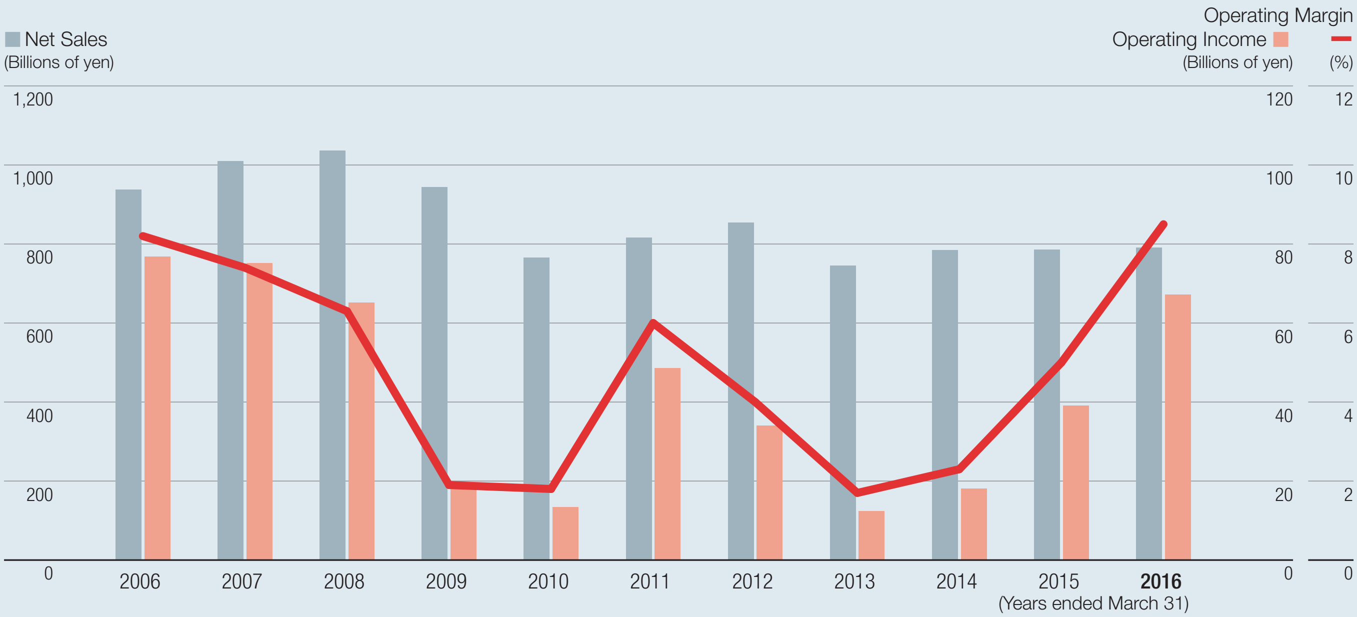
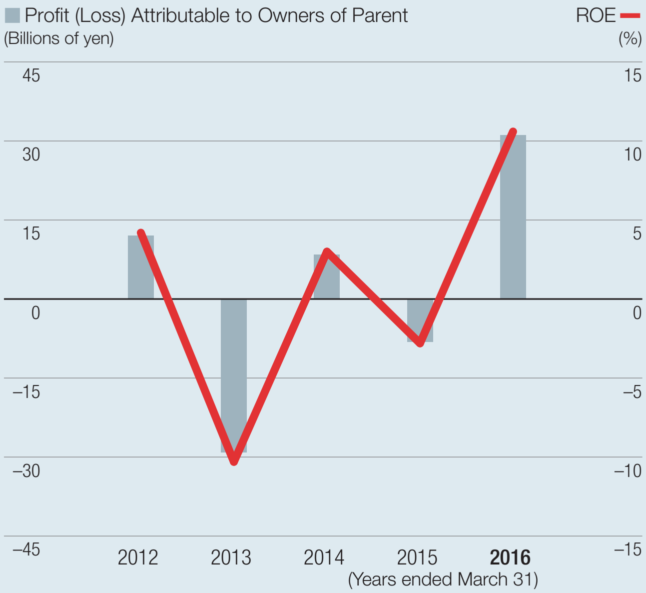
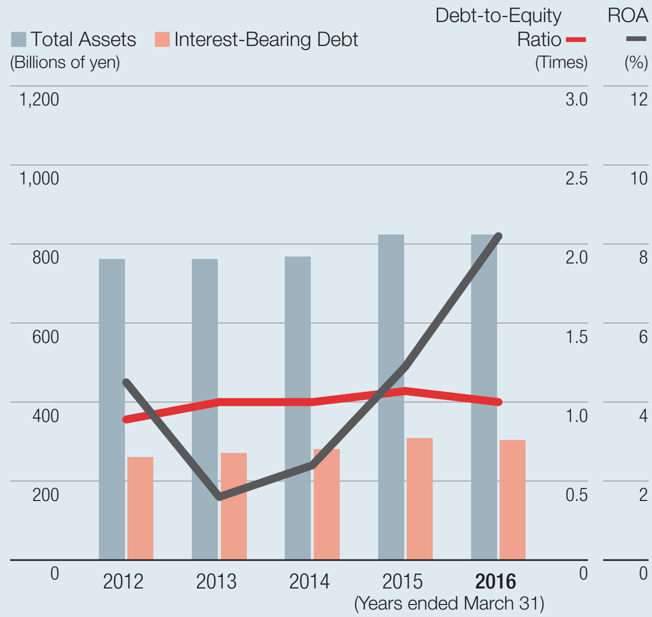
Financial Highlights and Consolidated 11-Year Summary



