
Flash Report
-2Q Results and FY16 Outlook-

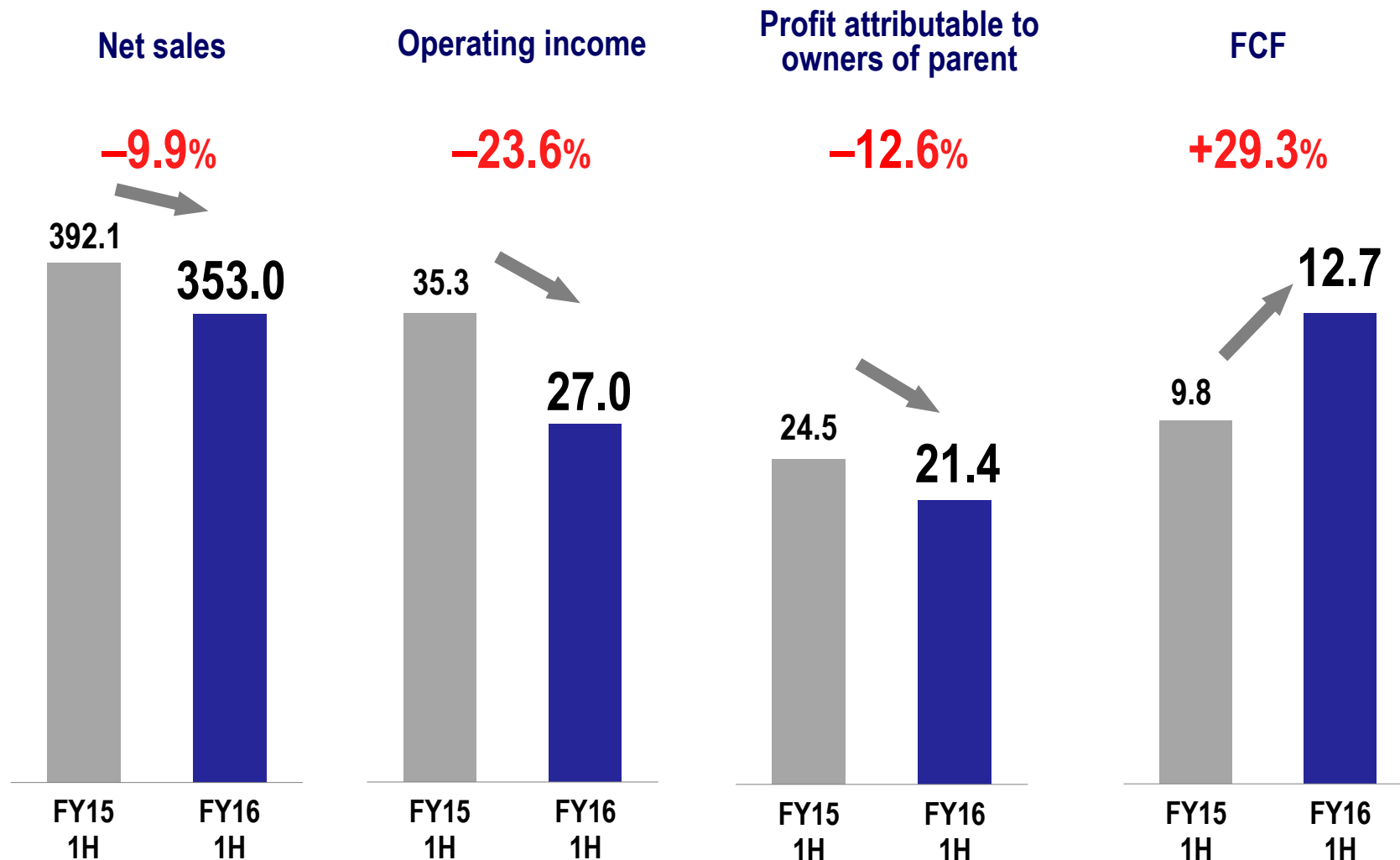
Teijin Limited
November 7, 2016

Outline of FY16 2Q Results

(1) Consolidated results highlights

(¥ billion)

Operating Movement (Compared with FY15 1H)



◆ Operating results	FY15 1H	FY16 1H	Difference
Net sales	392.1	353.0	-39.0
Operating income	35.3	27.0	-8.3
OP margin	9.0%	7.6%	-1.4%
Nonoperating items (net)	0.5	(0.3)	-0.8
Ordinary income	35.8	26.7	-9.2
Extraordinary items (net)	(2.9)	(2.9)	-0.0
Income before income taxes	33.0	23.8	-9.2
Income taxes	8.9	2.0	-6.9
Profit attributable to non-controlling interests	(0.4)	0.4	+0.8
Profit attributable to owners of parent	24.5	21.4	-3.1
Earnings per share*1 (¥)	124.5	108.7	-15.8
EBITDA*2	54.4	45.6	-8.8
CAPEX*3	16.4	17.9	+1.5
Depreciation & amortization	19.0	18.6	-0.4
R&D expenses	16.4	19.5	+3.1
FCF	9.8	12.7	+2.9

■ Net sales: Declined, owing to

- Impact of optimizing our production configuration associated with restructuring initiatives in the resin business, in addition to the stronger yen, although sales were generally steady across all businesses on the whole

■ Operating income and ordinary income: Declined owing to

- New drug licensing costs and the impact of foreign exchange movements, despite efforts to steadily improve profitability by driving growth in existing businesses and executing restructuring initiatives
- Deterioration of non-operating income and losses, mainly due to foreign exchange losses

■ Profit attributable to owners of parent: Declined despite

- Lower tax expense due to the impact of tax effect accounting

◇ PL exchange rate	FY15 1H	FY16 1H
¥/US\$	122	105
¥/€	135	118
US\$/€	1.11	1.12

*1 In connection with the consolidation of shares conducted on October 1, 2016, figures were calculated as if the consolidation of shares had been conducted at the beginning of the previous fiscal year

*2 EBITDA = Operating income + Depreciation & amortization

*3 CAPEX includes investments in intangible assets

◆ Nonoperating items

(¥ billion)	FY15 1H	FY16 1H	Difference
Interest income	0.3	0.3	-0.0
Dividends income	1.0	1.1	+0.1
Equity in earnings of affiliates	2.0	2.5	+0.5
Others	0.7	0.3	-0.4
Nonoperating income, total	4.0	4.3	+0.3
Interest expenses	1.3	1.1	-0.2
Foreign exchange losses and Loss on valuation of derivatives	0.7	2.5	+1.8
Others	1.5	1.0	-0.5
Nonoperating expenses, total	3.5	4.6	+1.1
Nonoperating items, total	0.5	(0.3)	-0.8

◆ Extraordinary items

(¥ billion)	FY15 1H	FY16 1H	Difference
Gain on sales of noncurrent assets	0.1	0.2	+0.1
Gain on sales of investment securities	0.1	0.0	-0.1
Reversal of impairment losses	1.9	0.1	-1.8
Others	0.2	0.6	+0.4
Extraordinary income, total	2.3	0.9	-1.4
Loss on sales and retirement of noncurrent assets	0.6	1.2	+0.6
Impairment loss	0.8	0.6	-0.2
Business structure improvement expenses	3.4	1.5	-1.9
Others	0.4	0.5	+0.1
Extraordinary losses, total	5.1	3.8	-1.4
Extraordinary items, total	(2.9)	(2.9)	-0.0

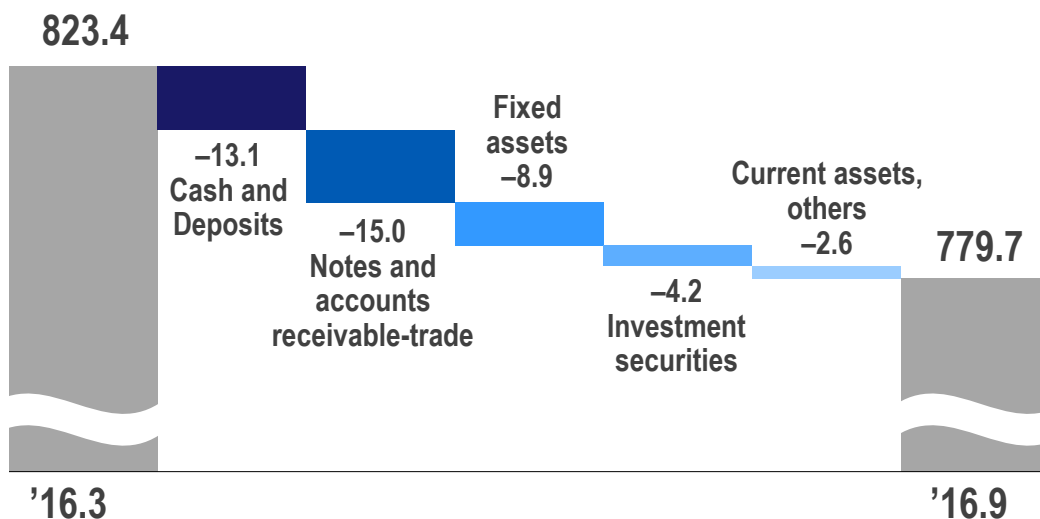
◆ Financial position

(¥ billion)	March. 31, 2016	September. 30, 2016	Difference	(Impact of foreign exchange rate)
Total assets	823.4	779.7	-43.7	-23.9
Shareholders' equity	300.1	304.8	+4.7	-12.8
Interest-bearing debt	303.3	276.2	-27.1	-6.4
D/E ratio	1.01	0.91	-0.10	
Shareholders' equity ratio	36.4%	39.1%	+2.6%	

◆ Cash flows

(¥ billion)	FY15 1H	FY16 1H	Difference
Operating activities	26.3	31.5	+5.2
Investing activities	(16.5)	(18.8)	-2.3
FCF	9.8	12.7	+2.9
Financing activities	(28.3)	(25.8)	+2.5
Cash & cash equivalents	(18.5)	(13.1)	+5.4

◇ Analysis of changes in total assets

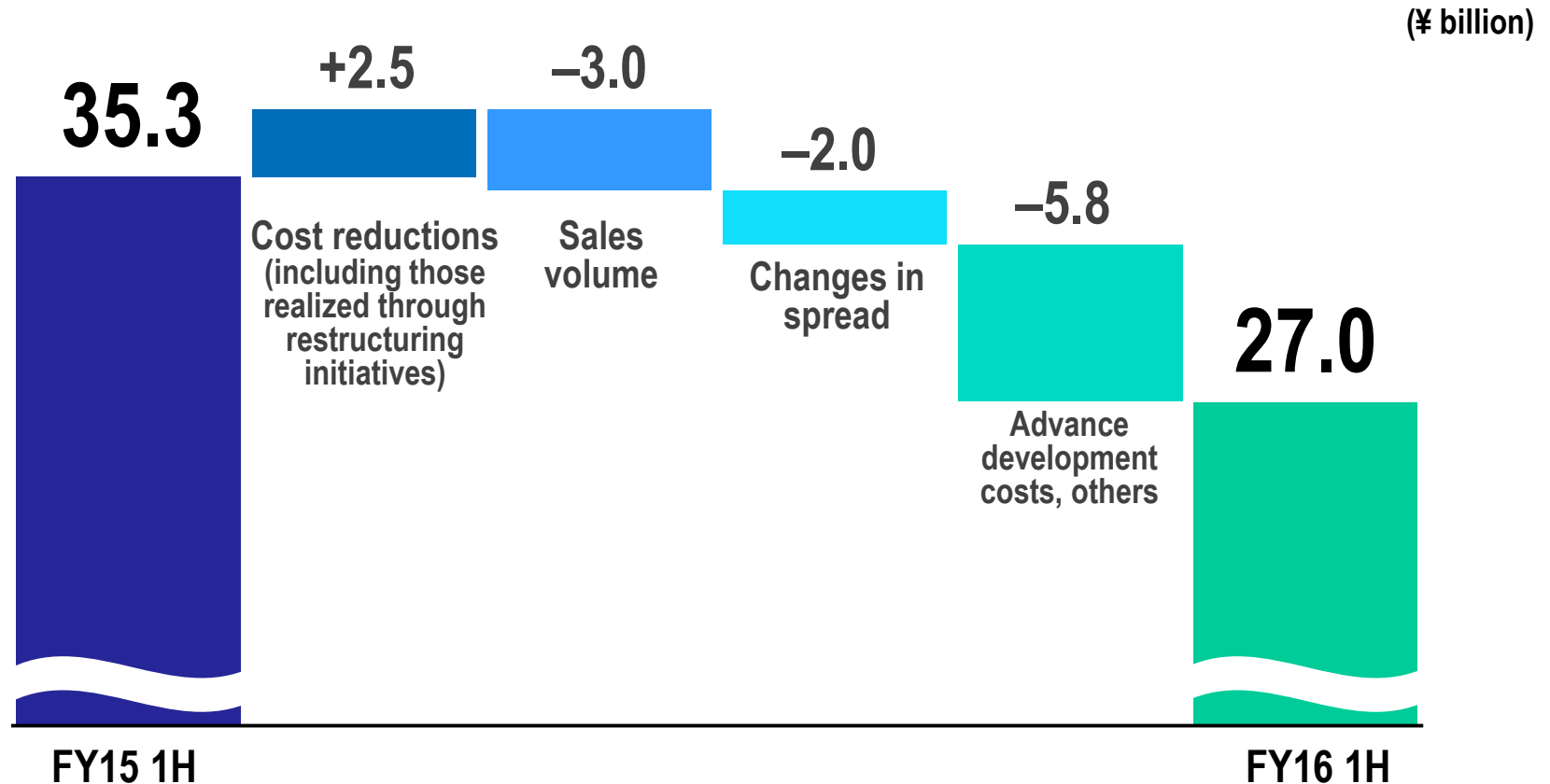


◇ BS exchange rate

	March. 31, 2016	September 30, 2016
JPY / USD	113	101
JPY / EUR	128	113
USD / EUR	1.13	1.12

