustments to reconcile the projected benefit obligation and the fair value of plan assets at the end of the 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
	2019	2019
Funded retirement benefit obligations	¥ 63,111	$ 568,619
Plan assets	(57,811)	(520,867)
	5,300	47,752
Unfunded retirement benefit obligations	871	7,848
Total net liability (asset) for retirement benefits at March 31, 2019	¥ 6,171	$ 55,600
Liability for retirement benefits	¥ 37,553	$ 338,346
Asset for retirement benefits	(31,382)	(282,746)
Total net liability (asset) for retirement benefits at March 31, 2019	¥ 6,171	$ 55,600

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

(e) Severance and retirement benefit costs

	Millions of yen	Thousands of U.S. dollars
	2019	2019
Service cost	¥ 2,113	$19,038
Interest cost	592	5,334
Expected return on plan assets	(581)	(5,235)
Actuarial gains and losses amortization	(1,074)	(9,677)
Past service costs amortization	7	63
Loss on return of retirement benefit trust	955	8,604
Total retirement benefit costs for the fiscal year ended March 31, 2019, based on the simplified method	309	2,785
Others (Extra retirement payments, etc.)	—	—
Total retirement benefit costs for the fiscal year ended March 31, 2019	¥ 2,321	$20,912

(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
	2019	2019
Past service costs	¥ 4	$ 36
Actuarial gains and losses	(3,105)	(27,975)
Total balance at March 31, 2019	¥(3,101)	$(27,939)

(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
	2019	2019
Past service costs that are yet to be recognized	¥ (57)	$ (513)
Actuarial gains and losses that are yet to be recognized	(3,330)	(30,003)
Total balance at March 31, 2019	¥(3,387)	$(30,516)

(h) Composition of plan assets

The composition of plan assets was as follows:

	2019
Equity securities	9%
Debt securities	35%
General accounts	15%
Negotiable certificates of deposit	31%
Others	10%
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, 2019 were as follows:

	2019
Discount rate (defined benefit pension plans)	Mainly 0.1%
(lump-sum benefit plans)	Mainly 0.8%
Long-term expected rate of return on plan assets	Mainly 0.7%

(5) Defined contribution pension plans as of March 31, 2019

Contributions to the defined contribution pension plans of the Companies totaled ¥3,192 million ($28,759 thousand).

(6) Multi-employer pension plans as of March 31, 2019

The Teijin Group's contributions to multi-employer pension plans, for which contributions are negotiated, as well as contributions to defined contribution plans, totaled ¥2,029 million ($18,281 thousand).

The funded status of the multi-employer funded contributory pension plans at December 31, 2018 (based on information available as of March 31, 2019), 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
	2019	2019
Fair value of plan assets	¥ 3,181,512	$ 28,664,853
Benefit obligation in the calculation of pension financing	(3,028,428)	(27,285,594)
Difference	¥ 153,084	$ 1,379,259
Companies' contribution percentage for multi-employer funded contributory pension plans*	3.40%	

* 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 Companies Act of Japan, 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.

At the Board of Directors meeting held on May 9, 2019, appropriations of retained earnings for year-end dividends applicable to the year ended March 31, 2019 were duly approved as follows:

	Millions of yen	Thousands of U.S. dollars
Cash dividends: ¥40.00 ($0.36) per share*	¥7,672	$69,123

* This dividends per share includes an ordinary dividend of ¥30.00 and a commemorative dividend of ¥10.00.

Note 11. Impairment loss

The Companies accounted for impairment losses for the year ended March 31, 2018 as follows:

Impairment loss

Location	Purpose of use	Type of assets	Millions of yen
Ibaraki City in Osaka Prefecture and others	R&D facilities, etc.	Building, etc.	¥ 354
Others	—	—	722
		Total	¥1,076

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 book values and recoverable amounts was recorded as "Impairment loss" amounting to ¥1,076 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 assessed at zero because the future cash flows cannot be generated.

The Companies accounted for impairment losses for the year ended March 31, 2019 as follows:

Impairment loss

Location	Purpose of use	Type of assets	Millions of yen	Thousands of U.S. dollars
South Korea	Material	Machinery, etc.	¥3,730	$33,607
Ibaraki City in Osaka Prefecture and others	R&D facilities, etc.	Building, etc.	1,560	14,055
Others	—	—	700	6,307
		Total	¥5,990	$53,969

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 book values and recoverable amounts was recorded as "Impairment loss" amounting to ¥5,990 million ($53,969 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 flow with a discount rate of mainly 16%.

