

We will steadily push with determination to supports the society



Opening Words

I would first like to offer my thoughts and prayers to those who have contracted COVID-19 and their families. In addition, I would like to express my profound respect and gratitude to all relevant parties who are working every day to treat the disease and prevent its further spread. To address the spread of COVID-19, we will continue to proactively engage in various initiatives and activities that make full use of our products, services, and know-how so that we can contribute to society and protect the safety of patients, business partners, and Group employees and their families.

Outlining the Road to Becoming a Company That Supports the Society of the Future

We formulated our previous medium-term management plan in 2017. At the same time, we adopted our long-term vision of “to be a company that supports the society of the future,” in order to realize management focused on the next 10 years. This vision reflects our aim to realize a sustainable world by expanding our businesses into areas where the Group’s strengths

Jun Suzuki

**President and CEO,
Representative Director of the Board**

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 and Executive Officer in June 2013. Appointed President and Chief Executive Officer (CEO) in April 2014.

forward become a company that of the future.

overlap with social issues, namely “Environmental Value Solutions,” “Safety, Security, and Disaster Mitigation Solutions,” and “Demographic Change and Increased Health Consciousness Solutions.”

Under the previous plan, we took on various challenges to realize our long-term vision. Rather than focusing solely on positive and negative impacts in terms of profits, we pursued efforts based on whether we can realize long-term growth and whether we can contribute to the resolution of social issues. By doing so, we gradually became better at focusing on the accomplishments we need to make. Furthermore, under the new medium-term management plan, we have reinforced our approach toward our long-term vision and the three aforementioned solutions by incorporating into our efforts the concepts of the Sustainable Development Goals (SDGs), which align perfectly with the direction to where we are aiming as a company. We also identified important social issues (materiality) by considering our vision for the Company by 2030 and then thinking backwards on what we need to do to achieve that vision. In these ways, we better clarified the direction of our efforts to realize a sustainable world. I also believe we took a significant

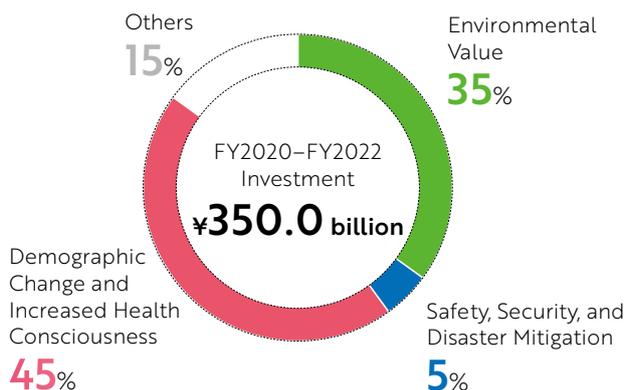
step in terms of reducing our environmental impact by establishing long-term targets for fiscal 2030, 10 years in the future, and placing the same level of importance on these targets as we do on our management indicators.

Growing together with society while resolving social issues is not something we can do overnight. Our strengths do not lie in businesses that can suddenly change the world or businesses that simply follow trends. Rather, our strengths focus more on bringing about gradual change in society and providing products and services that are needed for the society of the future, more so than what is needed in today's society. These strengths encapsulate the true meaning of our long-term vision. I believe the perfect world is one in which people find themselves using our products and services in their daily lives, before they even realize it.

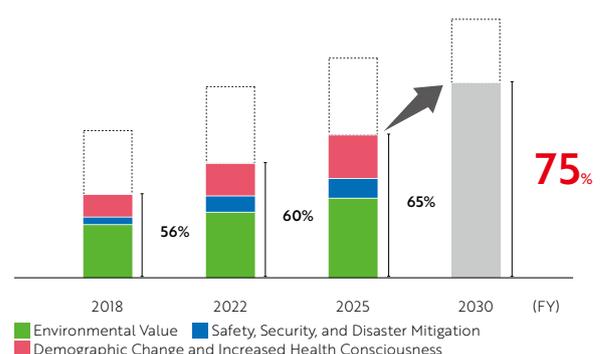
Pushing Forward to Achieve Our Vision without Stopping

Although COVID-19 will impact our management over the short term, we have not made any changes to our medium- to long-term management policies and strategies. The Group's financial structure has dramatically

Prioritizing Investments for the Three Solutions and Allocating 85% of All Investments in the Three Solutions (Capital Expenditures and M&As)



Sales of the Three Solutions to Account for 75% of Total Sales by Fiscal 2030



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improved compared with its condition during fiscal 2008, when the global financial crisis occurred, and we have also realized growth in the Healthcare and IT businesses and made strides in transforming our portfolio in the Material Business. As a result, we are now able to generate stable cash flows. Based on these circumstances, while there is a need for us to enact an emergency response to the current situation, there is no need for us to change our vision for the future. Rather, we will actually take proactive steps in areas that will help us reach that vision faster.