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

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





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

Notes: 2. Throughout this integrated report, return on equity (ROE) is calculated as net income divided by average shareholders' equity, and return on assets (ROA) is calculated as operating income divided by average total assets.

3. The debt-to-equity ratio is calculated as interest-bearing debt at year-end divided by shareholders' equity at year-end.

Management's Discussion and Analysis

Summary

Operating Environment

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

Strategies in Action

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

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

Operating Results

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

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

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

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

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

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

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

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

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

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

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

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

Tasks Ahead

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

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

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

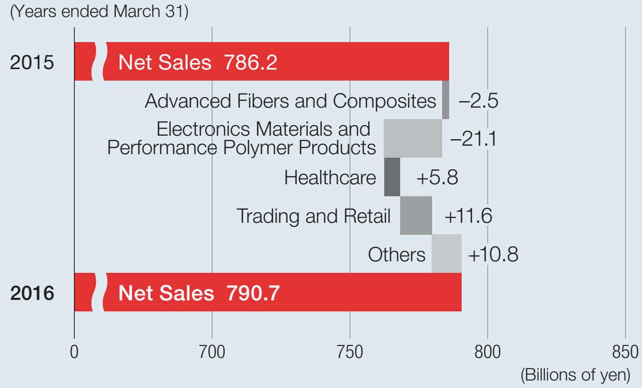
Results of Operations

Net Sales

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

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

Analysis of Net Sales
(Years ended March 31)

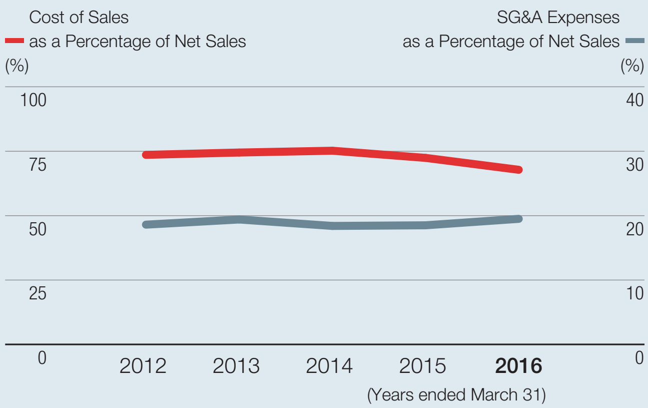


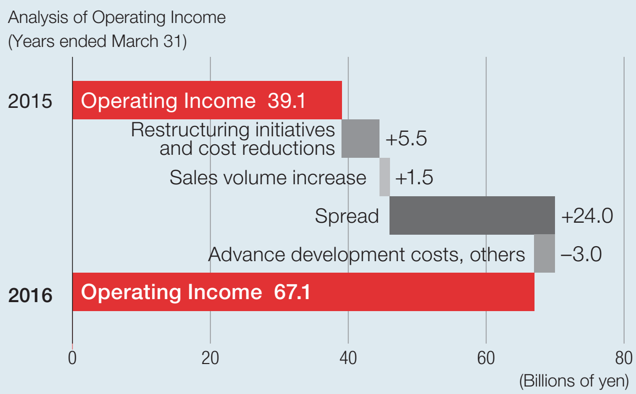
Costs and Expenses

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

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

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





Operating Income

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

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

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

Other Income (Expenses)

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

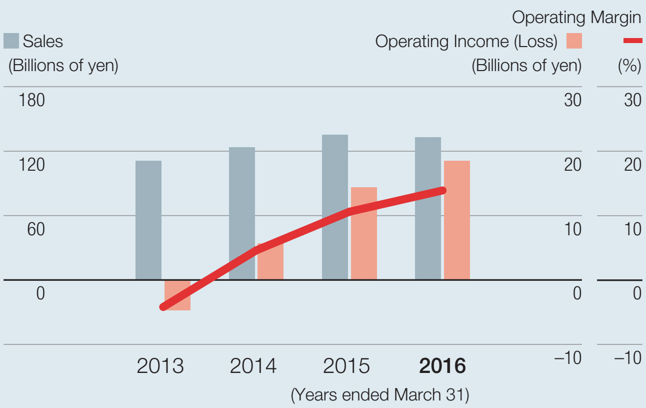
Profit (Loss) Attributable to Owners of Parent

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

Business Segment Results

Advanced Fibers and Composites

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



High-Performance Fibers

■ Sales remained firm for automotive applications.