Note 12. Consolidated statements of comprehensive income

Components of other comprehensive income for the years ended March 31, 2018 and 2019 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Valuation difference on available-for-sale securities:			
Increase during the year	¥10,029	¥ 2,225	$ 20,047
Reclassification adjustments	(140)	(4,219)	(38,013)
Subtotal, before tax	9,889	(1,994)	(17,966)
Tax (expense) or benefit	(3,035)	582	5,243
Subtotal, net of tax	6,854	(1,412)	(12,723)
Deferred gains (losses) on hedges:			
Increase (decrease) during the year	891	(1,317)	(11,866)
Reclassification adjustments	677	79	712
Subtotal, before tax	1,568	(1,238)	(11,154)
Tax (expense) or benefit	(388)	282	2,541
Subtotal, net of tax	1,180	(956)	(8,613)
Foreign currency translation adjustments:			
Increase during the year	3,602	4,323	38,949
Reclassification adjustments	5,199	59	532
Subtotal, before tax	8,801	4,382	39,481
Tax expense	(122)	—	—
Subtotal, net of tax	8,679	4,382	39,481
Remeasurements of defined benefit plans:			
Increase (decrease) during the year	1,798	(2,988)	(26,921)
Reclassification adjustments	(863)	(113)	(1,018)
Subtotal, before tax	935	(3,101)	(27,939)
Tax (expense) or benefit	(73)	826	7,442
Subtotal, net of tax	862	(2,275)	(20,497)
Share of other comprehensive income of associates accounted for using the equity method:			
Increase (decrease) during the year	1,222	(987)	(8,893)
Reclassification adjustments	246	74	667
Subtotal	1,468	(913)	(8,226)
Total other comprehensive income	¥19,043	¥(1,174)	$(10,578)

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 30.4% for the year ended March 31, 2019. 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, 2019. The reconciliation between the statutory tax rate and the effective tax rate for the year ended March 31, 2018 was not presented since the difference was less than 5 percentage points.

	2018	2019
Effective statutory tax rate	—	30.4 %
Non-deductible expenses	—	0.1
Per capita inhabitants' taxes	—	0.3
Difference in statutory tax rate between Japan and other countries	—	(0.2)
Equity in earnings of affiliates	—	(0.7)
Amortization of goodwill	—	1.8
Changes in valuation allowance	—	(4.7)
Tax credit	—	(5.5)
Others	—	1.0
Actual income tax rate	—	22.5 %

Significant components of the Companies' deferred tax assets and liabilities as of March 31, 2018 and 2019 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Deferred tax assets:			
Excess bonuses accrued	¥ 4,548	¥ 4,000	$ 36,039
Provision for loss on guarantees	321	139	1,252
Write-down of investment securities	1,419	1,867	16,821
Retirement benefits	5,546	8,657	77,998
Accumulated impairment loss	3,305	4,004	36,075
Net operating loss carry forward	43,930	37,884	341,328
Others	15,556	15,383	138,599
Total	74,625	71,934	648,112
Valuation allowance for net operating loss carry forward	—	(21,676)	(195,297)
Valuation allowance for deductible temporary differences	—	(6,869)	(61,888)
Valuation allowance	(31,370)	(28,545)	(257,185)
Total deferred tax assets	43,255	43,389	390,927
Offset with deferred tax liabilities	(32,579)	(35,868)	(323,164)
Net deferred tax assets	¥ 10,676	¥ 7,521	$ 67,763
Deferred tax liabilities:			
Adjustments to fixed assets based on Corporation Tax Act	¥ (3,809)	¥ (3,813)	$ (34,354)
Accelerated depreciation of foreign subsidiaries' fixed assets	(478)	(343)	(3,090)
Tax effect of foreign subsidiaries' undistributed earnings	(5,201)	(5,506)	(49,608)
Adjustment of carrying amount based on fair value	(13,717)	(14,793)	(133,283)
Valuation difference on available-for-sale securities	(11,762)	(11,950)	(107,667)
Others	(2,670)	(3,002)	(27,048)
Total deferred tax liabilities	(37,637)	(39,407)	(355,050)
Offset with deferred tax assets	32,579	35,868	323,164
Net deferred tax liabilities	¥ (5,058)	¥ (3,539)	$ (31,886)

(Note) Net operating loss carried forward and its deferred tax assets by expiration periods (2019):

	Millions of yen						
	2019						
	Within one year	One year to two years	Two years to three years	Three years to four years	Four years to five years	Over five years	Total
Net operating loss carry forward[a]	¥ 2,873	¥ 2,468	¥ 2,277	¥ 518	¥ 232	¥ 29,516	¥ 37,884
Valuation allowance	(2,691)	(2,002)	(2,005)	(418)	(138)	(14,422)	(21,676)
Net deferred tax assets	¥ 182	¥ 466	¥ 272	¥ 100	¥ 94	¥ 15,094	¥ 16,208[b]

	Thousands of U.S. dollars						
	2019						
	Within one year	One year to two years	Two years to three years	Three years to four years	Four years to five years	Over five years	Total
Net operating loss carry forward[a]	$ 25,885	$ 22,237	$ 20,515	$ 4,667	$ 2,090	$ 265,934	$ 341,328
Valuation allowance	(24,245)	(18,038)	(18,065)	(3,766)	(1,243)	(129,940)	(195,297)
Net deferred tax assets	$ 1,640	$ 4,199	$ 2,450	$ 901	$ 847	$ 135,994	$ 146,031[b]

(a) Net operating loss carry forward is the amount obtained by multiplying by the effective statutory tax rate.