◆ Analysis of changes in operating income

Operating income declined due to the new drug licensing costs and lower sales volume in the resin business and the impact of foreign exchange movements, despite the positive impact of cost reductions, including those realized through restructuring initiatives

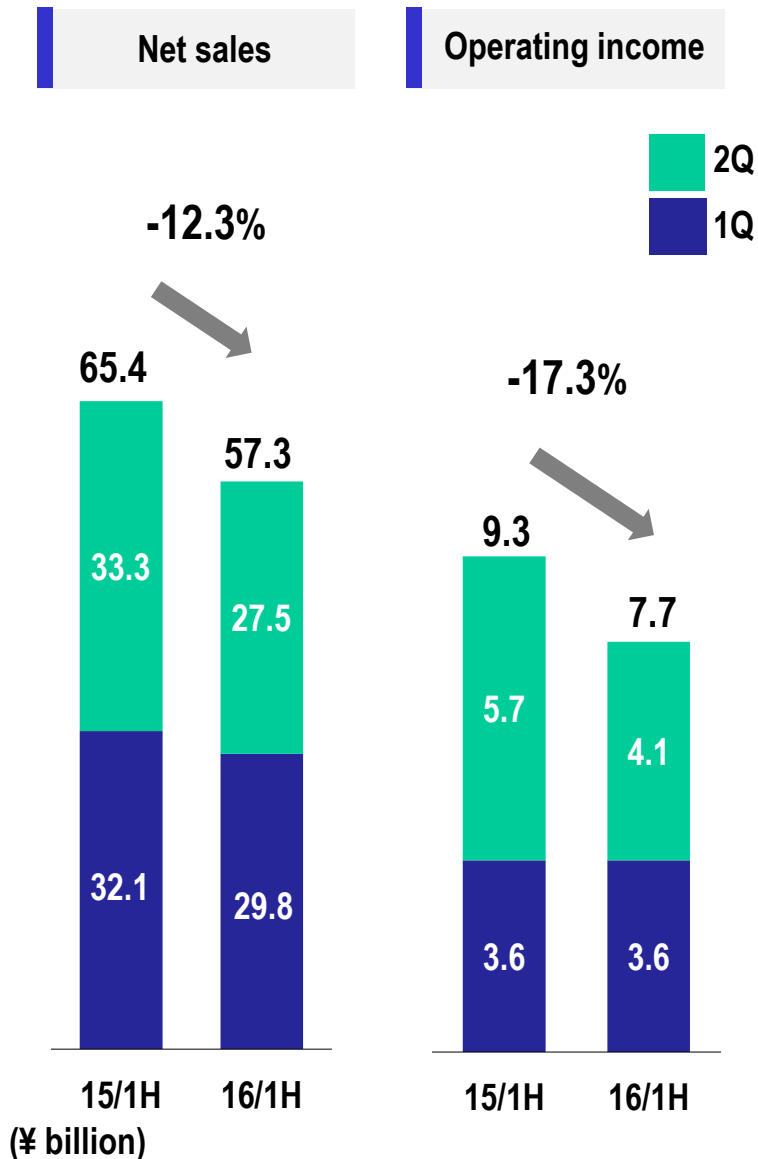


(2) Operating Results by Segment (Comparison with FY15 1H)

Net sales Operating income (loss)	Net sales				Operating income (loss)			
	FY15 1H	FY16 1H	Difference	% Change	FY15 1H	FY16 1H	Difference	% Change
(¥ billion)								
Advanced Fibers and Composites	65.4	57.3	-8.1	-12.3%	9.3	7.7	-1.6	-17.3%
Electronics Materials and Performance Polymer Products	87.3	66.9	-20.5	-23.5%	11.9	9.4	-2.5	-20.8%
Healthcare	74.8	73.6	-1.3	-1.7%	16.8	12.4	-4.4	-26.2%
Trading and Retail	130.1	125.5	-4.6	-3.6%	2.2	2.9	+0.7	+33.3%
Total	357.7	323.3	-34.4	-9.6%	40.1	32.4	-7.7	-19.3%
Others	34.4	29.8	-4.6	-13.3%	1.9	2.2	+0.3	+13.5%
Elimination and Corporate	—	—	—	—	(6.7)	(7.5)	-0.9	—
Total	392.1	353.0	-39.0	-9.9%	35.3	27.0	-8.3	-23.6%

Advanced Fibers and Composites

SALES AND EARNINGS DOWN due to the impacts of foreign exchange movements and regular maintenance in aramid fibers, despite firm sales volume



(¥ billion)	FY15 1H	FY16 1H	Difference	Change
Net sales	65.4	57.3	-8.1	-12.3%
Operating income	9.3	7.7	-1.6	-17.3%

◇ High-Performance Fibers

Para-aramid fibers:

- Sales for automotive applications, including tires in Europe, expanded steadily
- Sales were weak for ballistic protection and oil field drilling applications

Meta-aramid fibers:

- Competition remained fierce in filter applications
- Sales were robust for use in automotive applications, as well as protective clothing and industrial applications

Polyester fibers:

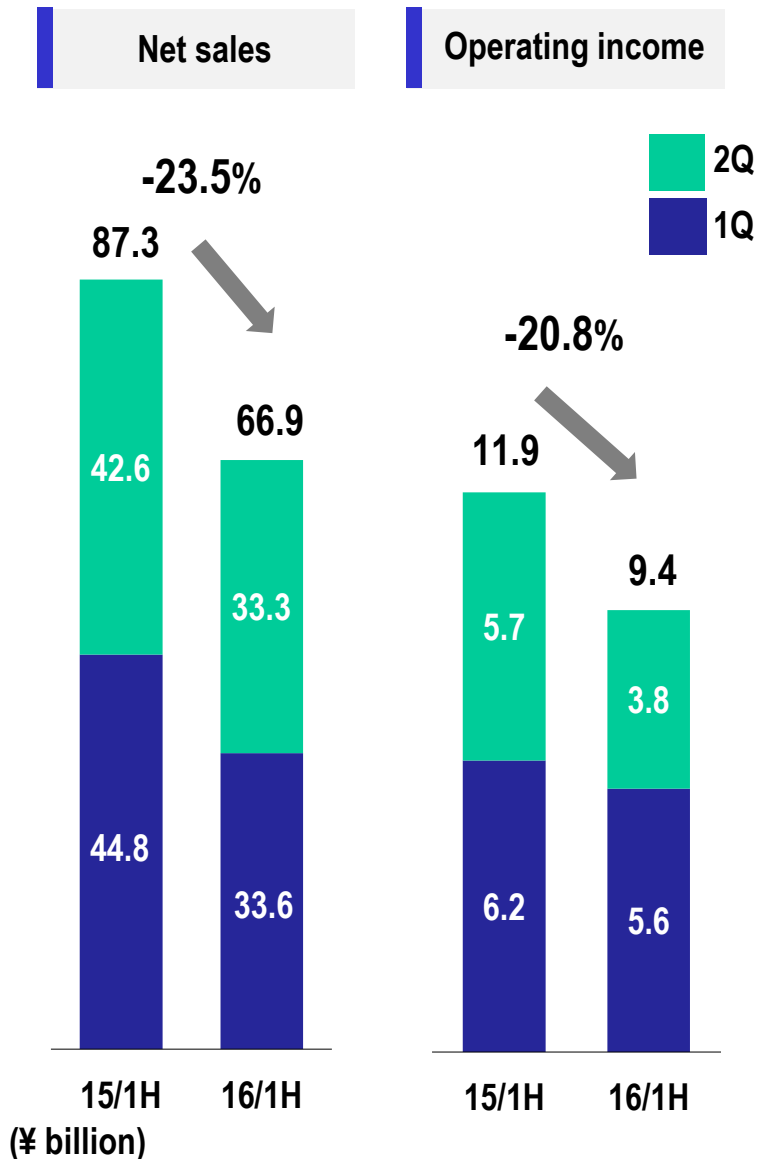
- Sales were solid for automotive applications and for membranes for water treatment
- Realigned domestic production configuration and transferring production to Thailand

◇ Carbon Fibers and Composites

- Sales for use in aircraft were favorable
- Sales were robust for general industrial use in Europe and Asia, and for wind power generation in the Americas and Europe

Electronics Materials and Performance Polymer Products

SALES AND EARNINGS DOWN due to the downsizing of commodity businesses and the impact of foreign exchange movements, but the operating margin's improvement trend was sustained



(¥ billion)	FY15 1H	FY16 1H	Difference	Change
Net sales	87.3	66.9	-20.5	-23.5%
Operating income	11.9	9.4	-2.5	-20.8%

◇ Resin and Plastics Processing

Polycarbonate resin:

- Despite decreased sales volume due to halted production at our Singapore plant and the impact of the weaker yuan, earnings were stable owing to an optimized production configuration and an improved sales mix
- Pushed ahead with the development and marketing of high-performance compound products using copolymer polycarbonate and composite materials that combine our resins with high-performance fibers

High-performance resins:

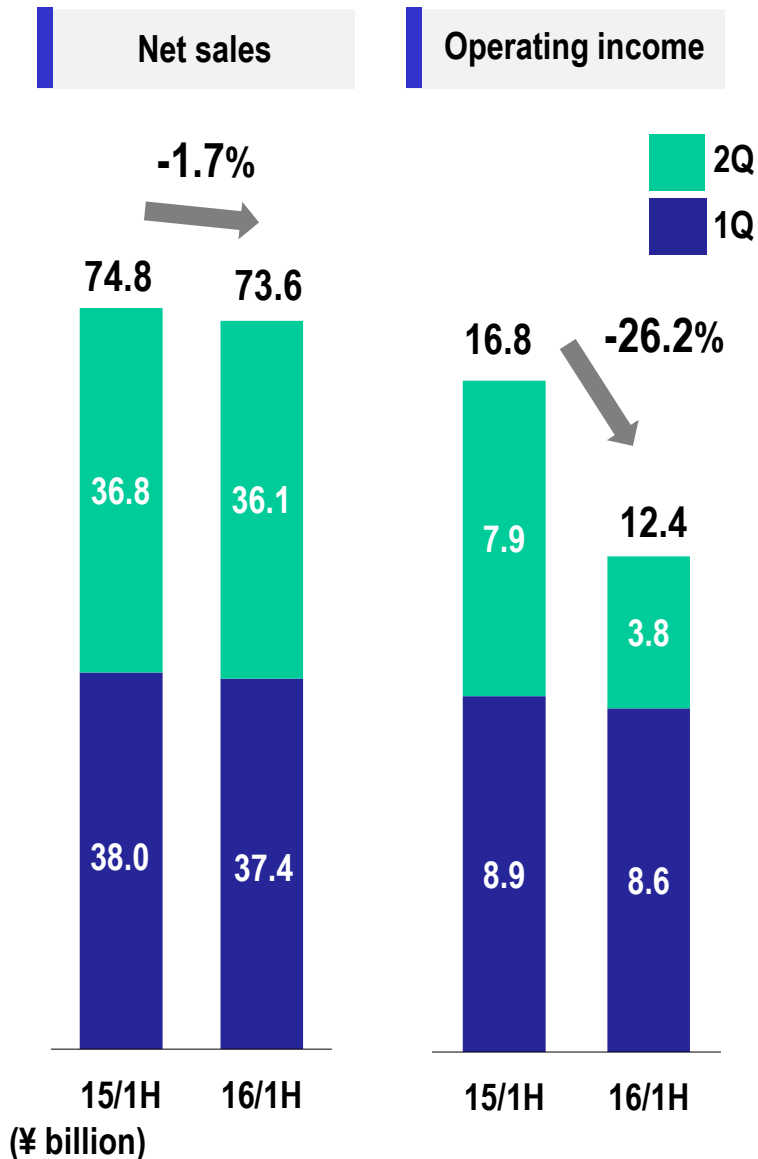
- Expanded line-up of specialty polycarbonate resin for camera lenses