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

Sales of *Teijinconex* meta-aramid fibers were robust for use in automotive applications such as turbocharger hoses, as well as protective clothing and industrial applications, despite persistently adverse conditions in the market for filter applications.

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

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

Carbon Fibers and Composites

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

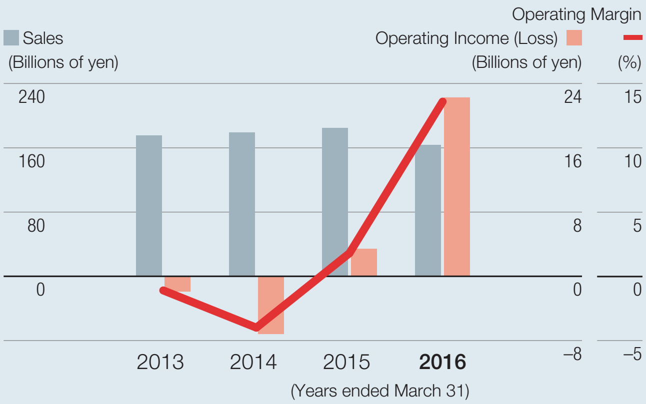
Sales of *TENAX* carbon fibers for use in aircraft were favorable. In other areas, sales for use in general industrial applications were robust. However, the supply-demand balance softened for sports and leisure equipment applications in Asia from midway through 2015. Sales of Oxidized PAN fiber *Pyromex*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

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

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

Electronics Materials and Performance Polymer Products

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



Resin and Plastics Processing

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

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

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

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

Films

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

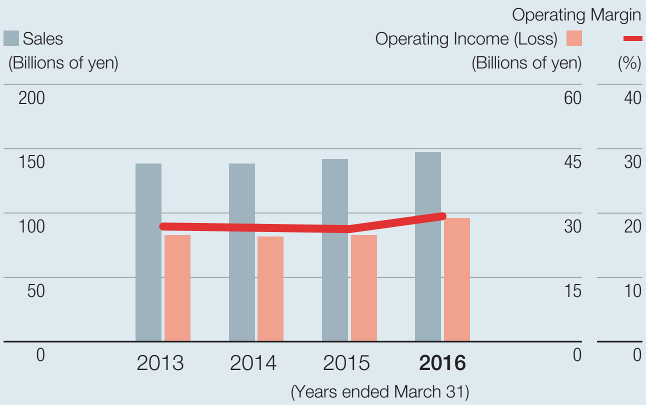
We faced an uphill struggle as the emergence of manufacturers from China intensified competition in the area of reflective films for use in liquid crystal display (LCD) televisions, and demand for use in special packaging for beverage cans and other items remained weak. However, we posted firm sales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

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

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

Healthcare

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



Pharmaceuticals

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

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

Sales of febuxostat also continued to expand encouragingly overseas. We have secured exclusive distributorship agreements for febuxostat covering 117 countries and territories. The drug is currently sold in 57 of these countries and territories (including Japan), and we are in the process of obtaining regulatory approval to make it available in the others.

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

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

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

Home Healthcare

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

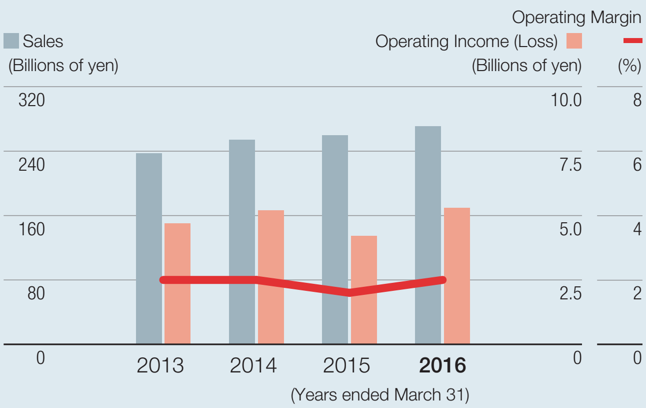
In the home healthcare business, we currently provide services to more than 400,000 individuals in Japan and overseas. In Japan, rental volume for mainstay therapeutic oxygen concentrators for home oxygen therapy (HOT) remained firm, thanks to the release of new models *Hi-Sanso 5S* and *Hi-Sanso Portable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