(b) For the net operating loss carried forward of ¥37,884 million ($341,328 thousand) (the amount multiplied by the effective statutory tax rate), the Company recognized a deferred tax asset of ¥16,208 million ($146,031 thousand). The deferred tax asset of ¥16,208 million ($146,031 thousand) is primarily comprised of a deferred tax asset of ¥5,369 million ($48,374 thousand) related to the net operating loss carried forward at Teijin Pharma Limited, which is part of the consolidated tax filing group of which the Company is the consolidated parent company, and a deferred tax asset of ¥8,060 million ($72,619 thousand) related to the net operating loss carried forward at the consolidated tax filing group of which Teijin Holdings USA, Inc. ("THUS consolidated tax filing group") is the consolidated parent company. For Teijin Pharma Limited, the net operating loss carried forward arose mainly due to the performance of debt guarantees for subsidiaries in the fiscal year ended March 31, 2018, while for the THUS consolidated tax filing group, it arose mainly because of the net losses before income taxes from the fiscal year ended March 31, 2013 to the fiscal year ended March 31, 2017. These net operating losses carried forward are expected to be recovered as the Group is forecasting taxable income in the future.

Note 14. Leases

Operating leases as lessee

Future minimum lease payments for the remaining lease periods as of March 31, 2018 and 2019 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Due within one year	¥ 638	¥ 585	$ 5,271
Due over one year	2,995	2,662	23,984
Total	¥3,633	¥3,247	$29,255

Note 15. Stock option plans

Information on stock option plans at March 31, 2019 is as shown below.

Teijin Limited

The account and the amounts related to stock options in the years ended March 31, 2018 and 2019 are as follows:

	Millions of yen		Thousands of U.S. dollars
Account	2018	2019	2019
Selling, general and administrative expenses	¥102	¥104	$937

The following tables summarize the contents of stock options as of March 31, 2019.

Company name	Teijin Limited
Position and number of grantees	Directors and Corporate Officers: 54
Class and number of shares	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 shares	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 shares	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 shares	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 shares	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 shares	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 shares	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 shares	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 shares	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 shares	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 shares	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

Company name	Teijin Limited
Position and number of grantees	Directors and Corporate Officers: 30
Class and number of shares	Common Stock: 58,800
Date of issue	March 16, 2018
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, 2018 to March 15, 2038

Company name	Teijin Limited
Position and number of grantees	Directors and Corporate Officers: 26
Class and number of shares	Common Stock: 64,200
Date of issue	March 18, 2019
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, 2019 to March 17, 2039

The following tables summarize the numbers and movements of stock options as of March 31, 2019.

Non-exercisable stock options

	Shares												
Company name	Teijin Limited												
	2006	2007	2008	2009	2010	2012	2013	2014	2015	2016	2017	2018	2019
Stock options outstanding at April 1, 2018	—	—	—	—	—	—	—	—	—	—	—	—	—
Stock options granted	—	—	—	—	—	—	—	—	—	—	—	—	64,200
Forfeitures	—	—	—	—	—	—	—	—	—	—	—	—	—
Conversion to exercisable stock options	—	—	—	—	—	—	—	—	—	—	—	—	64,200
Stock options outstanding at March 31, 2019	—	—	—	—	—	—	—	—	—	—	—	—	—

Exercisable stock options

	Shares												
Company name	Teijin Limited												
	2006	2007	2008	2009	2010	2012	2013	2014	2015	2016	2017	2018	2019
Stock options outstanding at April 1, 2018	1,200	1,800	4,800	11,600	13,200	39,800	77,600	92,200	72,800	54,800	57,400	58,800	—
Conversion from non-exercisable stock options	—	—	—	—	—	—	—	—	—	—	—	—	64,200
Stock options exercised	400	600	800	2,200	2,000	9,400	29,200	31,800	4,400	2,400	2,800	—	—
Forfeitures	—	—	—	—	—	—	—	—	—	—	—	—	—
Stock options outstanding at March 31, 2019	800	1,200	4,000	9,400	11,200	30,400	48,400	60,400	68,400	52,400	54,600	58,800	64,200

The following table summarizes value information of stock options as of March 31, 2019.