When it comes to Environmental Value Solutions, our lineup of high-performance materials related to mobility provides us with a major strength. Even though we are facing a temporarily challenging situation at the moment in light of such factors as the decline in demand for automobiles and aircraft due to the impact of COVID-19, there has been no change in the social need for lightweight materials, meaning the demand for such materials should return to normal over the long term. Our Safety, Security, and Disaster Mitigation Solutions are a field in which we can make contributions through our sturdy and lightweight materials. These solutions involve products and services that are absolutely necessary to society, such as infrastructure equipment, safety gear, and protective clothing. As all of the solutions we offer represent areas where a certain amount of time is needed for research and development, it is imperative that we push forward to achieve our vision without stopping.

With that said, we do need to carefully examine the pros and cons of executing major investments that were decided upon before the spread of COVID-19, in addition to the timing of these investments. Some examples of which are investments in aramid, carbon fibers, and composites, as demand for these materials may not be completely restored within around a year's time. In addition to observing the status of competitors, our own condition, the social environment, and other aspects, we are working to gain a detailed understanding of the conditions in each business as well as the circumstances for each application our materials are being used for. Businesses that can turn a high profit are naturally sought after by other companies, and we have had tough experiences in the past with competitors catching up to us during times when demand has been stagnant. Accordingly, we must strictly monitor the economic environment as it appears as well as what is actually occurring behind the scenes.

In addition, we expect that the environment in the field of Demographic Change and Increased Health Consciousness Solutions will completely change due to the impact of COVID-19. Leveraging the connections we have cultivated with medical institutions and patients through our pharmaceutical and home healthcare businesses, we are working to provide comprehensive

community-based healthcare services. Our original vision for these services is to realize remote healthcare services and businesses involving medical services not covered by public health insurance, and this will likely be achieved faster than expected due to the spread of COVID-19.

As people become more comfortable with paying out of pocket for medical examinations or spending money on private insurance than before, we can probably expect an increase in competitors entering these markets.

Accordingly, we are maintaining both a sense of expectation and a sense of crisis.

Creating Growth Platforms through Areas of "Strategic Focus" and "Profitable Growth"

Under the previous medium-term management plan, we adopted "establish new core businesses and transform business models" as our transformation strategy and "strengthen core earnings power by accelerating growth in existing businesses" as our growth strategy. As a result of pursuing these strategies, we were able to clearly distinguish between businesses that will provide a source for profits in the future and businesses where we can further expand profits, which in turn allowed us to determine prioritized business areas. In the Materials Business Field, we executed strategic investments largely according to plan centered on expanding the composites business, which included the acquisition of Continental Structural Plastics Holdings Corporation (CSP) in January 2017. While there were both positive and negative developments if we look at each individual business, from an overall standpoint, I believe we made solid progress toward our future vision. While we are working to expand new businesses in the Healthcare Business Field, under the previous plan we did not produce significant results as we were unable to carry out large-scale M&As. We have taken careful steps to plant seeds in this business field, and we find ourselves in a situation where we are waiting for these seeds to grow. Our average EBITDA over the three-year period from fiscal 2017 to fiscal 2019 was ¥110.1 billion, up ¥15.4 billion compared with our average EBITDA over the period from fiscal 2014 to fiscal 2016. EBITDA for fiscal 2019 alone stood at ¥107.2 billion, and while this fell a bit short of our goal of over ¥120.0 billion, I still view this as a solid accomplishment.

Under the new medium-term management plan, we position businesses that need to be developed in order to secure future profits as "Strategic Focus" businesses and businesses that are already generating profits but need to be grown further as "Profitable Growth" businesses. We have set our investment level at ¥350.0 billion, which is ¥100.0 billion higher than the total investments carried out during the previous medium-term management plan. With this amount, we aim to create growth platforms while engaging in proactive resource investment. Although it will be the period after

the new plan when we start recording significant results, we forecast that our investment projects will start contributing to profit growth in fiscal 2022; and by fiscal 2023 onward, we expect to be firmly settled in on our path for growth. While the new medium-term management plan constitutes a three-year strategy, we position the execution of the plan as a definitive move toward achieving our vision for 10 years in the future. For example, our investment projects under the new plan serve as initiatives geared toward 2025 and 2030.

We expect that the EBITDA of Strategic Focus businesses will account for one-third of total EBITDA by fiscal 2030. First, in regard to automotive composites, we anticipate that CSP will regain positive operating income after amortization of goodwill by fiscal 2022. We initially thought this return to profitability would happen sooner, but various issues materialized over the period of the previous medium-term management plan, including soaring labor costs and worsening yield rates. At the moment, CSP is making genuine progress with efforts to improve its productivity. While it may be difficult to achieve in the near future due to the impact of COVID-19, CSP aims to reach the 10% level for operating margin before amortization of goodwill and is continuing to pursue efforts to further expand its share as the largest Tier 1 supplier in North America.