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

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

Trading and Retail

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



Fiber Materials and Apparel

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

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

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

Industrial Textiles and Materials

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

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

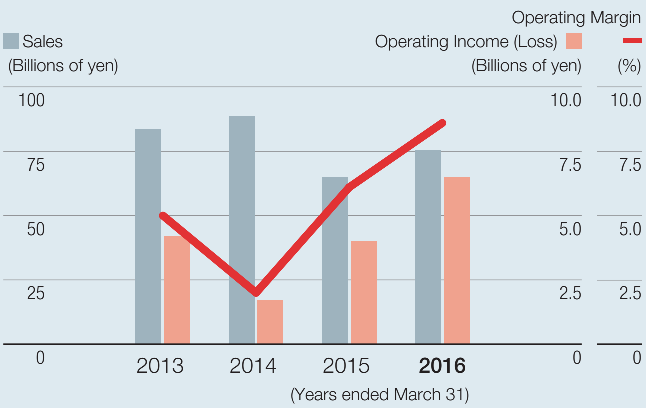
In textiles and related materials, in the Japanese market, sales were firm in the civil engineering, agriculture, fisheries and packaging fields, as well as in products related to nonwoven fabrics, despite weak sales of membrane materials such as decorative tent fabrics and products in the filter field.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

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

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

Others

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



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

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

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

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

* The IoT is a concept that describes the interconnection of a vast array of devices worldwide via the Internet. Such advanced connectivity will facilitate the realization of a wide range of new services.

Financial Position

Analysis of Assets, Liabilities, Net Assets and Cash Flows

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

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

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

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

Assets, Liabilities and Net Assets

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

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

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

■ Cash Flows

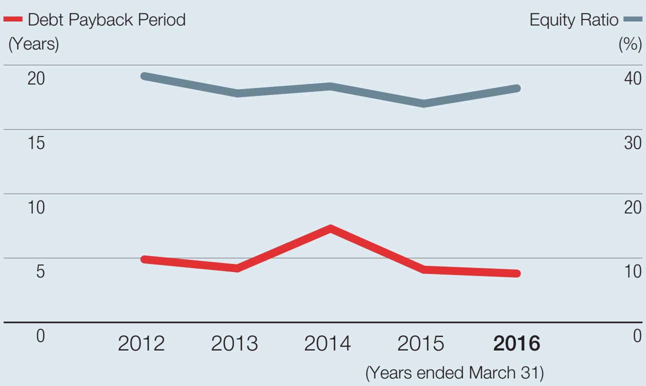
Net cash and cash equivalents provided by operating activities in fiscal 2015 amounted to ¥80.6 billion. This result reflected a substantial increase in income before income taxes, along with the impact of non-cash items such as depreciation and amortization, and impairment loss.

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

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

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

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



Outlook for Fiscal 2016

Forecast for Operating Results

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

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

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

Forecast for Financial Position

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

Risk Factors

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

Market-Related Risk

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

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

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

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

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

Product Quality Risk

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

R&D-Related Risk

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

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

Risks Related to Overseas Operations

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

Risks Related to Accidents and Disasters

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

Consolidated Balance Sheets

TEIJIN LIMITED As of March 31, 2015 and 2016

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

See accompanying Notes to Consolidated Financial Statements.

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

Consolidated Statements of Operations

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

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

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

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Comprehensive Income

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

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

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Changes in Net Assets

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

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

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

See accompanying Notes to Consolidated Financial Statements.

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

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

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

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

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

See accompanying Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements

TEIJIN LIMITED

Note 1 Basis of presenting consolidated financial statements

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

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

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

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

Note 2 Summary of significant accounting policies

Consolidation

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

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

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

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

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

Statements of cash flows

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

Allowance for doubtful accounts

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

Securities

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

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

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

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

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

Inventories

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

Property, plant and equipment

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

Intangible assets

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

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

Research and development expenses

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

Retirement benefits

Employees

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

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

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

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

(Application of Accounting Standard for Retirement Benefits)

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

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

Liabilities arising from the application of the equity method

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

Provision for business structure improvement

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

(Change in accounting estimates)

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

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

(Change in accounting estimates)

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

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

Derivatives and hedge accounting

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

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

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

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

Income taxes

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

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

Translation of foreign currency

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

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

Net income (loss) per share

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

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

Year ended March 31, 2015

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

Year ended March 31, 2016

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

(Changes in accounting principles, procedures and presentation methods)

(1) Application of Revised Accounting Standard for Business Combinations

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

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

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

(Accounting standards issued but not yet effective)

(1) Implementation Guidance on Recoverability of Deferred Tax Assets

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

1. Outline

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

   (i) accounting treatments for entities which are not included in any Category,
   (ii) criteria as to the classification of entities in Category 2 and Category 3,
   (iii) accounting treatments of unscheduled deductible temporary differences for entities in Category 2,
   (iv) accounting treatments for deductible temporary differences for entities in Category 3, which are scheduled to be deductible after five years
   (v) accounting treatments for entities in Category 4 in the current fiscal year, which are expected to be included in Category 2 or Category 3 in the following year.

