

Consolidated Financial Statements Summary

(For the three months ended June 30, 2018)

English translation from the original Japanese-language document

(All financial information has been prepared in accordance with accounting principles generally accepted in Japan)

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(Amounts rounded to the nearest million yen)

1. Highlight of the First quarter of FY2018 (April 1, 2018 through June 30, 2018)

(1) Consolidated financial results

(Percentages are year-on-year changes)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
For the three months ended June 30, 2018	216,374	9.1	18,251	-4.7	21,194	5.8	19,481	45.4
For the three months ended June 30, 2017	198,240	13.8	19,145	22.0	20,039	39.2	13,396	17.1

cf. Comprehensive income for the three months ended June 30, 2018 : 21,780million yen (For the three months ended June 30, 2017 : 29,833million yen)

	E.P.S. *	Diluted E.P.S.
	Yen	Yen
For the three months ended June 30, 2018	98.47	89.54
For the three months ended June 30, 2017	68.09	61.68

* E.P.S.: Earnings per share

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	Million yen	Million yen	%
As of June 30, 2018	1,028,060	423,407	39.7
As of March 31, 2018	981,967	408,237	40.0

cf. Shareholders' equity as of June 30, 2018 : 408,268million yen (As of March 31, 2018 : 392,925million yen)

2. Dividends

Period	Dividends per share				
	1Q	2Q	3Q	4Q	Annual
	Yen	Yen	Yen	Yen	Yen
FY2017	—	30.00	—	30.00	60.00
FY2018	—				
FY2018 (Outlook)		30.00	—	40.00	70.00

Note: Revision of outlook for dividends in the first quarter: No

*The year-end dividend per share for FY2018 (Outlook) includes an ordinary dividend of 30 yen and a commemorative dividend of 10 yen.

3. Forecast for operating results in the year ending March 31, 2019 (FY2018)

(Percentages are interim-on-interim and year-on-year changes)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		E.P.S.
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
FY2018 interim	435,000	7.5	35,000	-6.7	37,000	-2.4	29,000	-0.6	146.59
FY2018 annual	890,000	6.6	70,000	0.3	72,000	6.2	48,000	5.4	242.63

Note: Revision of outlook for FY2018 consolidated operating results in the first quarter: Yes

4. Appropriate Use of Forecasts and Other Information and Other Matters

(1) Cautionary statement on forward-looking statements

All forecasts in this document are based on management's assumptions in light of information currently available and involve certain risks and uncertainties. Actual results to differ materially from these forecasts. For information on these forecasts, refer to "Qualitative Information on Outlook for Operating Results", beginning on page 3.

1. Qualitative Information

(1) Qualitative Information on Results of Operations

1) Analysis of Consolidated Results of Operations

Global economic conditions in the three months ended June 30, 2018 saw continued economic expansion in Europe and the Americas due to factors including growth in personal consumption. The PRC and the ASEAN economies also continued to grow at a moderate pace. However, concerns about the global economic outlook grew stronger, mainly reflecting the risk of economic deceleration due to factors such as political developments in Europe, the Americas and Asia, along with rising interest rates in the U.S. The Japanese economy also continued to stage a modest recovery mainly underpinned by favorable corporate earnings and employment conditions. However, the outlook for the Japanese economy remained opaque, based partly on the uncertainty in overseas economies.

In this environment, for the three months ended June 30, 2018, consolidated net sales totaled ¥216.4 billion, an increase of 9.1% year on year. This increase was primarily due to firm sales in each business, especially in the Materials Business Field. Operating income decreased 4.7% to ¥18.3 billion. This decrease was mainly due to the impact of recording consideration for the licensing out of an investigational antibody candidate targeting tau protein for a possible new treatment of Alzheimer's disease to Merck & Co., Inc. in FY2017, despite solid sales in each business. Ordinary income increased 5.8% to ¥21.2 billion, mainly reflecting an increase in foreign exchange valuation gains due to the yen's depreciation. Profit attributable to owners of parent rose 45.4% year on year to ¥19.5 billion, helped by the recording of extraordinary income. Earnings per share increased ¥30.38 year on year to ¥98.47.

2) Business Segment Results for the three months ended June 30, 2018

I. Materials Business Field

In the Materials Business Field, sales were ¥164.4 billion, up ¥18.1 billion year on year, while operating income was ¥9.0 billion, up ¥0.8 billion..

Material Business Group

Sales of aramid fibers were firm mainly for automotive applications, and the sales mix for resin products improved.

In Aramid Fibers, sales of *Twaron* para-aramid fibers expanded steadily, centered on automotive applications, such as friction materials and rubber reinforcements. Sales were firm for *Technora* para-aramid fibers, owing primarily to sales for rope-related applications overseas. 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.