For carbon fiber intermediate materials for aircraft, we have been promoting such efforts as increasing our pipeline for over 10 years. This is a business where it takes an extremely long time to achieve results, but we are slowly starting to see some accomplishments being made. In this business, there is a need for cost-competitive products that also have high functionality, and we are focusing our efforts on products that make use of thermoplastic resins and non-crimp fabrics. In order to have our structure components verified by major aircraft manufacturers, we are currently promoting investment in launching a new factory in North America. The three-year period of the new medium-term management plan is

positioned as a time for upfront investment in this regard. As the aircraft business has been heavily impacted by the COVID-19 crisis, we need to proceed carefully with our planned projects.

In terms of large-scale M&As in the Healthcare Business Field, which has been an issue, the value of investment projects is not necessarily declining due to the impact of COVID-19, and there are actually companies whose worth is increasing under these circumstances. Accordingly, we are still facing a challenging situation. There are target companies valued at over 20 to 30 times their EBITDA as well as companies that come with high value even before sales can be recorded. With this in mind, we need to be prudent about investment if we cannot say for certain that a project will meet an area in which we are lacking and will exert synergies and realize significant growth after executing acquisition. In terms of supplementing an area of deficiency, we have been coming up with numerous ideas on how to accomplish this—and we therefore aim to capitalize on opportunities for large-scale acquisitions while continuing to actively pursue small to medium-sized projects. Going forward, we will strive to steadily grow new healthcare businesses such as functional foods, comprehensive community-based healthcare systems, and new medical devices.

We have high expectations to generate cash in our Profitable Growth businesses. In the Material Business, the aramid business has been performing extremely well, achieving a particularly high level of profitability. Accordingly, we expect annual sales growth of 5% to 7% in this business, which will be realized through our efforts thus far to run at nearly full operation and improve productivity. As the aramid business currently boasts a high presence across the globe, under the previous medium-term management plan we decided to bolster the production capacity of this business through significant capital expenditures. We intend to increase production capacity by 25% or more compared with fiscal 2017 and, although there may be a short-term slowdown in

Business Portfolio

	Strategic Focus Businesses	Profitable Growth Businesses
Materials	<ul style="list-style-type: none"> ■ Automotive composites ■ Carbon fiber intermediate materials for aircraft 	<ul style="list-style-type: none"> ■ Aramid ■ Carbon fibers ■ Resin and plastic processing ■ Separators/Membranes
Healthcare	<ul style="list-style-type: none"> ■ New business related to comprehensive community-based healthcare systems ■ Functional foods ■ New healthcare businesses (orthopedics and new medical devices) 	<ul style="list-style-type: none"> ■ Pharmaceuticals ■ Home healthcare
Others	—	<ul style="list-style-type: none"> ■ Fibers & Products Converting ■ IT

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demand due to the current COVID-19 crisis, we will commence mass production in fiscal 2022. By doing so, we expect that this business will be able to capture the majority of growth in the market. I feel it is a major accomplishment for us to have established an environment where we can further grow the aramid business.

Additionally, in the Healthcare Business, we will integrate the organizations of our existing pharmaceutical and home healthcare businesses as we work to enhance productivity and promote cost-reducing structural reform. In terms of minimizing the impact from the emergence risk of generic versions of *FEBURIC* (febuxostat), our mainstay pharmaceutical, starting from fiscal 2022, we need to get our management under this new organizational structure up to speed. While we are currently making solid efforts to cultivate new businesses in the Healthcare Business Field, we by no means intend to withdraw from our existing businesses. There are countless people who depend on our pharmaceuticals and medical devices, and as such we will continue to focus on such efforts as the research and development of new medical treatments and new drugs.

▶ P.30 Business Strategy 

Creating Frameworks to Help Spur Innovation

With the new medium-term management plan, we will create frameworks to help spur innovation to a greater extent than ever before. We established an organization to examine and execute M&As on a Groupwide level, starting in fiscal 2019. In addition, in April 2020 we established the Innovation Promotion Organization. Through this organization, we will investigate and nurture new business domains for the next generation and provide support to R&D and new business development from Groupwide and long-term perspectives. The purpose of this organization for promoting innovation is not to realize technological breakthroughs but rather to ultimately create new businesses and ensure their success. Furthermore, in February 2020 we established Teijin Automotive Center Europe in Germany. This automotive center handles the design, planning, and prototyping of automotive composites, among other functions. Through this automotive center we will strengthen our proposal-making capabilities in Europe, where automobile manufacturing needs to be carried out at a very high level. There is also a high level of environmental awareness and sensitivity in Europe, and we therefore plan to establish a new technological development center in the region during fiscal 2020. With this new center, we will focus on eco-friendly fields and examine future policies and initiatives while gathering information from Japan and the United States, using this center as a Groupwide hub.