◇ Films

- Sales of release films for manufacturing processes, as well as exports for special packaging applications, were relatively firm
- Persistently fierce competition for reflective films for use in liquid crystal display (LCD) televisions
- Sales of reverse-dispersion solvent-cast retardation film for organic electroluminescent displays (OLED) expanded for use in smartphones and tablets
- Halted production at Gifu Factory as planned (end of September 2016)

Healthcare

EARNINGS DECLINED due to the new drug licensing costs, although robust results for core products and services absorbed the impact of downward revisions to medical fees and to NHI drug reimbursement prices



(¥ billion)	FY15 1H	FY16 1H	Difference	Change
Net sales	74.8	73.6	-1.3	-1.7%
Operating income	16.8	12.4	-4.4	-26.2%

◆ Pharmaceuticals

- Sales of recently developed drugs, including hyperuricemia and gout treatment febxostat and *Somatuline*^{*1}, a treatment for acromegaly, expanded steadily
- Efforts were focused on expanding new formulations for existing drugs, namely the osteoporosis treatment *Bonalon*^{*2}, and the expectorant *Mucosolvan*, despite a persistently harsh operating environment for long-listed originator drugs
- Development costs were incurred in conjunction with the licensing-in of a new growth hormone treatment

◆ Home Healthcare

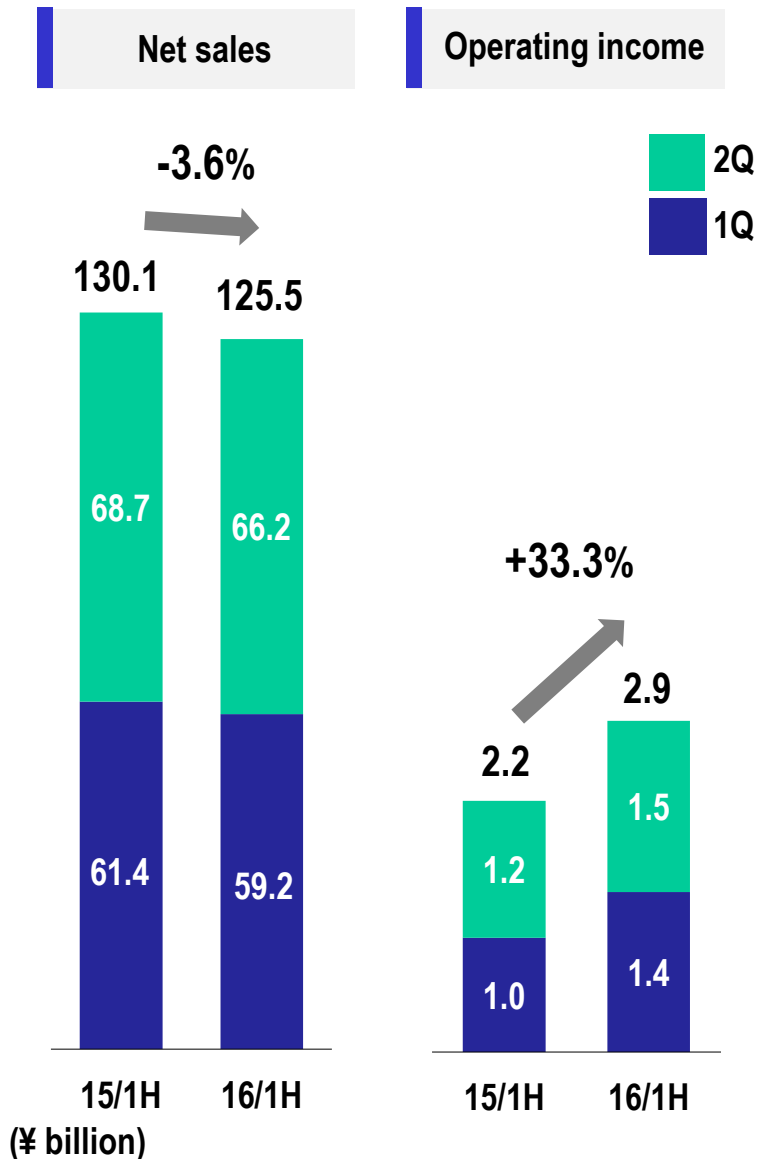
- Home oxygen therapy (HOT): rental volume remained at high levels
- CPAP: Rental volume rose steadily. Aiming for further expansion with the launch of a new model
- Cost reductions were continued in the United States, where harsh operating conditions continue
- Expanded sales of *VitalLink*, a patient information sharing system

*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, U.S.A.

Trading and Retail

PROFITS INCREASED despite a slight decrease in sales due to the stronger yen, reflecting the realization of an even more appropriate production configuration and the expansion of differentiated businesses



(¥ billion)	FY15 1H	FY16 1H	Difference	Change
Net sales	130.1	125.5	-4.6	-3.6%
Operating income	2.2	2.9	+0.7	+33.3%

Apparel Textiles and Materials:

- Sales of high-performance materials remained strong in the European and North American sports and outdoor apparel markets
- Higher sales of differentiated, high-performance yarn, among other factors, contributed to improved earnings amid weak domestic market conditions due to the impact of sluggish retail sales
- In functional textiles and apparel, although domestic market conditions remained lackluster overall, profitability was maintained through efforts to restore production in China, where productivity is high

Industrial Textiles and Materials:

- Favorable sales of automotive materials centered on high-performance reinforcement materials for tires, and civil engineering materials based on demand related to disaster recovery and other factors
- Growth in exports of functional materials, including sports materials, plus robust sales of living related materials such as personal hygiene products
- Sales of tent fabrics and agricultural materials were sluggish owing to the impact of unfavorable weather. Sales of resins and films struggled

Outlook for FY16

◆ Environmental assumptions

Macroeconomic trends

Firm growth is forecast to continue primarily in the U.S., but there are heightened potential risks including protracted negotiations on the UK's exit from the EU and economic corrections in response to the PRC's excessive levels of investment

Second half assumptions

Exchange rates : ¥ 100/US\$1.00, ¥112/€1.00 Crude oil prices : US\$47/barrel
(Dubai crude oil price)

Advanced fibers

■ Automotive: Demand remains firm primarily for high-performance tire applications based on the trend toward increasingly lightweight, high-performance components ■ Ballistic protection and protective clothing: Firm demand for protective clothing, but sluggish demand for ballistic protection ■ Optical fiber: Demand is expected to rise in the PRC and India in the second half

Carbon fibers and Composites

■ Aircraft: Maintained production for a high number of aircraft centered on small and medium-sized aircraft, despite a decline in the number of large aircraft ■ Pressure vessels: Demand for use in shale oil drilling is recovering, following the bottoming out of crude oil price ■ Wind power generation: Growing demand in Europe and the Americas

Plastics

■ OA equipment and electronic components: Sales are generally trending firmly ■ The PC resin spread held steady in the first half. However, there are concerns about worsening profitability going forward, due to softening supply-demand dynamics caused by an increasing volume of PC resin coming to market from the newly expanded facilities of other companies, and high raw materials prices

Films

■ Materials for smartphones and tablets (Release films for manufacturing processes): Demand remains firm ■ LCD TV (reflective films): Fierce competitive environment to persist due to the emergence of PRC manufacturers

Pharmaceuticals

■ Steady expansion of new drugs and new formulations, amid continued growth in generic drugs ■ Hyperuricemia and gout treatment: Growth remains high in Japan and overseas

Home healthcare

■ Japan : [Home oxygen therapy (HOT)] rental volume remained at high levels [CPAP] Rental volume rose steadily ■ Overseas Operating conditions in the United States remained harsh

◆ Summary of outlook for FY16

	FY15	FY16 Outlook	Difference		FY16 Previous Outlook* ²	
			Difference		Difference (Amount)	
			Amount	%		
Net sales	790.7	730.0	-60.7	-7.7%	740.0	-10.0
Operating income	67.1	53.0	-14.1	-21.0%	53.0	—
Operating margin	8.5%	7.3%	—	-1.2%	7.2%	+0.1%
Ordinary income	60.3	53.0	-7.3	-12.1%	53.0	—
Profit attributable to owners of parent	31.1	35.0	+3.9	+12.6%	35.0	—
CAPEX * ¹	38.3	50.0	+11.7		53.0	-3.0
Depreciation & amortization	38.9	37.5	-1.4		38.5	-1.0
R&D expenses	33.3	36.0	+2.7		36.0	—
FCF	40.3	-60.0	-100.3		12.0	-72.0

*1 CAPEX includes investments in intangible assets

*2 Announced on August 2, 2016

	Interim	Year-end (outlook)	Annual dividends
Dividends per share for FY 2016	¥5 per share Before the consolidation of shares* ³	¥25 per share After the consolidation of shares* ³	—

*3 The Company consolidated its common shares at a ratio of five shares to one share on the effective date of October 1, 2016. However, the interim dividend will be paid based on the number of shares before the consolidation of shares

◆ Changes in net sales and operating income for FY15–FY16

		FY15 Results			FY16 Outlook			Difference
		1H	2H	Total	1H	2H	Total	
		(¥ billion)						
Net sales	Advanced Fibers and Composites	65.4	67.6	133.0	57.3	62.7	120.0	-13.0
	Electronics Materials and Performance Polymer Products	87.3	76.4	163.7	66.9	63.1	130.0	-33.7
	Healthcare	74.8	72.7	147.5	73.6	66.4	140.0	-7.5
	Trading and Retail	130.1	140.8	270.9	125.5	144.5	270.0	-0.9
	Total	357.7	357.5	715.2	323.3	336.7	660.0	-55.2
	Others	34.4	41.2	75.6	29.8	40.2	70.0	-5.6
Total		392.1	398.7	790.7	353.0	377.0	730.0	-60.7
Operating income (loss)	Advanced Fibers and Composites	9.3	9.2	18.5	7.7	7.3	15.0	-3.5
	Electronics Materials and Performance Polymer Products	11.9	10.4	22.3	9.4	5.1	14.5	-7.8
	Healthcare	16.8	12.0	28.8	12.4	14.6	27.0	-1.8
	Trading and Retail	2.2	3.1	5.3	2.9	3.1	6.0	+0.7
	Total	40.1	34.8	74.9	32.4	30.1	62.5	-12.4
	Others	1.9	4.6	6.5	2.2	4.3	6.5	—
	Elimination and Corporate	(6.7)	(7.6)	(14.3)	(7.5)	(8.5)	(16.0)	-1.7
Total		35.3	31.8	67.1	27.0	26.0	53.0	-14.1

◆ Changes in net sales and operating income (Comparison with previous outlook)