	Yen												
Company name	Teijin Limited												
	2006	2007	2008	2009	2010	2012	2013	2014	2015	2016	2017	2018	2019
Paid-in value	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1
Average market price of the stock at the time of exercise	2,104	2,032	2,032	2,061	2,064	2,062	2,062	2,057	2,059	2,095	2,095	—	—
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	1,732	1,627

The method of estimation for the fair value of stock options granted in the year ended March 31, 2019 is as follows:

Method of valuation	Black-Scholes Model
Volatility	26%
Expected remaining period	5.0 years
Expected dividend	¥60.00 per share
Interest rate without any risks	(0.18%)

Infocom Corporation

The account and the amounts related to stock options in the years ended March 31, 2018 and 2019 are as follows:

	Millions of yen		Thousands of U.S. dollars
Account	2018	2019	2019
Selling, general and administrative expenses	¥34	¥29	$261

The following tables summarize the contents of stock options as of March 31, 2019.

Company name	Infocom Corporation
Position and number of grantees	Directors and Corporate Officers: 5
Class and number of shares	Common Stock: 72,400
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 shares	Common Stock: 46,000
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 shares	Common Stock: 53,600
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 shares	Common Stock: 36,800
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

Company name	Infocom Corporation
Position and number of grantees	Directors and Corporate Officers: 8
Class and number of shares	Common Stock: 34,800
Date of issue	June 12, 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 June 13, 2017 to June 12, 2047

Company name	Infocom Corporation
Position and number of grantees	Directors and Corporate Officers: 7
Class and number of shares	Common Stock: 22,400
Date of issue	June 11, 2018
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 12, 2018 to June 11, 2048

* The above number of shares of common stock reflects the 2-for-1 stock split effective March 1, 2019.

The following tables summarize the number and movements of stock options as of March 31, 2019.

Non-exercisable stock options

	Shares					
Company name	Infocom Corporation					
	2014	2015	2016	2017	2018	2019
Stock options outstanding at April 1, 2018	—	—	—	—	—	—
Stock options granted	—	—	—	—	—	22,400
Forfeitures	—	—	—	—	—	—
Conversion to exercisable stock options	—	—	—	—	—	22,400
Stock options outstanding at March 31, 2019	—	—	—	—	—	—

Exercisable stock options

	Shares					
Company name	Infocom Corporation					
	2014	2015	2016	2017	2018	2019
Stock options outstanding at April 1, 2018	55,200	46,000	53,600	36,800	34,800	—
Conversion from non-exercisable stock options	—	—	—	—	—	22,400
Stock options exercised	—	—	—	—	—	—
Forfeitures	—	—	—	—	—	—
Stock options outstanding at March 31, 2019	55,200	46,000	53,600	36,800	34,800	22,400

The following table summarizes value information of stock options as of March 31, 2019.

	Yen					
Company name	Infocom Corporation					
	2014	2015	2016	2017	2018	2019
Paid-in value	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1
Average market price of the stock at the time of exercise	—	—	—	—	—	—
Fair value at the date of grant	143,839	144,800	227,000	300,000	391,600	521,000

The method of estimation for the fair value of stock options granted in the year ended March 31, 2019 is as follows:

Method of valuation	Black-Scholes Model
Volatility	36.1%
Expected remaining period	6.3 years
Expected dividend rate	0.91%
Interest rate without any risks	(0.06%)

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.

The Company currently divides its operations internally into business fields, based on type of product, nature of business and services provided.

The business fields formulate product and service strategies in a comprehensive manner in Japan and overseas. Accordingly, the Company divides its operations into reportable operating segments on the same basis as it uses internally.

The Materials Business involves the production and sale of aramid fibers, carbon fibers, polycarbonate resin, polyester films, polyester fibers, fiber products, and composites, while the Healthcare Business includes the production and sale of pharmaceuticals and medical devices, as well as the production and rental of home healthcare devices and the provision of home healthcare services.

(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 operating 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, 2018 and 2019 is as shown below:

	Millions of yen				
	2018				
	Materials	Healthcare	Subtotal	Others	Total
Sales:					
1) External customers	¥624,812	¥155,371	¥780,183	¥54,803	¥834,986
2) Intersegment net sales and transfer	1,164	3	1,167	9,122	10,289
Total sales	625,976	155,374	781,350	63,925	845,275
Segment income	33,627	35,942	69,569	6,138	75,707
Segment assets	617,123	168,428	785,551	97,872	883,423
Other items:					
Depreciation	27,124	10,992	38,116	1,774	39,890
Amortization of goodwill	4,218	266	4,484	—	4,484
Investments in associates accounted for using the equity method	12,224	2,027	14,251	25,656	39,907
Increase in tangible and intangible fixed assets	30,010	12,571	42,581	1,651	44,232

