

Consolidated Financial Statements Summary

(For the six months ended September 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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Company name : TEIJIN LIMITED (Stock code 3401)

<https://www.teijin.com>

Contact person : Hiroki Sorate General Manager, Investor Relations Department

TEL: +81-(0)3-3506-4395

(Amounts rounded to the nearest million yen)

1. Highlight of the Second quarter of FY2018 (April 1, 2018 through September 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 six months ended September 30, 2018	439,418	8.6	36,200	-3.5	39,765	4.9	33,908	16.2
For the six months ended September 30, 2017	404,654	14.6	37,533	39.0	37,923	42.2	29,183	36.6

cf. Comprehensive income for the six months ended September 30, 2018 : 45,827million yen (For the six months ended September 30, 2017 : 51,852million yen)

	E.P.S. *	Diluted E.P.S.
	Yen	Yen
For the six months ended September 30, 2018	173.29	157.42
For the six months ended September 30, 2017	148.33	134.37

* E.P.S.: Earnings per share

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	Million yen	Million yen	%
As of September 30, 2018	1,052,772	433,508	39.7
As of March 31, 2018	981,967	408,237	40.0

cf. Shareholders' equity as of September 30, 2018 : 417,431million 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	—	30.00	—	—	—
FY2018 (Outlook)	—	—	—	40.00	70.00

Note: Revision of outlook for dividends in the second 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 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 annual	900,000	7.8	65,000	-6.9	67,000	-1.2	48,000	5.4	244.67

Note: Revision of outlook for FY2018 consolidated operating results in the second 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 on Results of Operations

1) Analysis of Consolidated Results of Operations

Global economic conditions in the six months ended September 30, 2018 continued to grow moderately as a whole, driven primarily by a solid U.S. economy. However, the outlook for the global economy remained opaque, mainly based on heightened tensions due to trade friction between the U.S. and the PRC, among other factors. The Japanese economy continued to stage a modest recovery mainly reflecting firm capital investment and employment conditions underpinned by favorable corporate business performance.

In this environment, for the six months ended September 30, 2018, the Teijin Group posted higher earnings on higher sales in the Healthcare Business Field, as growth in sales covered the impact of downward revisions to drug prices and medical fees as well as the absence of the upfront payment from *Merck* (¥3.0 billion) recorded in FY2017 1H. In the Materials Business Field, the Teijin Group posted lower earnings on higher sales, mainly reflecting the impact of persistently high raw materials and increased costs for the launch of projects in connection with new order intake in the composites business, despite firm sales. Consolidated net sales totaled ¥439.4 billion, an increase of 8.6% year on year. Operating income decreased 3.5% to ¥36.2 billion. Ordinary income increased 4.9% to ¥39.8 billion, mainly reflecting an increase in foreign exchange valuation gains due to the yen's depreciation. Profit attributable to owners of parent rose 16.2% to ¥33.9 billion, helped by the recording of extraordinary income.

2) Business Segment Results for the six months ended September 30, 2018

I. Materials Business Field

In the Materials Business Field, sales were ¥332.0 billion, up ¥31.1 billion year on year, while operating income was ¥14.6 billion, down ¥2.3 billion.

Material Business Group

Sales of aramid fibers were firm, and carbon fibers and resin products were impacted by persistently high raw material and fuel prices.

In Aramid Fibers, sales of Twaron para-aramid fibers were solid for automotive applications, including for tires in Europe, and optical fiber applications. 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. On the other hand, rising raw material and fuel prices pushed down earnings.

In Resin and Plastics Processing, our mainstay *Panlite* and *Multilon* polycarbonate resin products saw a significant increase in prices for the main raw materials. However, earnings declined only slightly because we passed on the impact of the rising prices to selling prices and improved the sales mix with a larger weight of high-performance products.

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 expand. Sales also remained favorable for PEN film for use in automobiles and electronic components.

Polyester Fibers & Trading and Retail Business Group

Fiber Materials and Apparel were impacted by rising raw materials and fuel prices, despite favorable sales. Sales of automotive materials and civil engineering materials were sluggish.

In Fiber Materials and Apparel, there was an impact from increased costs due to factors such as higher raw material and fuel prices. This was despite firm sales for fabrics and products as a result of efforts to differentiate unique functional materials, such as SOLOTEX.

In Industrial Textiles and Materials, sales of high-performance cotton for synthetic leather and bed and bedding applications trended favorably. However, there was a downturn in sales of automotive materials and civil engineering materials, for which demand is slowing down.

Composites, Others

Lower earnings due to higher raw material prices, despite increased sales due to favorable sales of 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, which performed well in North America, and for large trucks, for which the market showed signs of recovery. Meanwhile, earnings were pushed down by rising raw materials prices and higher one-time expenses for the launch of projects in connection with new order intake.