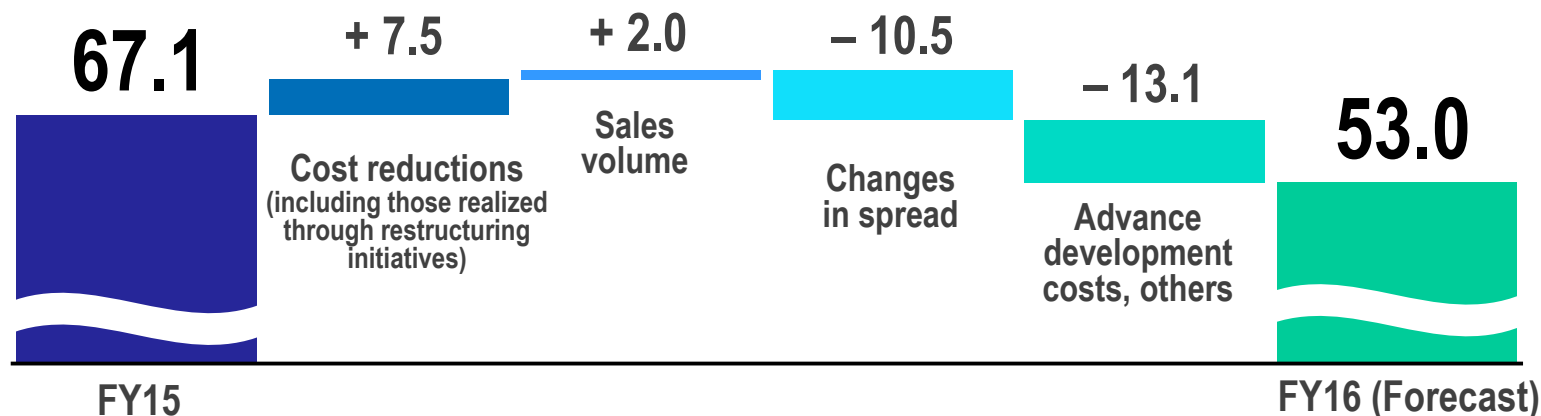
		FY16 Previous Outlook*			FY16 Outlook			Difference
		1H	2H	Total	1H	2H	Total	
		(¥ billion)						
Net sales	Advanced Fibers and Composites	60.0	65.0	125.0	57.3	62.7	120.0	-5.0
	Electronics Materials and Performance Polymer Products	65.0	65.0	130.0	66.9	63.1	130.0	—
	Healthcare	70.0	70.0	140.0	73.6	66.4	140.0	—
	Trading and Retail	125.0	150.0	275.0	125.5	144.5	270.0	-5.0
	Total	320.0	350.0	670.0	323.3	336.7	660.0	-10.0
	Others	30.0	40.0	70.0	29.8	40.2	70.0	—
Total		350.0	390.0	740.0	353.0	377.0	730.0	-10.0
Operating income (loss)	Advanced Fibers and Composites	7.5	8.5	16.0	7.7	7.3	15.0	-1.0
	Electronics Materials and Performance Polymer Products	8.0	5.5	13.5	9.4	5.1	14.5	+1.0
	Healthcare	11.5	15.5	27.0	12.4	14.6	27.0	—
	Trading and Retail	2.5	3.5	6.0	2.9	3.1	6.0	—
	Total	29.5	33.0	62.5	32.4	30.1	62.5	—
	Others	1.5	5.0	6.5	2.2	4.3	6.5	—
	Elimination and Corporate	(8.0)	(8.0)	(16.0)	(7.5)	(8.5)	(16.0)	—
Total		23.0	30.0	53.0	27.0	26.0	53.0	—

◆ Analysis of changes in operating income

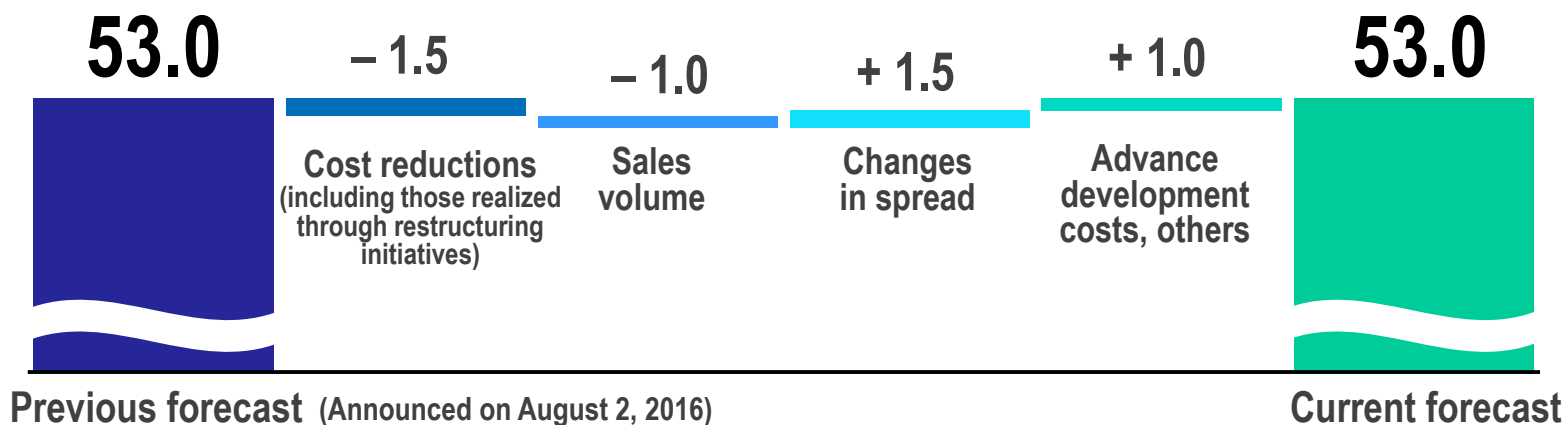
(¥ billion)

Comparison with
FY15

Operating income is forecast to decrease based on a projected increase in advance development costs in addition to a worsening spread in the resin business and the impact of revisions to NHI drug price reimbursements, despite an anticipated positive impact from restructuring initiatives.

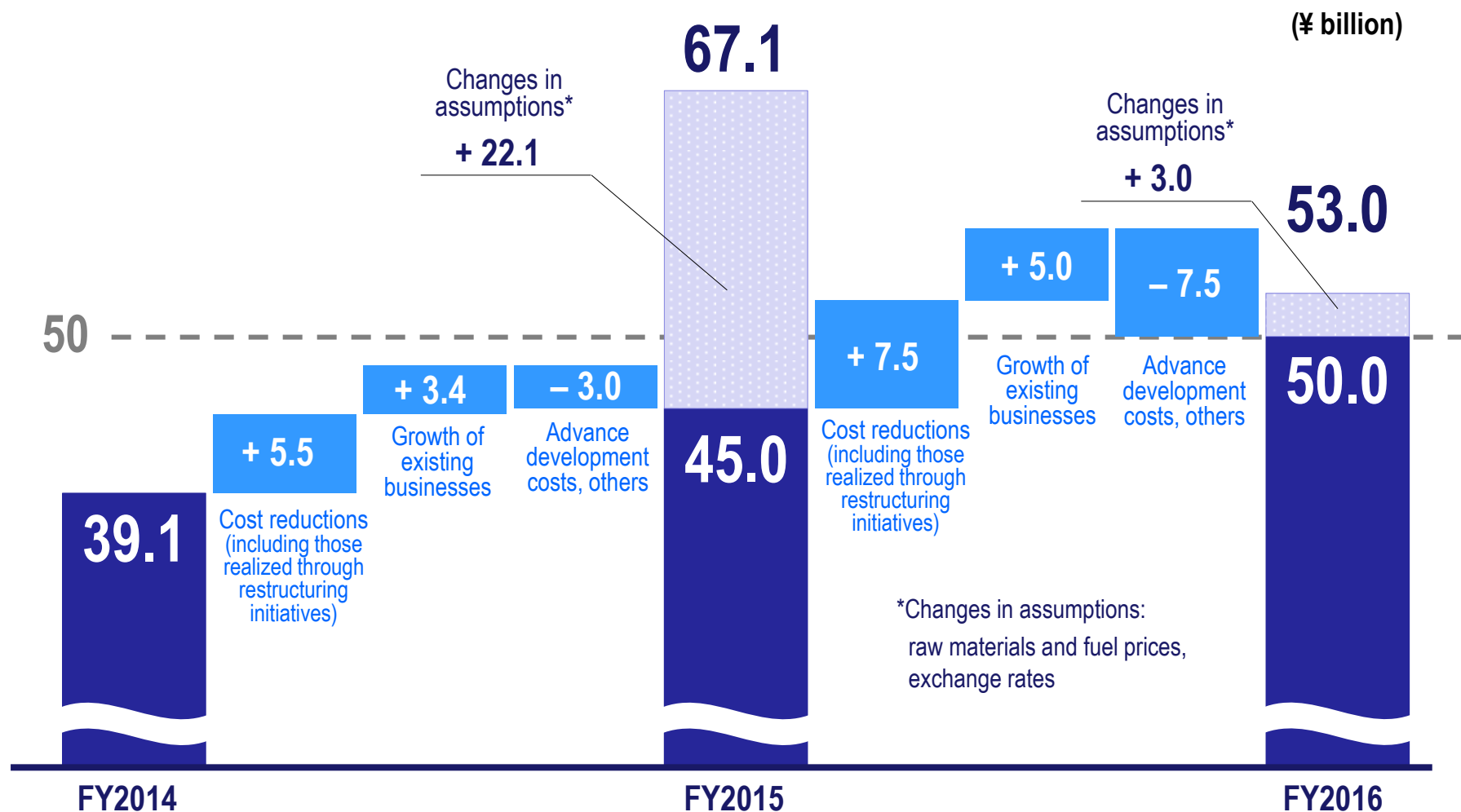
Comparison with
previous forecast

Forecast reflects a half-year delay in restructuring initiatives in the home healthcare business in the United States, despite a projected improvement in the spread in the materials business.



◆ Changes in the composition of operating income (with 2014 as the starting point)

Excluding external environmental factors,
our core earnings power is steadily improving in line with
targets set out in our revised medium-term management plan



◆ Changes from the first half to the second half (operating income)

(¥ billion)	FY16 Outlook			Changes from 1H to 2H
	1H	2H	Difference	
Advanced Fibers and Composites	7.7	7.3	-0.4	Operating income will struggle to grow due to the impact of the stronger yen and rising material and fuel costs, despite growth in sales volume in the second half
Electronics Materials and Performance Polymer Products	9.4	5.1	-4.3	The forecast factors in a drop in sales due to seasonal factors (Chinese New Year) and a worsening spread in the PC resin business
Healthcare	12.4	14.6	+2.3	No new drug licensing costs +4.0 Concentration of febuxostat exports in the first half, and an increase in research expenses
Trading and Retail	2.9	3.1	+0.1	Earnings up due to seasonal factors, but not up as much as average years due to the impact of sluggish consumer spending on apparel in Japan
Total	32.4	30.1	-2.3	
Others	2.2	4.3	+2.2	Seasonal factors in the IT and engineering businesses, etc.
Elimination and Corporate	(7.5)	(8.5)	-0.9	Increased costs for transformation and growth projects
Total	27.0	26.0	-1.0	

◆ Financial highlights

	FY12 Actual	FY13 Actual	FY14 Actual	FY15 Actual	FY16 Outlook
ROA ^{*1}	1.6%	2.4%	4.9%	8.2%	6.0%
ROE ^{*2}	-10.3%	3.0%	-2.8%	10.6%	11.5%
Operating margin	1.7%	2.3%	5.0%	8.5%	7.3%
D/E ratio ^{*3}	1.00	1.00	1.07	1.01	1.2
Shareholders' equity ratio	35.6%	36.7%	34.9%	36.4%	33.3%
Earnings per share ^{*4} (¥)	(148.1)	42.5	(41.1)	158.1	178.0
Dividends per share ^{*4} (¥)	20	20	20	35	50
Total assets (¥ billion)	762.4	768.4	823.7	823.4	930.0
Interest-bearing debt (¥ billion)	270.8	281.5	308.2	303.3	375.0
EBITDA (¥ billion) ^{*5}	59.2	63.7	82.1	106.0	90.5