	Millions of yen				
	2019				
	Materials	Healthcare	Subtotal	Others	Total
Sales:					
1) External customers	¥671,558	¥157,511	¥829,069	¥59,520	¥888,589
2) Intersegment net sales and transfer	835	16	851	8,577	9,428
Total sales	672,393	157,527	829,920	68,097	898,017
Segment income	23,493	35,452	58,945	7,163	66,108
Segment assets	681,427	132,728	814,155	95,760	909,915
Other items:					
Depreciation	28,180	11,557	39,737	1,733	41,470
Amortization of goodwill	4,721	262	4,983	—	4,983
Investments in associates accounted for using the equity method	12,333	1,222	13,555	24,394	37,949
Increase in tangible and intangible fixed assets	47,200	13,249	60,449	1,885	62,334

	Thousands of U.S. dollars				
	2019				
	Materials	Healthcare	Subtotal	Others	Total
Sales:					
1) External customers	$6,050,617	$1,419,146	$7,469,763	$536,265	$8,006,028
2) Intersegment net sales and transfer	7,523	144	7,667	77,278	84,945
Total sales	6,058,140	1,419,290	7,477,430	613,543	8,090,973
Segment income	211,667	319,416	531,083	64,538	595,621
Segment assets	6,139,535	1,195,856	7,335,391	862,780	8,198,171
Other items:					
Depreciation	253,897	104,126	358,023	15,614	373,637
Amortization of goodwill	42,535	2,361	44,896	—	44,896
Investments in associates accounted for using the equity method	111,118	11,010	122,128	219,786	341,914
Increase in tangible and intangible fixed assets	425,264	119,371	544,635	16,983	561,618

Notes:
1. "Others" which includes the IT business, 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, 2018 and 2019 are as shown below:

	Millions of yen		Thousands of U.S. dollars
Adjustment for net sales	2018	2019	2019
Reportable operating segments	¥781,350	¥829,920	$7,477,430
Others	63,925	68,097	613,543
Elimination of intersegment transactions	(10,289)	(9,428)	(84,945)
Net sales	¥834,986	¥888,589	$8,006,028

	Millions of yen		Thousands of U.S. dollars
Adjustment for operating income	2018	2019	2019
Reportable operating segments	¥69,569	¥58,945	$531,083
Others	6,138	7,163	64,538
Elimination of intersegment transactions	(38)	105	946
Corporate expenses*	(5,846)	(6,213)	(55,978)
Operating income	¥69,823	¥60,000	$540,589

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

Reconciliations of published figures and aggregates of reportable operating segments as of March 31, 2018 and 2019 are as shown below:

	Millions of yen		Thousands of U.S. dollars
Adjustment for assets	2018	2019	2019
Reportable operating segments	¥785,551	¥ 814,155	$7,335,391
Others	97,872	95,760	862,780
Corporate assets*	163,096	180,280	1,624,290
Adjustment	(64,552)	(69,541)	(626,551)
Total assets	¥981,967	¥1,020,654	$9,195,910

* 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," "Investment securities," etc.

	Millions of yen			
	2018			
Other items	Reportable operating segments	Others	Adjustment	Total
Depreciation	¥38,116	¥ 1,774	¥1,281	¥41,171
Amortization of goodwill	4,484	—	—	4,484
Investments in associates accounted for using the equity method	14,251	25,656	—	39,907
Increase in tangible and intangible fixed assets	42,581	1,651	378	44,610

	Millions of yen			
	2019			
Other items	Reportable operating segments	Others	Adjustment	Total
Depreciation	¥39,737	¥ 1,733	¥1,098	¥42,568
Amortization of goodwill	4,983	—	—	4,983
Investments in associates accounted for using the equity method	13,555	24,394	—	37,949
Increase in tangible and intangible fixed assets	60,449	1,885	494	62,828

	Thousands of U.S. dollars			
	2019			
Other items	Reportable operating segments	Others	Adjustment	Total
Depreciation	$358,023	$ 15,614	$9,893	$383,530
Amortization of goodwill	44,896	—	—	44,896
Investments in associates accounted for using the equity method	122,128	219,786	—	341,914
Increase in tangible and intangible fixed assets	544,635	16,983	4,451	566,069

(4) Information by product/service

Sales to external customers by product/service category for the years ended March 31, 2018 and 2019 are as shown below:

Millions of yen					
2018					
Material	Polyester Fibers & Trading and Retail	Composites and Others	Healthcare	IT and Others	Total
¥254,077	¥293,214	¥77,521	¥155,371	¥54,803	¥834,986

Millions of yen					
2019					
Material	Polyester Fibers & Trading and Retail	Composites and Others	Healthcare	IT and Others	Total
¥263,932	¥318,271	¥89,356	¥157,510	¥59,520	¥888,589

Thousands of U.S. dollars					
2019					
Material	Polyester Fibers & Trading and Retail	Composites and Others	Healthcare	IT and Others	Total
$2,377,980	$2,867,565	$805,082	$1,419,137	$536,265	$8,006,028

Note:

The Materials Business is a reportable operating segment including the product/service categories of “Material,” “Polyester Fibers & Trading and Retail” and “Composites and Others.” The Material category consists of the production and sale of such high-functional material as aramid fibers, carbon fibers, polycarbonate resin and polyester films.