2. Timing of adoption

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

3. Impact of the adoption of the Implementation Guidance

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

(Reclassifications and restatements)

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

Note 3 Statements of cash flows

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

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

(2) Important non-cash transactions

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

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

Note 4 Fair value of financial instruments

(1) Qualitative information on financial instruments

(a) Policies for using financial instruments

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

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

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

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

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

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

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

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

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

(c) Supplementary information on fair values

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

(2) Fair values of financial instruments

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

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

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

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

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

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

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

Assets

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

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

(4) Marketable securities and investment securities

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

(5) Long-term loans receivable

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

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

Liabilities

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

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

(3) Bonds

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

(4) Long-term loans payable

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

Derivative transactions

See Note 6, “Derivative transactions.”

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

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

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

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

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

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

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

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

See Note 8, “Loans payable.”

Note 5 Marketable securities and investment securities

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

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

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

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

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

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

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

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

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

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

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

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

(c) Total sales of available-for-sale securities in the year ended March 31, 2016, and the related gains and losses amounted to ¥848 million ($7,526 thousand), ¥71 million ($630 thousand) and ¥81 million ($719 thousand), respectively.

(d) Available-for-sale securities with no fair values as of March 31, 2016, consisted mostly of non-listed equity securities and others amounting to ¥3,813 million ($33,839 thousand) and ¥1,575 million ($13,978 thousand), respectively.

(e) Impairment loss on available-for-sale securities of ¥567 million ($ 5,032 thousand) was recognized as of March 31, 2016.

Note 6 Derivative transactions

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

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

Currency-related derivatives

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

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

Currency-related derivatives: Principle-based method

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

Interest rate-related derivatives: Principle-based method

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

Interest rate-related derivatives: Special method

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

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

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

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

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

Currency-related derivatives

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

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

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

Currency-related derivatives: Principle-based method

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

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

Interest rate-related derivatives: Principle-based method

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

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

Interest rate-related derivatives: Special method

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

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

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

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

Note 7 Inventories

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

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

Note 8 Loans payable

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

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

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

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

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

Note 9 Employees' retirement benefits

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

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

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

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

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

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

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

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

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

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

(e) Severance and retirement benefit costs

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

(f) Remeasurements of defined benefit plans

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

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

(g) Accumulated remeasurements of defined benefit plans

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

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

(h) Composition of plan assets

The composition of plan assets was as follows:

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

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

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

(j) Actuarial assumptions

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(e) Severance and retirement benefit costs

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

(f) Remeasurements of defined benefit plans

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

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

(g) Accumulated remeasurements of defined benefit plans

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

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

(h) Composition of plan assets

The composition of plan assets was as follows:

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

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

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

(j) Actuarial assumptions

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

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

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

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

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

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

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

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

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

Note 10 Net assets

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

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

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

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

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

Note 11 Impairment loss

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

Impairment loss

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

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

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

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

Impairment loss

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

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

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

Note 12 Consolidated statements of comprehensive income

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

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

Note 13 Income taxes

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

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

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

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

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

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

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

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

Note 14 Leases

Operating leases as lessee

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

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

Note 15 Stock option plans

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

Teijin Limited

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Non-exercisable stock options

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

Exercisable stock options

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

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

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

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

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

Infocom Corporation

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

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

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

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

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

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

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

Non-exercisable stock options

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

Exercisable stock options

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

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

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

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

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

Note 16 Segment information

(1) Reportable operating segment information

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

The description of each segment is as follows:

Advanced Fibers and Composites:
- Production and sales of aramid fibers, carbon fibers, polyester fibers and composites for industrial applications

Electronics Materials and Performance Polymer Products:
- Production and sales of films and resins for various industrial applications

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

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

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

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

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

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

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

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

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

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

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

	Millions of yen		Thousands of U.S. dollars
Adjustment for net sales	2015	2016	2016
Reportable operating segments	¥758,252	¥749,125	$6,648,252
Others	84,868	92,817	823,722
Elimination of intersegment transactions	(56,949)	(51,194)	(454,331)
Net sales	¥786,171	¥790,748	$7,017,643

	Millions of yen		Thousands of U.S. dollars
Adjustment for operating income	2015	2016	2016
Reportable operating segments	¥ 46,833	¥ 74,929	¥ 664,973
Others	3,983	6,489	57,587
Elimination of intersegment transactions	129	(257)	(2,281)
Corporate expenses*	(11,859)	(14,031)	(124,521)
Operating income	¥ 39,086	¥ 67,130	¥ 595,758

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

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

Adjustment for assets	Millions of yen 2015	Millions of yen 2016	Thousands of U.S. dollars 2016
Reportable operating segments	$627,132	$598,598	$5,312,371
Others	79,121	92,145	817,758
Elimination of intersegment transactions	164,236	175,854	1,560,650
Corporate assets†	(46,794)	(43,168)	(383,102)
Total assets	$823,695	$823,429	$7,307,677

† Corporate assets are assets that cannot be allocated to individual reportable operating segments and are primarily related to investments of the parent company in “Cash and time deposits” and “Investment securities,” etc.