In Battery Materials, there were delays in the expansion of sales of LIELSORT lithium-ion battery (LIB) separators for consumer applications to new customers.

II. Healthcare Business Field

In the Healthcare Business Field, sales were ¥80.4 billion, up ¥2.4 billion year on year, while operating income was ¥21.9 billion, up ¥1.2 billion.

In Pharmaceuticals, the sales were affected by the downward revisions to drug prices in the domestic market. In this climate, sales of hyperuricemia and gout treatment *FEBURIC* (febuxostat), the transdermal anti-inflammatory analgesic patch formulation *LOQOA Tape*, and *Somatuline*®, a treatment for acromegaly.

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

In Home Healthcare, we maintained a high level of rental volume for therapeutic oxygen concentrators for home oxygen therapy (HOT). This was done by enhancing the lineup of portable oxygen concentrators (*Hi-Sanso Portable α (alpha)*, *Hi-Sanso Portable α II*). Rental volume for continuous positive airway pressure (CPAP) ventilators for the treatment of sleep apnea syndrome (SAS) 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 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 ¥27.0 billion, up ¥1.2 billion year on year, while operating income was ¥2.6 billion, down ¥0.4 billion.

In the IT business, specifically in Digital Entertainment, sales of the *Meccha Comics* e-comics distribution service steadily expanded. In July 2018, monthly sales surpassed a record-high of ¥2.0 billion, mainly owing to upgrading and expanding exclusive pre-release e-comics distribution services. In Business Solutions, services for hospitals performed firmly, and a career-change website was launched for the nursing care industry.

(2) Qualitative Information on Financial Position

1) Assets, Liabilities and Net Assets

Total assets as of September 30, 2018 amounted to ¥1,052.8 billion, up ¥70.8 billion from the end of FY2017. The main reason for the increase in total assets was an increase in working capital.

Total liabilities amounted to ¥619.3 billion, up ¥45.5 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 ¥433.5 billion, up ¥25.3 billion from the end of FY2017. This was mainly due to profit attributable to owners of parent of ¥33.9 billion, which was partly offset by a decrease due to the acquisition of own shares, among other factors.

2) Cash flows

Net cash and cash equivalents provided by operating activities in the six months ended September 30, 2018 amounted to ¥33.9 billion. This result reflected income before income taxes, along with the impact of non-cash items such as depreciation and amortization.

Net cash and cash equivalents used in investing activities amounted to ¥42.3 billion, owing mainly to capital expenditures including outlays for growth and transformation strategies.

Net cash and cash equivalents provided by financing activities amounted to ¥18.8 billion. This result was mainly due to cash inflows such as a net increase in short-term loans payable, which were partly offset by cash outflows such as payment for the acquisition of own shares.

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 ¥11.5 billion as of September 30, 2018.

(3) Qualitative Information on Outlook for Operating Results

In light of our business performance during the first half of FY2018 and expectations for impacts such as persistently high raw materials prices, primarily in resin products and composites, to remain in place in the Materials Business Field, we have revised our consolidated full-term operating results forecasts for FY2018, which were announced on August 1, 2018, as follows. We have assumed that the exchange rates from the third quarter onwards are ¥110 to US\$1.00 and ¥130 to €1.00, and that the average Dubai crude oil price is US\$75 per barrel from the third quarter onwards.

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)	890.0	70.0	72.0	48.0
Revised forecast (B)	900.0	65.0	67.0	48.0
Change (B–A)	+10.0	-5.0	-5.0	0.0
Percentage change	+1.1%	-7.1%	-6.9%	0.0%
(For reference) Results for FY2017	835.0	69.8	67.8	45.6

(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	332.0	690.0	14.6	30.0
Healthcare	80.4	155.0	21.9	35.0
Others	27.0	55.0	2.6	6.5
Elimination and corporate	-	-	(2.8)	(6.5)
Consolidated total	439.4	900.0	36.2	65.0

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2. Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2018	As of September 30, 2018
< Assets >		
Current assets		
Cash and deposits	96,418	100,892
Notes and accounts receivable-trade	177,777	190,103
Securities	14,000	20,000
Merchandise and finished goods	91,258	105,006
Work in process	10,828	12,276
Raw materials and supplies	34,179	36,168
Other current assets	53,978	82,625
Allowance for doubtful accounts	(578)	(582)
Total	477,859	546,488
Noncurrent assets		
Tangible assets		
Buildings and structures, net	60,107	63,962
Machinery and equipment, net	94,870	100,430
Other, net	85,313	92,019
Total	240,289	256,411
Intangible assets		
Goodwill	27,192	40,003
Other	33,149	33,494
Total	60,341	73,497
Investments and other assets		
Investment securities	127,721	103,115
Other	77,859	75,232
Allowance for doubtful accounts	(2,102)	(1,972)
Total	203,479	176,375
Total noncurrent assets	504,108	506,283
Total assets	981,967	1,052,772