(5) Information by geographical segment

1. Net sales by region for the years ended March 31, 2018 and 2019 are as shown below:

Millions of yen						
2018						
Japan	China	Asia	U.S.	Americas (ex-U.S.)	Europe and others	Consolidated total
¥464,088	¥106,879	¥72,411	¥107,136	¥16,541	¥67,931	¥834,986

Millions of yen						
2019						
Japan	China	Asia	U.S.	Americas (ex-U.S.)	Europe and others	Consolidated total
¥500,161	¥105,077	¥74,773	¥113,853	¥21,260	¥73,465	¥888,589

Thousands of U.S. dollars						
2019						
Japan	China	Asia	U.S.	Americas (ex-U.S.)	Europe and others	Consolidated total
$4,506,362	$946,725	$673,691	$1,025,795	$191,549	$661,906	$8,006,028

2. Tangible fixed assets by region as of March 31, 2018 and 2019 are as shown below:

Millions of yen							
2018							
Japan	China	Netherlands	Asia	U.S.	Europe	Americas (ex-U.S.)	Consolidated total
¥127,308	¥18,026	¥26,470	¥23,883	¥34,693	¥4,830	¥5,079	¥240,289

Millions of yen							
2019							
Japan	China	Netherlands	Asia	U.S.	Europe	Americas (ex-U.S.)	Consolidated total
¥134,399	¥19,354	¥27,150	¥23,958	¥46,688	¥11,532	¥4,806	¥267,887

Thousands of U.S. dollars							
2019							
Japan	China	Netherlands	Asia	U.S.	Europe	Americas (ex-U.S.)	Consolidated total
$1,210,911	$174,376	$244,617	$215,857	$420,651	$103,901	$43,300	$2,413,613

(6) Information by major customer

Information for the years ended March 31, 2018 and 2019 is omitted as no single customer accounted for more than 10% of consolidated net sales as reported in the consolidated statements of income.

(7) Impairment loss and goodwill by reportable operating segment

Impairment loss by reportable operating segment for the years ended March 31, 2018 and 2019 are as shown below:

	Millions of yen				
	2018				
	Materials	Healthcare	Others	Elimination and corporate	Consolidated total
Impairment loss	¥699	¥—	¥23	¥354	¥1,076

	Millions of yen				
	2019				
	Materials	Healthcare	Others	Elimination and corporate	Consolidated total
Impairment loss	¥4,272	¥—	¥158	¥1,560	¥5,990

	Thousands of U.S. dollars				
	2019				
	Materials	Healthcare	Others	Elimination and corporate	Consolidated total
Impairment loss	$38,490	$—	$1,424	$14,055	$53,969

Goodwill by reportable operating segment as of March 31, 2018 and 2019 is as shown below:

	Millions of yen				
	2018				
	Materials	Healthcare	Others	Elimination and corporate	Consolidated total
Amortization of goodwill	¥ 4,218	¥266	¥—	¥—	¥ 4,484
Balance as of March 31, 2018	26,315	877	—	—	27,192

	Millions of yen				
	2019				
	Materials	Healthcare	Others	Elimination and corporate	Consolidated total
Amortization of goodwill	¥ 4,721	¥262	¥—	¥—	¥ 4,983
Balance as of March 31, 2019	32,230	615	—	—	32,845

	Thousands of U.S. dollars				
	2019				
	Materials	Healthcare	Others	Elimination and corporate	Consolidated total
Amortization of goodwill	$ 42,535	$2,361	$—	$—	$ 44,896
Balance as of March 31, 2019	290,387	5,541	—	—	295,928

Note 17. Contingent liabilities

At March 31, 2018 and 2019, the Companies were contingently liable as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
(a) As endorser of notes discounted or endorsed	¥ 3	¥ —	$ —
(b) As guarantors of indebtedness of:			
Unconsolidated subsidiaries and affiliates	¥1,898	¥ 825	$ 7,433
Others	2,044	1,878	16,921
	¥3,942	¥2,703	$24,354
(c) As guarantor of accounts receivable negotiated to third parties	¥1,783	¥ 946	$ 8,523

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.

(2) Calculation method of asset retirement obligations

The Companies estimate that the period of use is mainly from 1 to 50 years, and calculate the obligations using discount rates between 0.0% and 1.3%.