*1 ROA= Operating income / Total assets

*2 ROE= Profit attributable to owners of parent / Shareholders' equity

*3 D/E ratio = Interest-bearing debt / Total shareholders' equity

*4 Reflecting the impact of the consolidation of shares

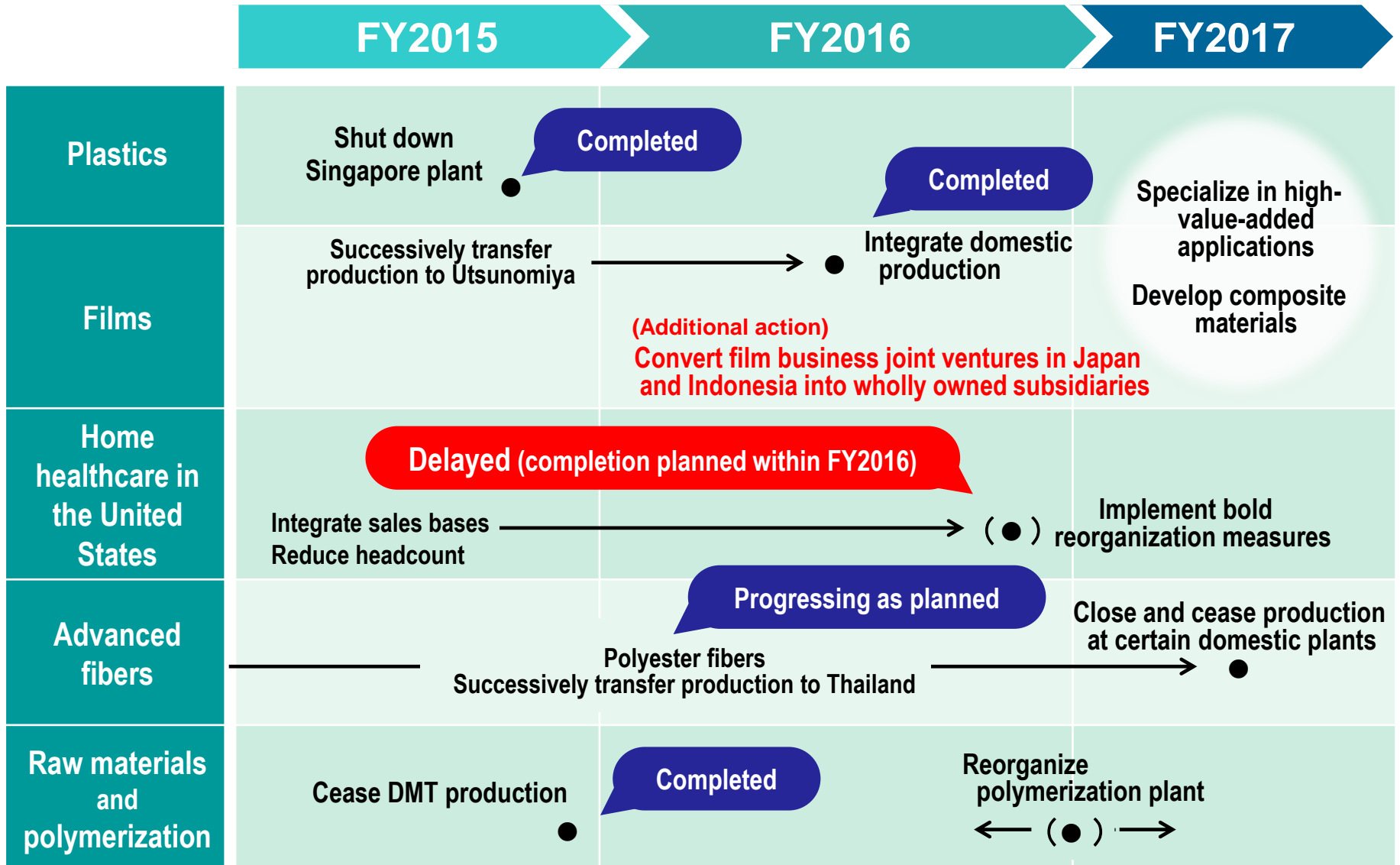
*5 EBITDA = Operating income + Depreciation & amortization

Medium- and Long-Term Initiatives

3. Medium- and Long-Term Initiatives

[1] Progress on the revised medium-term management plan

Advance restructuring initiatives



[1] Progress on the revised medium-term management plan

Advance restructuring initiatives
Main actions in the first half

Films

Halted production activities at the Gifu Factory

(in September 2016)

- Integrated production at the Utsunomiya Factory, making it the flagship factory (production capacity 60 thousand tons ⇒ 30 thousand tons per year)
- Focus on high-value-added applications and promote the shift to OEM for certain items

Make film business joint ventures in Japan and Indonesia into wholly-owned subsidiaries of Teijin

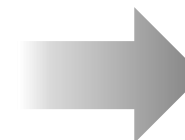
(announced in August 2016)

- | | |
|---------|--|
| 2000~ | Teijin and E. I. du Pont de Nemours and Company (“DuPont”) have integrated polyester film business in 2000, and have been operating the business on a global scale by establishing joint ventures in seven countries worldwide |
| 2016. 8 | Teijin acquired the interests owned by DuPont in the film business joint ventures in Japan and Indonesia |

● AIM of Acquisition

Achieve further growth by improving flexibility of management and speed of decision-making

- Utilizing high-performance materials other than polyester
- Combining and integrating materials other businesses of Teijin Group
- Promoting external alliances



Develop New Business

Accelerate the transformation of the business portfolio through restructuring initiatives

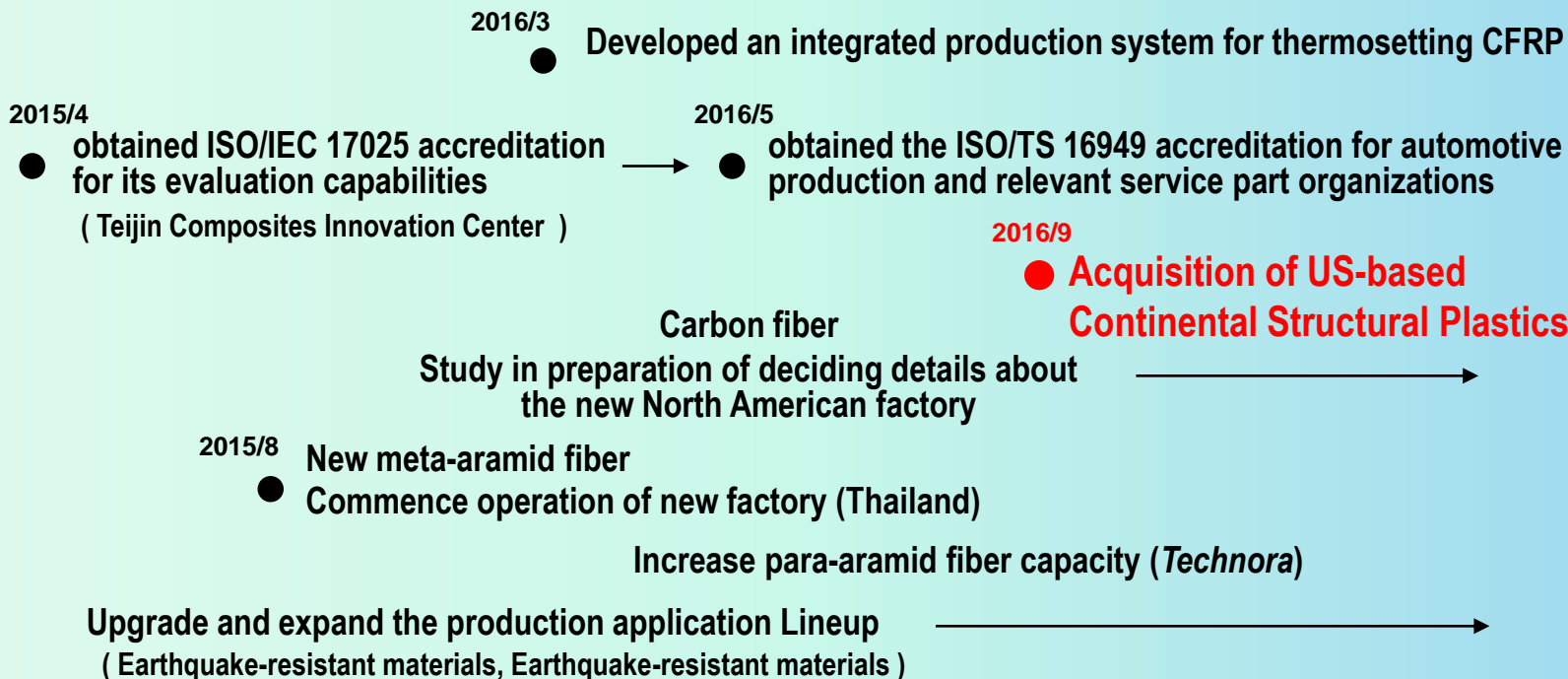
[1] Progress on the revised medium-term management plan

Advance transformation and growth strategies

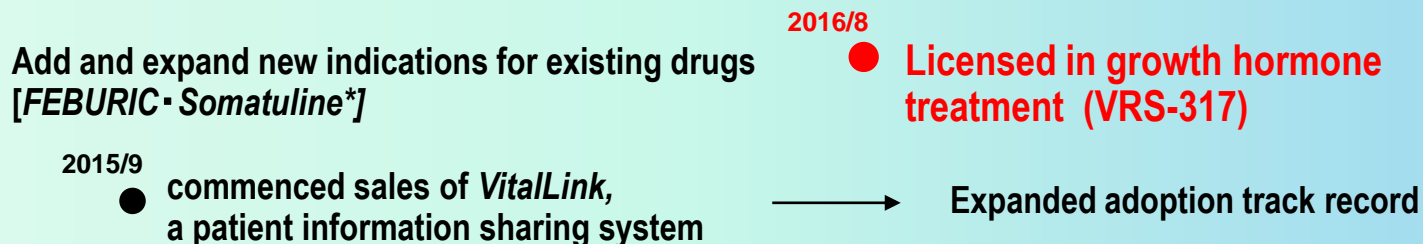
~FY2015

FY2016

Materials



Healthcare



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

[1] Progress on the revised medium-term management plan

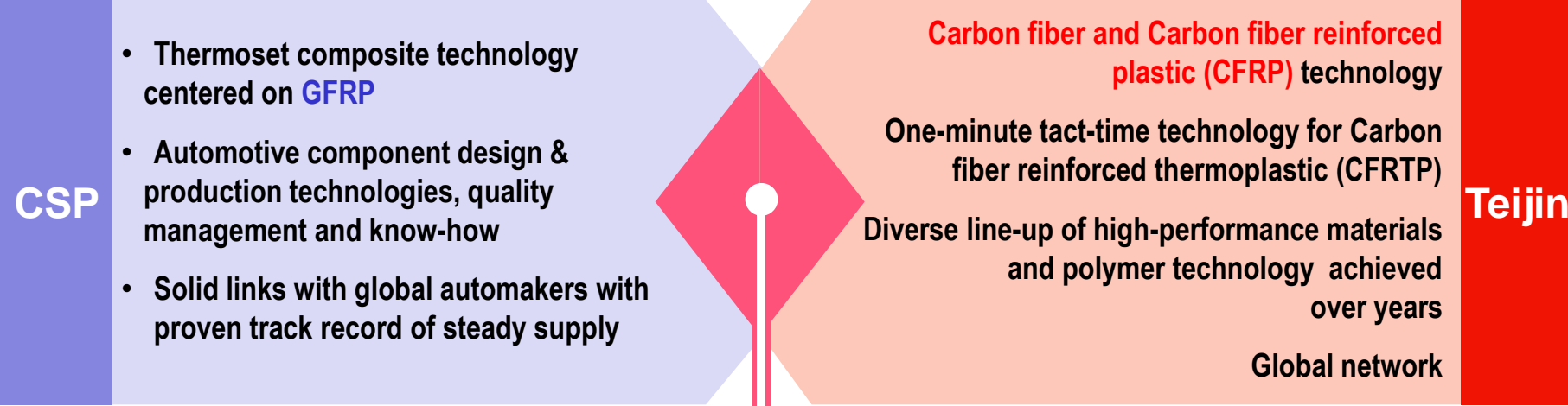
Advance transformation and growth strategies
Main actions in the first half

2016/9
Acquisition of US-based Continental Structural Plastics*



- World's largest Tier 1 supplier in the field of automotive components based on sheet molding compound (SMC) technology using glass fiber reinforced plastic (GFRP) and other materials
- Boasts production technology for outstanding components that are lightweight and well-designed

* Continental Structural Plastics Holdings Corporation ("CSP")



Short- to medium-term: Contribute to development of more lightweight automotive parts for both external components (GFRP) and structural components (CFRP)

Medium- to long-term : Strengthen hybrid product development capabilities in response to the shift towards multi-materials

Establish a bridgehead in the automotive composite products business

[1] Progress on the revised medium-term management plan

Advance transformation and growth strategies

Main actions in the first half

Licensed in *Somavaratan* (VRS-317)

a novel, potential long-acting form of recombinant growth hormone

In August 2016, Teijin signed an exclusive license and supply agreement with Versartis, Inc. for the development and marketing of *Somavaratan* (VRS-317) in Japan



- *Somavaratan* should provide the first expected indications of children's growth hormone deficiency (pediatric GHD*), and Versartis, Inc. is currently conducting clinical trials (Phase 2/3) in Japan

*Pediatric GHD: This occurs when the pituitary gland does not produce sufficient growth hormone during childhood, resulting in symptoms such as dwarfism

Characteristics of *Somavaratan*

From the result of a Phase 2 trial in the US, *Somavaratan* is expected to provide a twice-monthly therapy that is equal therapeutic benefit to those patients currently being treated with the pediatric GHD products that require a daily injection.