In Carbon Fibers, sales of *TENAX* carbon fibers grew steadily for use in aircraft, as well as compound applications and sports and leisure applications. Sales also expanded for pressure vessel applications. Meanwhile, raw material and fuel prices increased from the same period of the previous fiscal year, pushing down earnings.

In Resin and Plastics Processing, our mainstay *Panlite* and *Multilon* polycarbonate resin products maintained profitability, owing to an improved sales mix reflecting growth in sales of high-performance compounds and related products, and high capacity utilization achieved at our production sites in the PRC and Japan against the backdrop of surging demand. This was despite an increase in raw materials prices from the same period of the previous fiscal year.

In Films, *Purex*, which is used as a release film for manufacturing processes mainly for multilayer ceramic capacitors

for smartphones and automotive electronics, continued to generate favorable sales atop expanded sales volume, with sales also firm for PEN film for use in automobiles. Sales of reflective films for use in liquid crystal display (LCD) televisions decreased in line with a contraction in the scale of operations.

Polyester Fibers & Trading and Retail Business Group

Sales of unique functional materials expanded in Fiber Materials and Apparel, while sales of automotive materials were slightly sluggish.

In Fiber Materials and Apparel, fiber materials saw continued favorable sales of unique functional materials for sports and outdoor use for Europe and the Americas, such as the *DELTA* series. In functional textiles and apparel, our integrated proposals encompassing products featuring unique functional materials, such as *SOLOTEX*, proved successful. As a result, performance was firm across both sports and general apparel.

In Industrial Textiles and Materials, the automotive materials business posted a slightly sluggish performance owing to delays in some customer verification processes.

Composites, Others

Firm sales of mass-produced automotive components in North America.

In Composites, we recorded firm sales of mass-produced automotive components led by Continental Structural Plastics Holdings Corporation for pickup trucks and SUVs, that performed well in North America, and for large trucks, for which the market showed signs of recovery.

In Battery Materials, in *LIELSORT* lithium-ion battery (LIB) separators for consumer applications, sales to existing customers were sluggish.

II. Healthcare Business Field

In the Healthcare Business Field, sales were ¥39.2 billion, down ¥0.5 billion year on year, while operating income was ¥9.9 billion, down ¥1.9 billion.

Sales and earnings both decreased due partly to the impact of recording consideration for the licensing out of an investigational antibody candidate in Pharmaceuticals in the previous fiscal year, despite solid sales.

In Pharmaceuticals, the domestic pharmaceuticals market continues to face a challenging business environment. In this climate, sales of hyperuricemia and gout treatment *FEBURIC* (febuxostat) and *Somatuline*[®], a treatment for acromegaly, continued to expand steadily. Sales of febuxostat also continued to grow encouragingly overseas. However, overall sales and earnings both decreased from the same period of the previous fiscal year, due partly to the impact of recording consideration for the licensing out of an investigational antibody candidate targeting tau protein for a possible new treatment of Alzheimer's disease in the previous fiscal year.

In Home Healthcare, we maintained a high level of rental volume for therapeutic oxygen concentrators for home

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

oxygen therapy (HOT). This was done by enhancing the lineup of portable oxygen concentrators (*Hi-Sanso Portable a* (alpha), *Hi-Sanso Portable a II*). Rental volume for continuous positive airway pressure (CPAP) ventilators increased favorably, mainly due to increasing the appeal of *NemLink*, a monitoring system for CPAP ventilators that uses mobile phone networks, and to the use of the *SAS-2100* sleeping pattern analysis devices.

In the area of New Healthcare initiatives, particularly particularly in the field of implantable medical products, Teijin Nakashima Medical Co., Ltd. a Teijin group company developing the artificial joint and orthopedic spine product businesses, posted a solid business performance.

III. Others

In the Others, sales were ¥12.8 billion, up ¥0.6 billion year on year, while operating income was ¥0.6 billion, down ¥0.4 billion.

In the IT business, specifically in Digital Entertainment, sales of the *Meccha Comics* e-comics distribution service steadily expanded. Initiatives such as an exclusive pre-release e-comics distribution based on stronger ties with a major publisher also contributed to sales growth.

(2) Qualitative Information on Financial Position

Assets, Liabilities and Net Assets

Total assets as of June 30, 2018 amounted to ¥1,028.1 billion, up ¥46.1 billion from the end of FY2017. The main reasons for the increase were increases in cash and deposits and securities.

Total liabilities amounted to ¥604.7 billion, up ¥30.9 billion from the end of FY2017. One main component of this change was an increase in short-term loans payable.

Total net assets amounted to ¥423.4 billion, up ¥15.2 billion from the end of FY2017. This was mainly due to profit attributable to owners of parent of ¥19.5 billion.