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

In the year ended March 31, 2019, 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		Thousands of U.S. dollars
	2018	2019	2019
Beginning balance	¥ 2,970	¥1,672	$15,064
Increase due to acquisition of property, plant and equipment	210	—	—
Reconciliation associated with passage of time	8	11	99
Reconciliation associated with changes in accounting estimates	650	1,702	15,335
Decrease due to the fulfillment of asset retirement obligations	(2,036)	(538)	(4,847)
Others	(130)	(2)	(18)
Ending balance	¥ 1,672	¥2,845	$25,633

Note: The ending balance of asset retirement obligations includes ¥200 million ($1,802 thousand) classified as "Other current assets" for the year ended March 31, 2019.

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

Brick Holding GmbH

Description of business

Production and sale of automotive interior materials

2) *Main reason for undertaking the business combination*

The business combination was undertaken to accelerate global expansion of the automotive-related business by acquiring production and sales bases for automotive interior materials in Europe, North America and Asia, and to raise corporate value by utilizing Brick Holding GmbH's production and processing technologies of the nonwoven fabric aligning with Teijin Frontier Co., Ltd.'s R&D and production functions for yarn and staple fiber.

3) *Date of business combination*

August 30, 2018

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*

Teijin Frontier Co., Ltd., a consolidated subsidiary of the Company, acquired the shares for cash consideration.

(2) Period of financial results of the acquired company included in the consolidated financial statements

From October 1, 2018 to March 31, 2019

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

Consideration for the acquisition

Cash	¥9,555 million ($86,089 thousand)
Acquisition cost	¥9,555 million ($86,089 thousand)

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

Advisory expenses	¥147 million ($1,324 thousand)

(5) Amount of goodwill recorded, reasons for recording goodwill, amortization method and amortization period

1) *Goodwill recorded* ¥8,026 million ($72,313 thousand)

2) *Reasons for recording goodwill*

Goodwill arose from excess earning power expected from future business development.

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	¥ 3,471 million	($ 31,273 thousand)
Fixed assets	¥ 8,404 million	($ 75,719 thousand)
Total assets	¥11,875 million	($106,992 thousand)
Current liabilities	¥ 8,482 million	($ 76,421 thousand)
Non-current liabilities	¥ 1,614 million	($ 14,542 thousand)
Total liabilities	¥10,096 million	($ 90,963 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	¥2,907 million	($26,192 thousand)
Technology-related assets	¥1,982 million	($17,857 thousand)

2) Weighted-average amortization period overall

Customer-related assets	10 years
Technology-related assets	10 years
Total	10 years

(8) Estimated amount and its calculation methods of the impact of the business combination on the consolidated statements of income for the fiscal year, assuming that the business combination had been completed at the beginning of the fiscal year

The estimated amount of the impact is not presented as it cannot be reasonably calculated.

Note 20. Subsequent events

(Transfer of subsidiaries' shares)

The Company decided at a Board of Directors meeting held on April 26, 2019 to sell all of its shares in its consolidated subsidiaries Teijin Film Solutions Limited ("TFS") and PT. Indonesia Teijin Film Solutions ("ITFS") to Toyobo Co., Ltd. ("Toyobo"), and concluded a share transfer agreement with Toyobo on May 22, 2019.

1. Reason for the transfer

The Teijin Group has taken various measures to strengthen the competitiveness of its polyester film business, including the integration of its Japanese polyester film production bases to its Utsunomiya plant in 2016. Also, Teijin acquired the interests owned by E.I. du Pont de Nemours and Company ("DuPont") in joint ventures in Japan and Indonesia and converted them into wholly owned subsidiaries to improve flexibility in business operations and speed up decision-making processes. As a result, Teijin has strengthened the profitability of its polyester film business to a certain level, but this decision was reached in view of further growth for TFS and ITFS and the optimal allocation of the Teijin Group's management resources.

2. Name of the share transfer counterparty

Toyobo Co., Ltd.

3. Date of the transfer

October 1, 2019 (tentative)

4. Name and business activities of the subsidiaries to be transferred and business relationship with the Company

(1) Overview of TFS

(a) Name:
Teijin Film Solutions Limited

(b) Business activities:
Film production and sales

(c) Business relationship with the Company:
The Company sells raw materials to TFS.

(2) Overview of ITFS

(a) Name:
PT. Indonesia Teijin Film Solutions

(b) Business activities:
Film production and sales

(c) Business relationship with the Company:
There is no business relationship to be stated.

5. Transfer price, number of shares to be transferred, and shareholding ratio after the share transfer

(1) Transfer price
The planned consideration for TFS and ITFS is around ¥10.0 billion, however settlement will include certain adjustments on the transfer date.

(2) Number of shares of the target companies to be transferred
TFS: 1,000 shares
ITFS: 378,000 shares (including 10 indirectly held shares)

(3) Shareholding ratio after the share transfer
0% for both TFS and ITFS (0 shares held)

Independent Auditor's Report

KPMG

Independent Auditor's Report

To the 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, 2018 and 2019, and the consolidated statements of income, 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, 2018 and 2019 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, 2019 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 20, 2019
Tokyo, Japan

Independent Assurance Report

KPMG

Independent Assurance Report

To the President and CEO of Teijin Limited

We were engaged by Teijin Limited (the "Company") to undertake a limited assurance engagement of the environmental and social performance indicators marked with a red star ★ (the "Indicators") for the period from April 1, 2018 to March 31, 2019 included in its Teijin Group Integrated Report 2019 (the "Report") for the fiscal year ended March 31, 2019.