Market size* : Around **¥60** billion

*Teijin's estimate of the market size of the existing growth hormone products in Japan for pediatric GHD

Somavaratan* is expected to contribute to strengthening the foundation and to the growth of Teijin's focus fields of endocrine and children's diseases. In the future, Teijin will continue to work to develop the expanded indications obtainable by *Somavaratan

[2] Toward the Next Medium-Term Management Plan

(Scheduled for announcement in February 2017)

Formulation policy

1. Clarify our long-term aspirations for Teijin around 2025
2. Formulate an action plan to be executed from FY2017 to FY2019 to achieve those aspirations

Awareness of environment



Environment and energy conservation



Safety, security and disaster mitigation



Demographic change and increased health consciousness



Rapid advances in ICT*



*Information and Communication Technology

Aiming to capture new business opportunities based on anticipated changes in society and the business environment,

we will ceaselessly transform our business portfolio

[2] Toward the Next Medium-Term Management Plan

Business Portfolio Transformation

- Growth in existing business + Creation and development of new businesses that are not an extension of existing operations

Materials

Heightened diversified needs for high-performance materials and components and the trend toward multi-material solutions



Shift to a composites business not fixated on any single type of material

Healthcare

Ongoing aging of society with fewer children, rising needs for extending healthy life expectancy, and increasing sophistication of medical services driven by advances in digital technology



Expansion of embedded medical devices and businesses fields outside the scope of medical insurance

Development of a transformation-focused business platform

- Incorporate the **transformation of the Group's organizational/management systems and cost structure**, in order to adapt to business portfolio transformation
- **Set strategic KPI*s** to visualize progress against the achievement of business results and transformation

* Key Performance Indicators

Disclaimer Regarding Forward-Looking Statements and Business Risks

Disclaimer

Any statements in this document, other than those of historical fact, are forward-looking statements about the future performance of Teijin and its Group companies, which are based on management's assumptions and beliefs in light of information currently available, and involve risks and uncertainties. Actual results may differ materially from these forecasts.

Business Risks

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.

(1) Market-related risk

The Teijin Group manufactures and sells products, the sales of which may be affected by market conditions, competition with other companies and price fluctuations arising thereof, as well as fluctuations in raw materials prices and fuel costs, and such market factors as fluctuations in foreign exchange and interest rates.

(2) Product quality risk

The Teijin Group has established a dedicated division that is charged with product quality and reliability assurance for all Group businesses. However, product and service defects arising from quality issues have the potential to negatively affect, among others, the Group's operating results, financial position and public reputation.

(3) R&D-related risk

The Teijin Group actively allocates management resources to R&D efforts. R&D in the pharmaceuticals business, in particular, is characterized by significant investments of funds and time. Pharmaceuticals discovery research has a high incidence of failure to discover promising drugs. There are also risks that plans to apply for regulatory approval may be abandoned or that approval may be rescinded.

(4) Risks related to overseas operations

The Teijin Group has operations overseas. These operations are vulnerable to the impact of fluctuations in foreign exchange rates, as well as enforcement of new or unexpected changes to existing laws, regulations or tax systems that exert an adverse impact on the Group; economic fluctuations; or social unrest triggered by acts of terror or war.

(5) Risks related to accidents and disasters

In the event of a major natural disaster or unforeseen accident that results in damage to the Teijin 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

(¥ billion)	Dec. 31, 2014	Mar. 31, 2015	June 30, 2015	Sept. 30, 2015	Dec. 31, 2015	Mar. 31, 2016	June 30, 2016	Sept. 30, 2016
Total assets	832.7	823.7	816.4	802.7	821.9	823.4	789.8	779.7
Current assets	413.1	406.0	395.6	395.6	415.0	430.5	413.7	403.6
Fixed assets	419.6	417.7	420.8	407.1	406.9	392.9	376.1	376.2
Total liabilities and net assets	832.7	823.7	816.4	802.7	821.9	823.4	789.8	779.7
Liabilities	539.1	520.1	496.3	483.8	491.8	509.0	485.5	463.2
[Interest-bearing debt]	317.3	308.2	294.3	283.6	281.1	303.3	297.8	276.2
Net assets	293.6	303.6	320.2	319.0	330.1	314.4	304.3	316.5

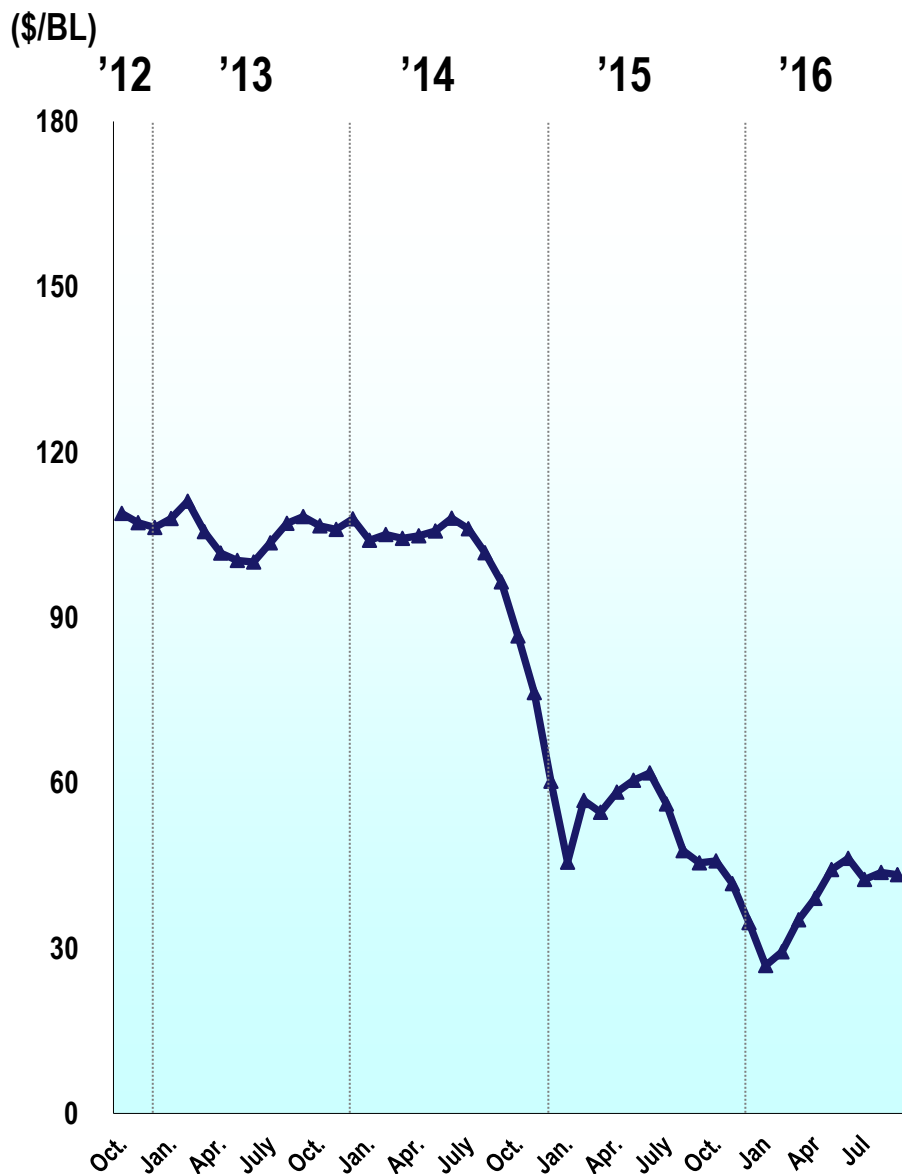
Note: For more information, see Teijin's quarterly results report (Consolidated Financial Results for the Second Quarter of FY16).

◆ Consolidated Statements of Income

	FY15				FY16		FY15 2Q vs FY16 2Q
	1Q	2Q	3Q	4Q	1Q	2Q	
(¥ billion)							
Net Sales	192.6	199.5	199.2	199.5	174.2	178.8	-20.7
Cost of sales	130.8	134.5	134.0	137.0	113.1	118.2	-16.3
Gross profit	61.7	65.0	65.3	62.4	61.2	60.6	-4.4
SG & A	45.3	46.1	45.1	50.8	45.5	49.3	+3.2
Operating income	16.4	18.9	20.1	11.6	15.7	11.3	-7.6
Nonoperating items, net	1.6	(1.1)	0.8	(8.1)	(1.3)	1.0	+2.0
(Balance of financial expenses)	0.5	(0.5)	0.1	(0.3)	0.7	(0.3)	+0.1
(Equity in earnings and losses of affiliates)	0.9	1.1	0.5	(5.5)	0.8	1.7	+0.6
Ordinary income	18.0	17.9	21.0	3.5	14.4	12.3	-5.6
Extraordinary items (net)	(1.3)	(1.6)	(7.8)	(4.1)	(0.6)	(2.2)	-0.7
Income (loss) before income taxes	16.7	16.3	13.2	(0.6)	13.8	10.0	-6.3
Income taxes	5.5	3.5	4.3	3.1	2.2	(0.2)	-3.7
Profit (loss) attributable to non-controlling interests	0.0	(0.4)	(1.6)	0.1	0.1	0.3	+0.7
Profit (loss) attributable to owners of parent	11.2	13.3	10.5	(3.8)	11.4	9.9	-3.3