	Millions of yen			
	2015			
Other items	Reportable operating segments	Others	Adjustment	Total
Depreciation	¥36,572	¥2,213	¥1,985	¥40,770
Amortization of goodwill	2,309	(48)	—	2,261
Investments in associates accounted for using the equity method	31,947	10,535	—	42,482
Increase in tangible and intangible fixed assets	24,967	2,296	835	28,098

	Millions of yen			
	2016			
Other items	Reportable operating segments	Others	Adjustment	Total
Depreciation	¥32,805	¥2,413	¥1,745	¥36,963
Amortization of goodwill	1,818	113	—	1,931
Investments in associates accounted for using the equity method	28,747	10,583	—	39,330
Increase in tangible and intangible fixed assets	31,803	4,910	1,628	38,341

	Thousands of U.S. dollars			
	2016			
Other items	Reportable operating segments	Others	Adjustment	Total
Depreciation	$291,134	$21,415	$15,486	$328,035
Amortization of goodwill	16,134	1,003	—	17,137
Investments in associates accounted for using the equity method	253,594	123,376	—	376,970
Increase in tangible and intangible fixed assets	282,242	43,575	14,447	340,264

(4) Information by geographical segment

1. Net sales by region for the years ended March 31, 2015 and 2016 are as shown below:

Millions of yen					
2015					
Japan	China	Asia	Americas	Europe and others	Consolidated total
¥465,413	¥121,286	¥78,811	¥56,534	¥64,127	¥786,171

Millions of yen					
2016					
Japan	China	Asia	Americas	Europe and others	Consolidated total
¥473,320	¥116,833	¥76,362	¥56,645	¥67,588	¥790,748

Thousands of U.S. dollars					
2016					
Japan	China	Asia	Americas	Europe and others	Consolidated total
$4,200,568	$1,036,857	$677,689	$502,707	$599,822	$7,017,643

2. Tangible fixed assets by region as of March 31, 2015 and 2016 are as shown below:

Millions of yen						
2015						
Japan	China	Netherlands	Asia	Americas	Europe	Consolidated total
¥124,938	¥22,235	¥37,421	¥16,144	¥2,560	¥5,585	¥208,883

Millions of yen						
2016						
Japan	China	Netherlands	Asia	Americas	Europe	Consolidated total
¥124,030	¥18,370	¥31,663	¥20,602	¥3,299	¥5,303	¥203,267

Thousands of U.S. dollars						
2016						
Japan	China	Netherlands	Asia	Americas	Europe	Consolidated total
$1,100,728	$163,028	$280,999	$182,836	$29,278	$47,062	$1,803,931

(5) Information by major customer

Information for the year ended March 31, 2016, is omitted as no single customer accounted for more than 10% of consolidated net sales as reported in the consolidated statements of operations.

(6) Loss on impairment and goodwill by reportable operating segment

Losses on impairment by reportable operating segment for the years ended March 31, 2015 and 2016 are as shown below:

	Millions of yen						
	2015						
	Advanced Fibers and Composites	Electronics Materials and Performance Polymer Products	Healthcare	Trading and Retail	Others	Elimination and corporate	Consolidated total
Loss on impairment	¥2,041	¥15,587	¥4,558	¥43	¥8,147	¥—	¥30,376

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

	Thousands of U.S. dollars						
	2016						
	Advanced Fibers and Composites	Electronics Materials and Performance Polymer Products	Healthcare	Trading and Retail	Others	Elimination and corporate	Consolidated total
Loss on impairment	$4,437	$44,995	$11,644	$—	$4,180	$1,881	$67,137

Goodwill by reportable operating segment as of March 31, 2015 and 2016 is as shown below:

	Millions of yen						
	2015						
	Advanced Fibers and Composites	Electronics Materials and Performance Polymer Products	Healthcare	Trading and Retail	Others	Elimination and corporate	Consolidated total
Amortization of goodwill	¥1,410	¥95	¥ 763	¥ 41	¥(48)	¥—	¥2,261
Balance as of March 31, 2015	¥8,108	¥ —	¥1,193	¥101	¥ 7	¥—	¥9,409

	Millions of yen						
	2016						
	Advanced Fibers and Composites	Electronics Materials and Performance Polymer Products	Healthcare	Trading and Retail	Others	Elimination and corporate	Consolidated total
Amortization of goodwill	¥1,429	¥—	¥364	¥25	¥112	¥—	¥1,931
Balance as of March 31, 2016	¥6,697	¥—	¥ 98	¥76	¥426	¥—	¥7,297