(Millions of yen)

	As of March 31, 2018	As of September 30, 2018
< Liabilities >		
Current liabilities		
Notes and accounts payable-trade	92,383	95,739
Short-term loans payable	66,291	135,705
Current portion of long-term loans payable	16,175	1,783
Current portion of bonds	17,986	11,913
Income taxes payable	5,111	6,330
Provision for business structure improvement	9,572	8,433
Other	68,668	59,770
Total	276,186	319,673
Noncurrent liabilities		
Bonds payable	35,053	35,046
Long-term loans payable	207,163	214,521
Net defined benefit liability	35,650	36,435
Asset retirement obligations	1,426	1,543
Other	18,252	12,047
Total	297,544	299,591
Total liabilities	573,730	619,264
<Net assets>		
Shareholders' equity		
Capital stock	71,833	71,833
Capital surplus	104,685	103,902
Retained earnings	202,413	230,386
Treasury stock	(167)	(13,465)
Total	378,765	392,656
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	28,377	33,885
Deferred gains or losses on hedges	903	524
Foreign currency translation adjustment	(14,815)	(9,009)
Remeasurements of defined benefit plans	(305)	(626)
Total	14,160	24,775
Subscription rights to shares	860	830
Non-controlling interests	14,453	15,247
Total net assets	408,237	433,508
Total liabilities and net assets	981,967	1,052,772

(2) Consolidated Statements of Income

(Millions of yen)

	For the six months ended September 30, 2017	For the six months ended September 30, 2018
Net sales	404,654	439,418
Cost of sales	271,064	303,301
Gross profit	133,590	136,117
Selling, general and administrative expenses	96,058	99,916
Operating income	37,533	36,200
Non-operating income		
Interest income	473	508
Dividends income	1,224	1,297
Equity in earnings of affiliates	815	1,361
Gain on valuation of derivatives	324	4,306
Miscellaneous income	644	649
Total	3,480	8,121
Non-operating expenses		
Interest expenses	1,339	1,717
Foreign exchange losses	1,097	1,843
Miscellaneous loss	654	997
Total	3,090	4,557
Ordinary income	37,923	39,765
Extraordinary income		
Gain on sales of noncurrent assets	5,466	269
Gain on sales of investment securities	432	3,595
Settlement received	—	4,500
Other	86	173
Total	5,984	8,537
Extraordinary loss		
Loss on sales and retirement of noncurrent assets	709	898
Loss on valuation of investment securities	43	—
Impairment loss	169	3,941
Business structure improvement expenses	231	15
Other	173	105
Total	1,327	4,958
Income before income taxes	42,581	43,344
Income taxes	12,414	8,767
Profit	30,166	34,578
Profit attributable to non-controlling interests	983	670
Profit attributable to owners of parent	29,183	33,908

(Consolidated Statements of Comprehensive Income)

(Millions of yen)

	For the six months ended September 30, 2017	For the six months ended September 30, 2018
Profit	30,166	34,578
Other comprehensive income		
Valuation difference on available-for-sale securities	5,367	6,121
Deferred gains or losses on hedges	1,532	(379)
Foreign currency translation adjustment	15,030	5,969
Remeasurements of defined benefit plans, net of tax	(729)	(347)
Share of other comprehensive income of associates accounted for using equity method	486	(115)
Total	21,686	11,249
Comprehensive income	51,852	45,827
Comprehensive income attributable to :		
Owners of parent	50,663	44,523
Non-controlling interests	1,189	1,304

(3) Consolidated Statements of Cash Flows

(Million yen)