(3) Qualitative Information on Outlook for Operating Results

Looking at the outlook for global economy going forward, the risk of economic deceleration due to political developments in Europe, the Americas and Asia is expected to persist. Accordingly, the environment surrounding our businesses has become increasingly uncertain.

In light of this economic outlook and considering the firm sales trends in both the Materials Business Field and Healthcare Business Field, our consolidated first half operating results forecasts call for net sales of ¥435.0 billion, operating income of ¥35.0 billion, ordinary income of ¥37.0 billion and profit attributable to owners of parent of ¥29.0 billion. Looking at our consolidated full-term operating results forecasts for FY2018, we are forecasting net sales of ¥890.0 billion, operating income of ¥70.0 billion, ordinary income of ¥72.0 billion, and profit attributable to owners of parent of ¥48.0 billion.

With regard to our full-term exchange rate assumptions for FY2018, we have revised our assumed dollar-yen rate to ¥110 to US\$1.00, while maintaining our assumed euro-yen rate unchanged at ¥130 to €1.00. Our assumption for the full-term

average Dubai crude oil price has been revised to US\$70 per barrel.

First half operating results forecasts for FY2018

(Billions of yen/ %)

	Net sales	Operating income	Ordinary income	Profit attributable to owners of parent
Previous forecast (A)	430.0	34.0	35.0	27.0
Revised forecast (B)	435.0	35.0	37.0	29.0
Change (B-A)	+5.0	+1.0	+2.0	+2.0
Percentage change	+1.2%	+2.9%	+5.7%	+7.4%

Full-term operating results forecasts for FY2018

(Billions of yen/ %)

	Net sales	Operating income	Ordinary income	Profit attributable to owners of parent
Previous forecast (A)	880.0	70.0	71.0	47.0
Revised forecast (B)	890.0	70.0	72.0	48.0
Change (B-A)	+10.0	0	+1.0	+1.0
Percentage change	+1.1%	0.0%	+1.4%	+2.1%

(For reference) Forecast for Segment Results

(Billions of yen)

	Net sales		Operating income	
	First half (Outlook)	Full term (Outlook)	First half (Outlook)	Full term (Outlook)
Materials	330.0	680.0	17.0	36.5
Healthcare	80.0	155.0	18.5	34.0
Others	25.0	55.0	2.5	6.0
Elimination and corporate	—	—	(3.0)	(6.5)
Consolidated total	435.0	890.0	35.0	70.0

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2. Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2018	As of June 30, 2018
< Assets >		
Current assets		
Cash and deposits	96,418	111,515
Notes and accounts receivable-trade	177,777	180,309
Securities	14,000	27,000
Merchandise and finished goods	91,258	101,463
Work in process	10,828	11,910
Raw materials and supplies	34,179	32,760
Other current assets	53,978	56,173
Allowance for doubtful accounts	-578	-675
Total	477,859	520,455
Noncurrent assets		
Tangible assets		
Buildings and structures, net	60,107	61,432
Machinery and equipment, net	94,870	94,387
Other, net	85,313	89,981
Total	240,289	245,800
Intangible assets		
Goodwill	27,192	27,444
Other	33,149	33,273
Total	60,341	60,717
Investments and other assets		
Investment securities	127,721	130,565
Other	77,859	72,514
Allowance for doubtful accounts	-2,102	-1,991
Total	203,479	201,088
Total noncurrent assets	504,108	507,605
Total assets	981,967	1,028,060

(Millions of yen)

	As of March 31, 2018	As of June 30, 2018
< Liabilities >		
Current liabilities		
Notes and accounts payable-trade	92,383	98,702
Short-term loans payable	66,291	100,920
Current portion of long-term loans payable	16,175	17,244
Current portion of bonds	17,986	17,980
Income taxes payable	5,111	3,266
Provision for business structure improvement	9,572	8,469
Other	68,668	60,644
Total	276,186	307,226
Noncurrent liabilities		
Bonds payable	35,053	35,049
Long-term loans payable	207,163	212,480
Net defined benefit liability	35,650	35,857
Asset retirement obligations	1,426	1,428
Other	18,252	12,612
Total	297,544	297,427
Total liabilities	573,730	604,653
<Net assets>		
Shareholders' equity		
Capital stock	71,833	71,833
Capital surplus	104,685	104,486
Retained earnings	202,413	215,960
Treasury stock	-167	-151
Total	378,765	392,127
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	28,377	29,845
Deferred gains or losses on hedges	903	761
Foreign currency translation adjustment	-14,815	-14,036
Remeasurements of defined benefit plans	-305	-428
Total	14,160	16,141
Subscription rights to shares	860	874
Non-controlling interests	14,453	14,264
Total net assets	408,237	423,407
Total liabilities and net assets	981,967	1,028,060

(2) Consolidated Statements of Income

(Millions of yen)