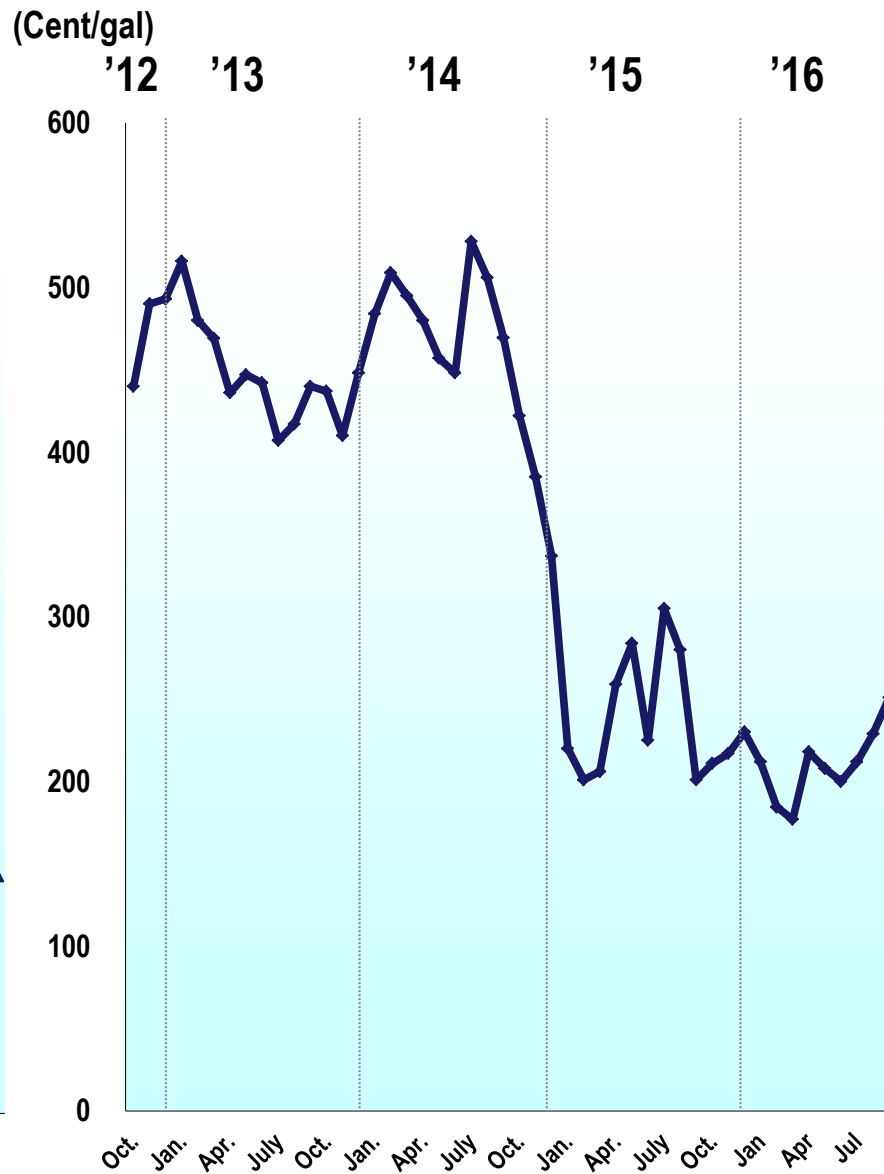
Note: For more information, see Teijin's quarterly results report (Consolidated Financial Results for the Second Quarter of FY16).

◆ Dubai crude oil prices



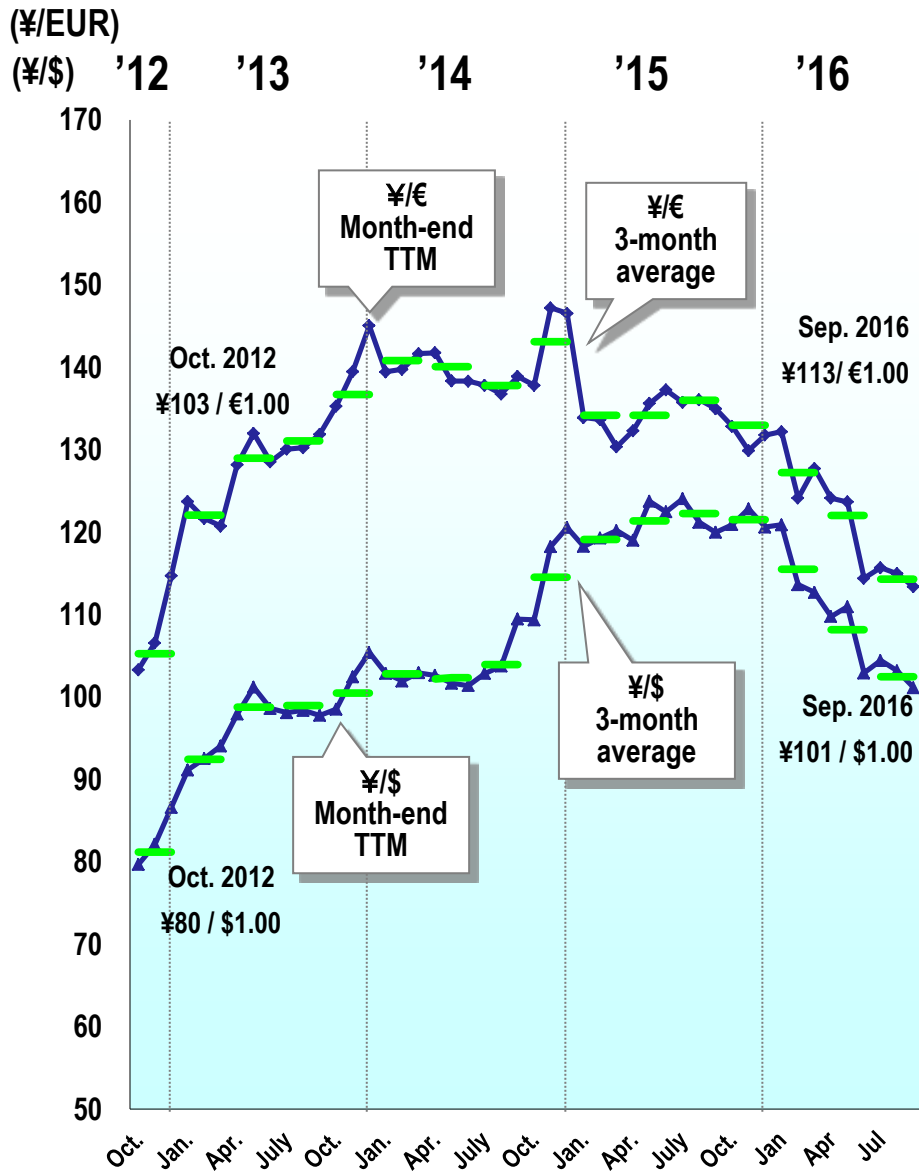
【Source: Teijin estimates based on data published by Platt's】