	For the six months ended September 30, 2017	For the six months ended September 30, 2018
Cash flows from operating activities		
Income before income taxes	42,581	43,344
Depreciation and amortization	22,556	23,386
Impairment loss	169	3,941
Increase (decrease) in net defined benefit liability	1,026	859
Decrease (increase) in net defined benefit asset	(1,395)	(1,038)
Increase (decrease) in accounts payable-other	1,703	(4,417)
Increase (decrease) in provision for business structure improvement	(14,989)	(1,139)
Interest and dividends income	(1,697)	(1,805)
Interest expenses	1,339	1,717
Equity in (earnings) losses of affiliates	(815)	(1,361)
Loss (gain) on sales of investment securities	(432)	(3,592)
Settlement received	—	(4,500)
Decrease (increase) in notes and accounts receivable-trade	(7,554)	(8,086)
Decrease (increase) in inventories	(12,749)	(14,044)
Increase (decrease) in notes and accounts payable-trade	5,792	1,613
Other, net	(1,472)	(3,631)
Subtotal	34,062	31,246
Interest and dividends income received	2,037	3,500
Interest expenses paid	(1,232)	(1,634)
Settlement package received	—	4,500
Income taxes paid	(9,081)	(3,698)
Net cash and cash equivalents provided by operating activities	25,785	33,915
Cash flows from investing activities		
Purchase of property, plant and equipment	(21,916)	(26,496)
Proceeds from sales of property, plant and equipment	9,711	282
Purchase of intangible assets	(1,224)	(1,338)
Purchase of investment securities	(184)	(1,753)
Proceeds from sales of investment securities	433	3,727
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(1,942)	(15,952)
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	—	1,056
Payments for sales of shares of subsidiaries resulting in change in scope of consolidation	(3,685)	—
Net decrease (increase) in short-term loans receivable	(285)	(437)
Other, net	(1,768)	(1,365)
Net cash and cash equivalents used in investing activities	(20,861)	(42,276)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	8,858	61,087
Proceeds from long-term loans payable	423	340
Repayment of long-term loans payable	(40,335)	(16,001)
Purchase of treasury shares	(11)	(20,008)
Cash dividends paid	(5,902)	(5,935)
Cash dividends paid to minority shareholders	(172)	(321)
Other, net	(150)	(348)
Net cash and cash equivalents provided by financing activities	(37,288)	18,814
Effect of exchange rate changes on cash and cash equivalents	1,699	886
Net increase (decrease) in cash and cash equivalents	(30,665)	11,339
Cash and cash equivalents at beginning of period	117,550	116,158
Increase in cash and cash equivalents resulting from change of scope of consolidation	—	202
Cash and cash equivalents at end of period	86,885	127,699

3. Segment and Other Information

Notes Pertaining to Going Concern Assumption:

None

Notes on Significant Changes in Shareholders' Equity:

At a meeting of the Board of Directors held on August 1, 2018, the Company passed a resolution on matters relating to the acquisition of its own shares in accordance with the provisions of Article 459, Paragraph 1 of Japan's Companies Act and Article 41 of the Company's Articles of Incorporation. As a result, the Company acquired 9,107,400 shares of its common stock for 20,000 million yen. Furthermore, the Company disposed of 6,624 million yen in treasury shares upon the conversion of convertible bond-type bonds with share acquisition rights.

Due mainly to the foregoing factors, treasury stock increased by 13,298 million yen in the six months ended September 30, 2018. Treasury stock stood at 13,465 million yen as of September 30, 2018.

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 six months ended September 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 Second quarter of FY2017 (April 1, 2017 through September 30, 2017)

1) Segment sales and operating income

(Millions of yen)

	Reportable operating segments			Others*	Total
	Materials	Healthcare	Subtotal		
Sales					
1) External customers	300,830	78,002	378,832	25,822	404,654
2) Intersegment transactions or transfers	782	1	783	4,145	4,928
Net sales	301,612	78,003	379,615	29,967	409,583
Segment income	16,906	20,629	37,535	2,929	40,464

* "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	37,535
Others segment	2,929
Elimination of intersegment transactions	108
Corporate expenses*	(3,039)
Operating income	37,533

* 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 Second quarter of FY2018 (April 1, 2018 through September 30, 2018)

1) Segment sales and operating income

(Millions of yen)

	Reportable operating segments			Others*	Total
	Materials	Healthcare	Subtotal		
Sales					
1) External customers	331,975	80,445	412,420	26,997	439,418
2) Intersegment transactions or transfers	1,162	1	1,162	3,520	4,683
Net sales	333,136	80,446	413,583	30,518	444,100
Segment income	14,569	21,865	36,433	2,552	38,985

* "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	36,433
Others segment	2,552
Elimination of intersegment transactions	107
Corporate expenses*	(2,891)
Operating income	36,200

* 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

Loss on impairment of fixed assets

In the Materials Business Field, the Company recorded an impairment loss of 3,752 million yen in the six months ended September 30, 2018.

Significant changes in goodwill

In the Materials Business Field, the Company recorded goodwill of 11,527 million yen in the six months ended September 30, 2018 due to the acquisition of all shares of Brick Holding GmbH (holding company), whose major operating company is J.H. Ziegler GmbH. The amount of goodwill has been determined provisionally as the allocation of the acquisition cost had not been completed as of September 30, 2018.