	For the three months ended June 30, 2017	For the three months ended June 30, 2018
Net sales	198,240	216,374
Cost of sales	131,298	147,656
Gross profit	66,942	68,718
Selling, general and administrative expenses	47,797	50,467
Operating income	19,145	18,251
Non-operating income		
Interest income	235	264
Dividends income	1,116	1,195
Equity in earnings of affiliates	297	271
Gain on valuation of derivatives	431	2,902
Miscellaneous income	241	377
Total	2,320	5,009
Non-operating expenses		
Interest expenses	609	812
Foreign exchange losses	503	881
Miscellaneous loss	314	373
Total	1,426	2,066
Ordinary income	20,039	21,194
Extraordinary income		
Gain on sales of noncurrent assets	48	250
Settlement received	—	4,500
Other	25	486
Total	74	5,236
Extraordinary loss		
Loss on sales and retirement of noncurrent assets	222	225
Loss on valuation of investment securities	43	—
Impairment loss	1	52
Business structure improvement expenses	127	6
Other	160	56
Total	554	339
Income before income taxes	19,559	26,092
Income taxes	5,998	6,403
Profit	13,561	19,689
Profit attributable to non-controlling interests	165	208
Profit attributable to owners of parent	13,396	19,481

(Consolidated Statements of Comprehensive Income)

(Millions of yen)

	For the three months ended June 30, 2017	For the three months ended June 30, 2018
Profit	13,561	19,689
Other comprehensive income		
Valuation difference on available-for-sale securities	4,634	1,593
Deferred gains or losses on hedges	975	-144
Foreign currency translation adjustment	10,989	974
Remeasurements of defined benefit plans, net of tax	-405	-142
Share of other comprehensive income of associates accounted for using equity method	79	-190
Total	16,272	2,091
Comprehensive income	29,833	21,780
Comprehensive income attributable to :		
Owners of parent	29,655	21,462
Non-controlling interests	177	318

3. Segment and Other Information

Notes Pertaining to Going Concern Assumption:

None

Notes on Significant Changes in Shareholders' Equity:

None

Adoption of special quarterly accounting methods:

Certain of the consolidated subsidiaries of the Company have adopted a method for estimating in practical terms the effective tax rate for the fiscal year, including for the three months ended June 30, 2018, following the application of tax effect accounting to income before income taxes, and multiplying this by quarterly income before income taxes to estimate quarterly tax expense.

Additional Information:

Adoption of "Partial Amendments to Accounting Standard for Tax Effect Accounting, etc.":

The Company has adopted "Partial Amendments to Accounting Standard for Tax Effect Accounting, etc." (Accounting Standards Board of Japan (ASBJ) Statement No. 28, February 16, 2018) from the beginning of the three months ended June 30, 2018. Accordingly, deferred tax assets have been presented under investments and other assets and deferred tax liabilities have been presented under noncurrent liabilities.

Segment information

(1) Results of the First quarter of FY2017 (April 1, 2017 through June 30, 2017)

1) Segment sales and operating income

(Millions of yen)

	Reportable operating segments			Others*	Total
	Materials	Healthcare	Subtotal		
Sales					
1) External customers	146,285	39,740	186,025	12,215	198,240
2) Intersegment transactions or transfers	247	0	247	1,895	2,142
Net sales	146,531	39,741	186,272	14,110	200,382
Segment income	8,174	11,791	19,965	1,048	21,013

* "Others," which includes the IT business, does not qualify as a reportable operating segment.

2) Difference between operating income and sum of operating income (loss) in reportable operating segments

(Adjustment)	(Millions of yen)
Operating income	Amount
Total reportable operating segments	19,965
Others segment	1,048
Elimination of intersegment transactions	172
Corporate expenses*	-2,039
Operating income	19,145

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

3) Loss on impairment and goodwill by reportable segments

This item has been omitted because it is of low significance.

(2) Results of the First quarter of FY2018 (April 1, 2018 through June 30, 2018)

1) Segment sales and operating income

(Millions of yen)

	Reportable operating segments			Others*	Total
	Materials	Healthcare	Subtotal		
Sales					
1) External customers	164,353	39,223	203,575	12,799	216,374
2) Intersegment transactions or transfers	325	0	325	1,620	1,945
Net sales	164,678	39,223	203,901	14,419	218,319
Segment income	8,991	9,917	18,908	647	19,555

* "Others," which includes the IT business, does not qualify as a reportable operating segment.

2) Difference between operating income and sum of operating income (loss) in reportable operating segments

(Adjustment)

(Millions of yen)

Operating income	Amount
Total reportable operating segments	18,908
Others segment	647
Elimination of intersegment transactions	116
Corporate expenses*	-1,420
Operating income	18,251

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

3) Loss on impairment and goodwill by reportable segments

This item has been omitted because it is of low significance.