Also, we will continue our efforts to further expand collaborative businesses born out of integration between businesses, such as integration between the Material and Healthcare businesses, the Material and IT businesses, and the Healthcare and IT businesses. For example, the Material Technology Center has been promoting research in Strategic Focus business domains as well as domains where our Material and Healthcare businesses overlap. Through such research, we will expand into new domains one after the other. Also, it will almost certainly not be enough for us to realize our long-term vision with only the technologies and resources we possess, which means it is extremely important to promote alliances and collaborations with external organizations. These can come in the form of majority investments, minority investments, or even collaborations in which we do not acquire capital. The first step in this process is fostering an awareness among employees of the importance of working together with external organizations to expand our business horizons and complement areas where our businesses are lacking. When attempting to spur innovation in areas that closely relate to our existing businesses, there are certainly approaches that differ from past conventions, and at times conflicts can occur. We therefore place value on striking a balance between promoting thorough initiatives toward our existing businesses and striving to spur innovation to ensure the success of new businesses. Moving forward, we recognize the need to create organizations and frameworks to help us achieve that balance.

We will also continue to place emphasis on diversity and inclusion as a means to help spur innovation. In fiscal 2019, the final year of the previous medium-term management plan, we appointed Karola Japke, a German woman, to the post of chief human resources officer. Ms. Japke played a leading role in formulating diversity and inclusion initiatives and KPIs for the new medium-term management plan with a focus on the long term. Going forward, we will accelerate the promotion of diversity and inclusion not only in Japan but also on a global level.

▶ P. 42 The Teijin Group's Innovations

▶ P. 58 Promotion of Diversity and Inclusion 

Taking Action toward Important Social Issues (Materiality) and KPIs Derived from Our Future Vision

Every year in July, members of the Company's top management gather at a Company seminar house to discuss management issues. One major theme of these discussions in fiscal 2018 was the SDGs and the environment. The representative directors from Teijin Aramid B.V. in the Netherlands, CSP in the United States, and other Group companies also gathered at this event, where

broad-minded, positive discussions were held from the morning into the evening. These discussions became an extremely positive opportunity for us to come together to determine the kind of social issues we need to address from a wide array of perspectives, including the regulations in Europe and the approaches taken in the United States. Additionally, at these discussions in fiscal 2019, the CSR officer played a leading role in creating an SDGs pyramid, which summarized how each business is contributing to society. Based on this tree, we were able to create a value creation story for each business. At the same time, we conducted an analysis that broke down social issues from the perspectives of both risks and opportunities. This analysis resulted in the identification of the materiality found in the new medium-term management plan.

Also, the new medium-term management plan lays out long-term targets for reducing our environmental impact. These newly announced targets were agreed upon across the Group. By placing the same level of importance on these environmental KPIs as we do with our financial indicators, we aim to achieve both business growth and environmental impact reduction even amid a time of crisis, like the situation we face today. We are strongly committed to this vision and we will push forward to achieve it without stopping.

▶ P. 44 The Teijin Group's Materiality 

Contributing to the Environment throughout the Entire Product Life Cycle

Efforts to reduce environmental impact usually start with products that are produced in large quantities. For example, the practice of recycling, reusing, and reducing commodity plastics is firmly entrenched across the world. At the Teijin Group, we are already pursuing efforts to help with this practice, such as polyester production. However, our efforts to consider how to develop high-performance fibers and composites—some of the materials we intend to grow going forward—in an eco-friendly manner are something that has yet to be promoted on a global scale. As I mentioned earlier, we can help reduce CO₂ emissions by making vehicles more lightweight. This alone is not enough, however, and we need to consider how to reduce the environmental impact across the entire product life cycle, from the production process through to disposal. If any point of this life cycle has a negative impact on the environment, then the value of the solutions we offer declines. There are many issues we need to resolve in this regard going forward, including the scrapping of automobiles and aircraft.

In addition, we have been producing a significantly greater amount of waste since the inclusion of CSP into the scope of consolidation due to an increase in

production. To address this issue, we have determined new targeted values for our resource recycling KPIs related to reducing landfill waste under the new medium-term management plan and are working to promptly establish systems for separating and recovering landfill waste.

▶ P. 46 Reduction of Environmental Impact 

Closing

We are gradually moving forward on a path toward realizing our long-term vision to become a company that supports the society of the future. Even under the challenging market environment, which will be impacted by COVID-19 in the short term, we believe that our businesses should not simply generate a profit but rather contribute to the resolution of social issues. Based on this belief, we will continue to make concerted efforts to realize growth together with society. I would like to ask our shareholders and other investors for their continued support as we pursue these endeavors over the long term.



Jun Suzuki

President and CEO,
Representative Director of the Board