The Company's Responsibility

The Company is responsible for the preparation of the Indicators in accordance with its own reporting criteria (the "Company's reporting criteria"), as described in the Report.

Our Responsibility

Our responsibility is to express a limited assurance conclusion on the Indicators based on the procedures we have performed. We conducted our engagement in accordance with the 'International Standard on Assurance Engagements (ISAE) 3000, Assurance Engagements other than Audits or Reviews of Historical Financial Information' and the 'ISAE 3410, Assurance Engagements on Greenhouse Gas Statements' issued by the International Auditing and Assurance Standards Board. The limited assurance engagement consisted of making inquiries, primarily of persons responsible for the preparation of information presented in the Report, and applying analytical and other procedures, and the procedures performed vary in nature from, and are less in extent than for, a reasonable assurance engagement. The level of assurance provided is thus not as high as that provided by a reasonable assurance engagement. Our assurance procedures included:

- Interviewing the Company's responsible personnel to obtain an understanding of its policy for preparing the Report and reviewing the Company's reporting criteria.
- Inquiring about the design of the systems and methods used to collect and process the Indicators.
- Performing analytical procedures on the Indicators.
- Examining, on a test basis, evidence supporting the generation, aggregation and reporting of the Indicators in conformity with the Company's reporting criteria, and recalculating the Indicators.
- Visiting the Company's Mishima Factory selected on the basis of a risk analysis.
- Evaluating the overall presentation of the Indicators.

Conclusion

Based on the procedures performed, as described above, nothing has come to our attention that causes us to believe that the Indicators in the Report are not prepared, in all material respects, in accordance with the Company's reporting criteria as described in the Report.

Our Independence and Quality Control

We have complied with the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which includes independence and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior. In accordance with International Standard on Quality Control 1, we maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

KPMG AZSA Sustainability Co., Ltd.

KPMG AZSA Sustainability Co., Ltd.
Tokyo, Japan
September 17, 2019

Corporate Data

As of March 31, 2019

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
	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	197,953,707 shares
Paid-In Capital	¥71,833 million
Shareholders	87,518
Number of Teijin Group Companies	Japan 61 Overseas 111 Total 172
Number of Teijin Group Employees (Consolidated)	Japan 9,473 Overseas 11,198 Total 20,671
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.
Annual Meeting of Shareholders	The annual meeting of shareholders is held before the end of June.
Independent Public Accountants	KPMG AZSA LLC
Website	https://www.teijin.com Teijin's website 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, Investor Relations Department, Kasumigaseki Common Gate West Tower, 2-1, Kasumigaseki 3-chome, Chiyoda-ku, Tokyo 100-8585, Japan

Editorial Policy

The Teijin Group Integrated Report 2019 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 2018 to March 2019. However, some activities in or after April 2019 are also included.

Reporting Organizations

The report covers the entire Teijin Group (Teijin Limited and 61 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)
GRI Sustainability Reporting Standards

Referencing the "Guidance for Collaborative Value Creation"

This report references the "Guidance for Collaborative Value Creation" formulated by the Japanese Ministry of Economy, Trade, and Industry.

Environment Social Governance
Guidance for Collaborative Value Creation

Materiality and Comprehensiveness

The Teijin Group Integrated Report 2019 provides reporting on highly material issues for the Teijin Group and society as a whole. For more comprehensive and detailed information, please refer to Teijin's corporate website in conjunction with this report.

Financial Information

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

Non-Financial Information

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

External ESG Evaluations and Stock Selections (as of August 2019)

Status of inclusion in SRI indices

MEMBER OF Dow Jones Sustainability Indices In Collaboration with RobecoSAM

FTSE4Good

ETHIBEL EXCELLENCE

Included in JPX-Nikkei Index 400

JPX-NIKKEI 400

Included in all 4 ESG indices used by GPIF

MSCI Japan ESG Select Leaders Index

MSCI Japan Empowering Women Index (WIN)

FTSE Blossom Japan

S&P/JPX Carbon Efficient Index

Included in three stock selections based on excellent ESG performance
(jointly sponsored by the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange)

NADESHIKO BRAND 2019

2019 健康経営優良法人 Health and productivity ホワイト500

2019 攻めのIT経営銘柄 Competitive IT Strategy Company

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.

WE SUPPORT UN GLOBAL COMPACT

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.

TEIJIN

TEIJIN LIMITED

https://www.teijin.com

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