	Thousands of U.S. dollars						
	2016						
	Advanced Fibers and Composites	Electronics Materials and Performance Polymer Products	Healthcare	Trading and Retail	Others	Elimination and corporate	Consolidated total
Amortization of goodwill	$12,682	$—	$3,230	$222	$1,003	$—	$17,137
Balance as of March 31, 2016	$59,434	$—	$ 870	$674	$3,781	$—	$64,759

Note 17 Contingent liabilities

At March 31, 2015 and 2016, the Companies were contingently liable as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
(a) As endorser of notes discounted or endorsed	¥ 27	¥ 1	$ 9
(b) As guarantors of indebtedness of:			
Unconsolidated subsidiaries and affiliates	¥ 8,896	¥5,030	$44,640
Others	2,538	2,356	20,908
	¥11,434	¥7,386	$65,548
(c) As guarantor of accounts receivable negotiated to third parties	¥ 1,885	¥2,180	$19,347

Note 18 Asset retirement obligations

Asset retirement obligations recorded in the consolidated balance sheets

(1) Outline of asset retirement obligations

Recorded asset retirement obligations are expenses such as costs for removal of asbestos from buildings owned by the Company when they are demolished and costs for restoration under the lease agreements of real estate in connection with land.

(2) Calculation method of asset retirement obligations

The Companies estimate that the period of use is from 1 to 10 years, and calculate the obligations using discount rates between 0.3% to 3.4%.

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

In the year ended March 31, 2016, the estimated amount of obligation was changed as a more precise estimation, based on restoration contracts with third parties, for restoration to original condition became possible.

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Beginning balance	¥1,246	¥ 6,861	$ 60,889
Reconciliation associated with passage of time	168	79	701
Reconciliation associated with changes in accounting estimates	5,420	(2,397)	(21,273)
Decrease due to the fulfillment of asset retirement obligations	(31)	(312)	(2,769)
Other	58	(553)	(4,907)
Ending balance	¥6,861	¥ 3,678	$ 32,641

Note 19 Subsequent events

Change of the number of shares to constitute one unit and consolidation of shares

The Company resolved at its Board of Directors' meeting held on May 6, 2016 to change the number of shares to constitute one unit and to submit a proposal for consolidation of shares to the 150th Ordinary General Meeting of Shareholders to be held on June 22, 2016 (the "General Meeting of Shareholders"). The proposal was approved at the General Meeting of Shareholders.

1. Change of the number of shares to constitute one unit

(1) Reason for change

Japanese stock exchanges have announced the Action Plan for Consolidating Trading Units, aiming to consolidate one hundred (100) shares of common stock of domestic companies listed on Japanese stock exchanges into one (1) trading unit by October 2018. As a company listed on the Tokyo Stock Exchange ("TSE"), the Company shall respect this intention and change its number of shares to constitute one unit to one hundred (100) shares. ("Change of the Number of Shares to Constitute One Unit").

(2) Particulars of change

The number of shares to constitute one unit will be changed from 1,000 shares to 100 shares.

2. Consolidation of shares

(1) Purpose of consolidation of shares

As stated in "1. Change of the number of shares to constitute one unit" above, the Company has decided to change its number of shares to constitute one unit from one thousand (1,000) to one hundred (100) shares, and to consolidate the Company's shares (five shares into one share) in order to maintain the level of investment unit considered desirable by the stock exchanges (50,000 yen or more and less than 500,000 yen).

The Company decided to reduce its total number of authorized shares from 3,000,000,000 to 600,000,000.

(2) Particulars of consolidation

(i) Type of shares to be consolidated

Common shares

(ii) Consolidation ratio

On October 1, 2016, shares held by shareholders recorded in the latest Shareholder Registry as of September 30, 2016 will be consolidated at the ratio of 5 shares to 1 share.

(iii) Total number of authorized shares on the effective date

600,000,000 shares

Pursuant to the provisions of the Companies Act, it will be deemed that the article which stipulates the total number of authorized shares in the Articles of Incorporation is amended from 3,000,000,000 shares to 600,000,000 shares on the effective date (October 1, 2016) of the consolidation of shares.

(iv) Number of shares reduced through consolidation

Total number of issued shares before consolidation (as of March 31, 2016)	984,758,665 shares
Number of shares reduced through consolidation	787,806,932 shares
Total number of issued shares after consolidation	196,951,733 shares

(Note) The "Number of shares reduced through consolidation" and "Total number of issued shares after consolidation" are theoretical values calculated based on the total number of issued shares before consolidation of shares, and on the consolidation ratio.

(v) Treatment of fractional shares

If any fractional shares arise as a result of the consolidation of shares, pursuant to the provisions of the Companies Act, the Company will sell all such fractional shares and distribute the proceeds to shareholders having fractional shares in proportion to their respective fractions

3. Schedule

May 6, 2016	Resolution at the Board of Directors
June 22, 2016	Resolution at General Meeting of Shareholders
October 1, 2016 (tentative)	Effective date of Change of the Number of Shares Constituting One Share Unit, consolidation of shares, and change in the total number of authorized shares

4. Impact on per share information

Assuming that the consolidation of shares was conducted at the beginning of the year ended March 31, 2015, per share information for the years ended March 31, 2015 and 2016 is as follows.