◆ Benzene prices

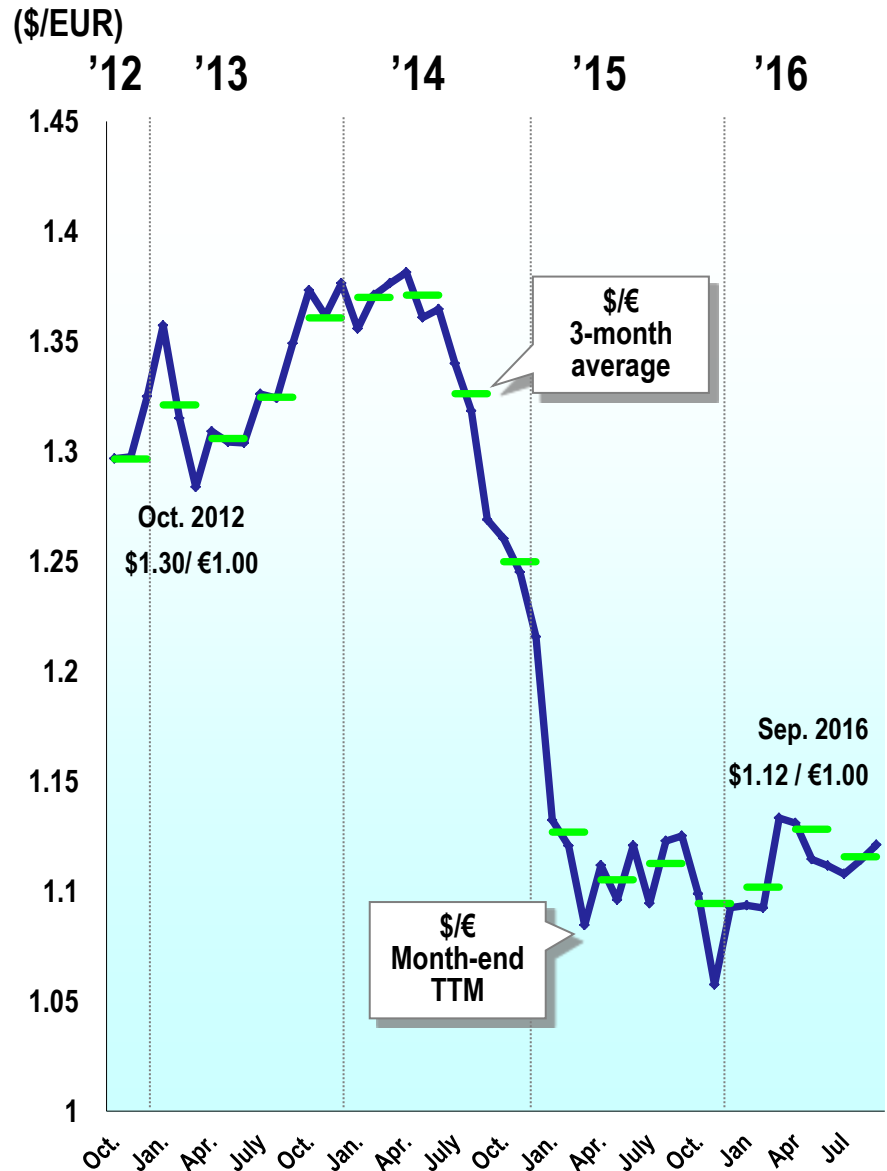


【Source: Teijin estimates based on data published by Dewitt】

◆ Yen/Dollar, Yen/Euro exchange rates

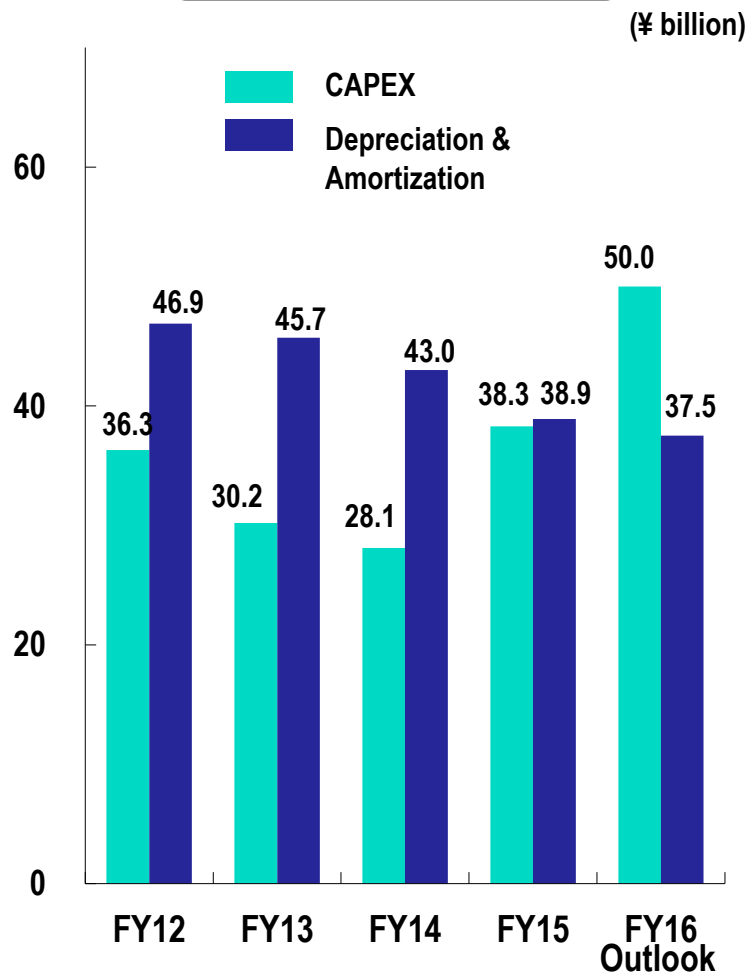


◆ Dollar/Euro exchange rates

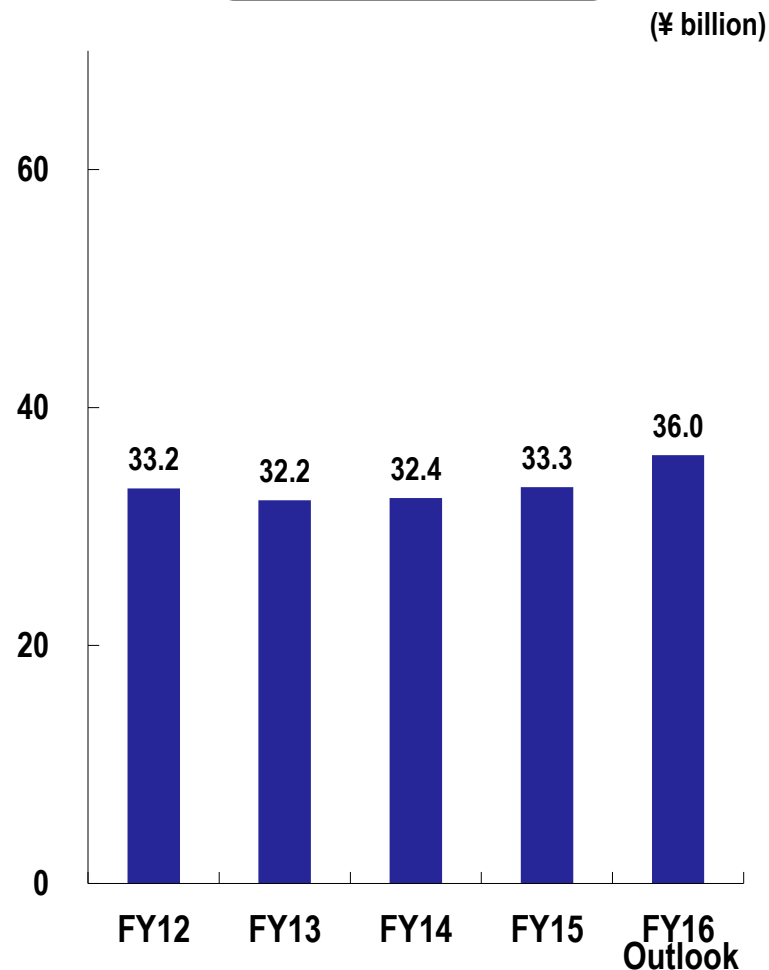


◆ CAPEX, depreciation & amortization, and R&D expenses

CAPEX/Depreciation & Amortization



R&D Expenses



◆ Sales of Principal Pharmaceuticals

Product	Target disease	FY15					FY16	
		1Q	2Q	3Q	4Q	Annual Total	1Q	2Q
<i>Bonalon</i> ^{®*1}	Osteoporosis	3.3	3.3	3.5	2.8	12.9	3.1	2.8
<i>Onealfa</i> [®]	Osteoporosis	1.3	1.3	1.3	1.0	4.9	1.0	0.9
Osteoporosis total		4.6	4.6	4.9	3.8	17.8	4.1	3.8
<i>FEBURIC</i> [®]	Hyperuricemia and gout	4.8	5.2	6.0	5.3	21.3	6.4	6.4
<i>Mucosolvan</i> [®]	Expectorant	1.8	1.4	2.0	1.5	6.8	1.4	1.3
<i>Venilon</i> [®]	Severe infection	2.5	0.0	1.3	0.6	4.4	1.0	1.2
<i>Laxoberon</i> [®]	Laxative	0.7	0.7	0.7	0.5	2.6	0.5	0.5
<i>Tricor</i> [®]	Hyperlipidemia	0.4	0.4	0.4	0.4	1.6	0.4	0.4
<i>Somatuline</i> ^{®*2}	Acromegaly and pituitary gigantism	0.3	0.4	0.4	0.4	1.5	0.4	0.4
<i>Alvesco</i> [®]	Asthma	0.3	0.3	0.3	0.3	1.2	0.3	0.3

*1 *Bonalon*[®] is the registered trademark of Merck Sharp & Dohme Corp., Whitehouse Station, NJ, U.S.A.

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

◆ Development status by therapeutic area

(As of September 30, 2016)

	Phase of Clinical Trials				
	Phase I	Phase II	Phase III	Filed	Approved/ New Launch
Bone and joint disease		ITM-058 KTP-001			
Respiratory disease		PTR-36			
Cardio-vascular and metabolic disease	TMG-123 TMX-049 TMX-049DN* ³	VRS-317* ⁴	STM-279	TMX-67 [Febuxostat] (PRC) ITM-014N [Somatuline®* ¹] (New indication for neuroendocrine tumor)	TMX-67TLS* ² [FEBURIC®] (New indication for tumor lysis syndrome)
Other			GGs-ON, -MPA, -CIDP [Venilon®] (New indication for optic neuritis) (New indication for microscopic polyangiitis) (New indication for chronic inflammatory demyelinating polyneuropathy)		

■*¹ Somatuline® is the registered trademark of Ipsen Pharma, Paris, France. In July 2016, Teijin filed an application with the Pharmaceuticals and Medical Devices Agency for approval of ITM-014N, which is currently in development as an expanded indication of Somatuline® for neuroendocrine tumors. ■*² TMX-67TLS is currently in development as an expanded indication of FEBURIC® for tumor lysis syndrome. In May 2016, it received approval for the additional indication of hyperuricemia associated with cancer chemotherapy. ■*³ In July 2016, Teijin began clinical development of TMX-049DN (UK, Phase 1) as a new treatment for diabetic nephropathy in Type 2 diabetes. ■*⁴ In August 2016, Teijin signed an exclusive license and supply agreement with Versartis, Inc. of the U.S. for the exclusive development and marketing in Japan of Somavaratan (VRS-317), a novel, long-acting form of recombinant growth hormone (rhGH) developed by Versartis, Inc..

◆ Newly developed pharmaceutical candidates

(As of September 30, 2016)

【Approved】

Code No. (Generic name)	Target disease	Medical properties/characteristics	Dosage form	Remarks
TMX-67TLS (febuxostat)	Tumor lysis syndrome	A highly potent drug that selectively inhibits xanthine oxidase. Offers promise as a once-daily treatment option that prevents hyperuricemia in patients with malignant tumors who have undergone chemotherapy.	Tablet	Developed in-house (New indication) In May 2016, approval received for the indication of hyperuricemia associated with cancer chemotherapy

【Filed】

Code No. (Generic name)	Target disease	Medical properties/characteristics	Dosage form	Remarks
TMX-67 (febuxostat)	Hyperuricemia and gout	Trials to facilitate the licensing out of febuxostat (tablet-form treatment for hyperuricemia and gout currently sold in Japan and elsewhere) for sale in the PRC. A highly potent drug that selectively inhibits xanthine oxidase and is also safe for patients with impaired renal function who may be unable to tolerate existing treatments. Offers promise as a new treatment option that will improve the quality of life of hyperuricemia and gout sufferers in the PRC.	Tablet	Under joint development with Astellas Pharma China, Inc. Filed in PRC in November 2015
ITM-014N (lanreotide acetate)	Neuroendocrine tumors	Promising for the treatment of neuroendocrine tumors; inhibits cell proliferation and improves associated symptoms by interacting with somatostatin receptors to induce apoptosis (direct mechanism) and by blocking the release of neurotrophic factors (indirect mechanism).	Injection	Licensed in from Ipsen Pharma, Paris, France (New indication) Filed in July 2016

◆ Newly developed pharmaceutical candidates

(As of September 30, 2016)

【 Phase III 】

Code No. (Generic name)	Target disease	Medical properties/characteristics	Dosage form	Remarks
GGs-ON (freeze-dried sulfonated human immunoglobulin)	Optic neuritis	The immunoregulatory mechanism of this drug inhibits inflammation of the optic nerve; also promising because of its ability to restore lost visual function.	Injection	Under joint development with Kaketsuken (New indication)
GGs-MPA (freeze-dried sulfonated human immunoglobulin)	Microscopic polyangiitis	This drug's anti-inflammatory and immunoregulatory actions mitigate autoimmune vasculitis; also promising as a treatment for mononeuritis multiplex, a neuropathic disorder that is not alleviated by standard therapies.	Injection	Under joint development with Kaketsuken (New indication)
GGs-CIDP (freeze-dried sulfonated human immunoglobulin)	Chronic inflammatory demyelinating polyneuropathy	The immunoregulatory action of this drug inhibits inflammation of the peripheral nerves; the drug thus offers promise as a treatment that will restore lost muscle strength.	Injection	Under joint development with Kaketsuken (New indication)
STM-279	Adenosine deaminase (ADA) deficiency	EZN-2279 (polyethylene glycol recombinant bovine adenosine deaminase) is an injectable recombinant ADA that suppresses a reduction in lymphocytes by replacing ADA. It is expected to prevent the onset of severe combined immune deficiency (SCID).	Tablet	Licensed in from Sigma Tau Rare Disease Ltd. (U.K.)

【Phase II】

(As of September 30, 2016)

Code No. (Generic name)	Target disease	Medical properties/characteristics	Dosage form	Remarks
ITM-058	Osteoporosis	Promising for the treatment of osteoporosis due to potency in promoting bone formation, resulting in a rapid increase in bone density and reduction in the risk of fracture. Superior to existing PTH derived drugs in its ability to increase bone density and its safety (minimal risk of hypercalcemia).	Injection	Licensed in from Ipsen Pharma, Paris, France
KTP-001	Lumbar disc herniation	For use in chemonucleolysis for herniated lumbar discs; because it is a recombinant human protease—identical in structure to matrix metalloprotease, which promotes the spontaneous regression of herniated discs—this drug minimizes the risk of allergic reaction and facilitates the selective treatment of affected discs, thus reducing damage to surrounding tissue and enhancing the viability of this procedure as a minimally invasive alternative to surgery and expanding the treatment options available to patients.	Injection	Engineered by Professor Hiroataka Haro and Dr. Hiromichi Komori Under joint development with Kaketsuken
PTR-36	Bronchial asthma	Uses a novel mechanism (CRTh2 receptor antagonism) to control symptoms of asthma, facilitating effective long-term management of the disease; offers promise for use alone, delivering therapeutic value comparable to that of steroids, for patients with mild asthma; also offers promise for use in tandem with steroid inhalants, delivering sufficient therapeutic value for patients with mild to severe asthma.	Tablet	Licensed in from Pulmagen Therapeutics (Asthma) Limited
VRS-317	Pediatric growth hormone deficiency (GHD)	long-acting form of recombinant human growth hormone containing polypeptide. From the result of a Phase 2 trial in the US, this drug is expected to provide a twice-monthly therapy that is equal therapeutic benefit to those patients currently being treated with the pediatric GHD products that require a daily injection.	Injection	Licensed in from Versartis, Inc. Currently in Phase 2 of Phase 2/3 trials

◆ Newly developed pharmaceutical candidates

(As of September 30, 2016)

【 Phase I 】

Code No. (Generic name)	Target disease	Medical properties/characteristics	Dosage form	Remarks
TMG-123	Type 2 diabetes	Uses a novel mechanism (activation of glucokinase (GK) expressed predominantly in the liver) to control blood glucose levels; holds promise for use by patients with impaired glucose homeostasis. Also expected to offer greater convenience (administered once daily, does not require adjustment of dose for patients with renal insufficiency and minimal risk of drug interaction).	Tablet	Developed in-house
TMX-049	Hyperuricemia and gout	Non-purine xanthine oxidase inhibitor; offers promise as a new treatment for hyperuricemia and gout that is both highly effective and safe.	Tablet	Developed in-house
TMX-049DN	Diabetic nephropathy in Type 2 diabetes	Non-purine xanthine oxidase inhibitor; offers promise in suppressing the progression of nephropathy, as a new treatment for diabetic nephropath.	Tablet	Developed in-house

◆ Status of licensed-in products in preclinical stages (information for the past three years)

Agreement	Licensor	Nature of Agreement
March 2015	Taisho Pharmaceutical Co., Ltd. (Japan)	Distribution rights in Japan for TT-063, an anti-inflammatory analgesic patch containing the compound S-flurbiprofen for which the indication is osteoarthritis pain and inflammation. (Sept. 2015: Taisho Pharmaceutical Co., Ltd. obtained manufacturing and marketing approval.) (January 2016: began jointly marketing the transdermal anti-inflammatory analgesic patch formulation LOQOA Tape with Taisho Toyama Pharmaceutical Co., Ltd.)

TEIJIN

Human Chemistry, Human Solutions

Human Chemistry, Human Solutions

The promise of the Teijin brand is summed up in the resonant statement: "Human Chemistry, Human Solutions".

Our promise is to continue to develop chemical technologies that are friendly to both people and the global environment. It is to keep providing solutions that deliver the real value that society and our customers expect.

We will certainly keep this promise. Constantly working to enhance the Quality of Life –our very reason for being as a company– the Teijin Group will continue to win the trust of society and our customers.