	Yen		U.S. dollars
	2015	2016	2016
(1) Net assets per share	¥1,460.44	¥1,526.16	$13.54
(2) Net income per share	(41.14)	158.15	1.40
(3) Diluted Net income per share	—	143.42	1.27

(Note) Diluted net income per share for the year ended March 31, 2015 is not calculated because of the net loss for the year although dilutive securities exist.

Year-end dividends

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

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

Independent Auditor's Report

KPMG

Independent Auditor's Report

To the Shareholders and Board of Directors of Teijin Limited:

We have audited the accompanying consolidated financial statements of Teijin Limited and its consolidated subsidiaries, which comprise the consolidated balance sheets as at March 31, 2015 and 2016, and the consolidated income statements, statements of comprehensive income, statements of changes in net assets and statements of cash flows for the years then ended.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Teijin Limited and its consolidated subsidiaries as at March 31, 2015 and 2016, and their financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2016 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

KPMG AZSA LLC

June 22, 2016
Tokyo, Japan

Independent Assurance Report

KPMG

Independent Assurance Report

To the President and CEO of Teijin Limited

We were engaged by Teijin Limited (the "Company") to undertake a limited assurance engagement of the environmental and social performance indicators marked with a red star ★ for the period from April 1, 2015 to March 31, 2016 (the "Indicators") included in its Teijin Group Integrated Report 2016 (the "Report") for the fiscal year ended March 31, 2016.

The Company's Responsibility

The Company is responsible for the preparation of the Indicators in accordance with its own reporting criteria (the "Company's reporting criteria"), as described in the Report, which are derived, among others, from the G4 Sustainability Reporting Guidelines of the Global Reporting Initiative and Environmental Reporting Guidelines of Japan's Ministry of the Environment.

Our Responsibility

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

- Interviewing with the Company's responsible personnel to obtain an understanding of its policy for the preparation of the Report and reviewing the Company's reporting criteria.
- Inquiring about the design of the systems and methods used to collect and process the Indicators.
- Performing analytical reviews of the Indicators.
- Examining, on a test basis, evidence supporting the generation, aggregation and reporting of the Indicators in conformity with the Company's reporting criteria, and also recalculating the Indicators.
- Visiting to the Company's Iwakuni factory selected on the basis of a risk analysis.
- Evaluating the overall statement in which the Indicators are expressed.

Conclusion

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

Our Independence and Quality Control

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

KPMG AZSA Sustainability Co., Ltd.

KPMG AZSA Sustainability Co., Ltd.
Tokyo, Japan
August 12, 2016

Corporate Data

As of March 31, 2016

Established	June 17, 1918
Head Offices	Osaka Head Office Teijin Building 6-7, Minami Hommachi 1-chome, Chuo-ku, Osaka 541-8587, Japan Tel: +81-6-6268-2132
	Tokyo Head Office Kasumigaseki Common Gate West Tower, 2-1, Kasumigaseki 3-chome, Chiyoda-ku, Tokyo 100-8585, Japan Tel: +81-3-3506-4529
Fiscal Year-End	March 31
Common Stock Authorized	3,000,000,000 shares
Common Stock Issued	984,758,665 shares
Paid-in Capital	¥70,817 million
Shareholders	94,703
Number of Teijin Group Companies	Japan 60 Overseas 93 Total 153
Number of Teijin Group Employees (Consolidated)	Japan 9,265 Overseas 6,491 Total 15,756
Stock Exchange Listing	Tokyo
Stock Code	3401
Stock Transfer Agent	Mitsubishi UFJ Trust and Banking Corporation
Dividends	Dividends are usually declared in May and November.
Reports Available to Shareholders and Investors	Corporate Profile Integrated Report *Kessan Tanshin* (Japanese summary financial report) The Teijin Group CSR Report, Fact Book (web site)
Annual Meeting of Shareholders	The annual meeting of shareholders is held before the end of June.
Independent Public Accountants	KPMG AZSA LLC
Teijin on the Internet	http://www.teijin.com Teijin's web site offers a wealth of corporate and product information, including the latest Integrated Report, financial results and corporate news.
Investor Relations	If you have any questions or would like copies of any of our reports, please contact: Masahiro Ikeda, General Manager, IR Section, Finance & Investor Relations Department, Kasumigaseki Common Gate West Tower, 2-1, Kasumigaseki 3-chome, Chiyoda-ku, Tokyo 100-8585, Japan Tel: +81-3-3506-4407 Fax: +81-3-5510-7977 E-mail: ir@teijin.co.jp