Medium-Term Management Plan 2020 - 2022

ALWAYS EVOLVING

Enhancing the Quality of Life

February 2020

Teijin Limited  TSE: 3401
Disclaimer Regarding Forward-Looking Statements

Any statements in this document, other than those of historical facts, 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.
1. Corporate Vision

Be a Company that Supports the Society of the Future
Long-Term Corporate Vision

Provide value to society toward a sustainable world, through “Three Solutions” based on our corporate philosophy.

Be a company that supports the society of the future through ceaseless evolution and ambition.

Contribute to a Sustainable World through the Three Solutions:
- Environmental Value Solutions
- Safety, Security and Disaster Mitigation Solutions
- Demographic Change and Increased Health Consciousness Solutions

Strengthen Management Basis:
- Technological Base, Human Resources, Corporate Governance, CSR, Diversity & Inclusion
To realize a Sustainable World, our focus is on people, delivering innovative solutions to enhance the Quality of Life, while minimizing the negative impacts of our activities on the environment and society.

**Environmental Value Solutions**
Provide products and services contributing to global environmental goals such as prevention of climate change and achievement of a circular economy.

**Safety, Security, and Disaster Mitigation Solutions**
Provide products and services protecting lives and livelihoods from various risks such as disasters and accidents.

**Demographic Change and Increased Health Consciousness Solutions**
Provide products and services supporting healthy and comfortable living for people of all ages.
Our History: Portfolio Transformation Anticipating Changes in Society

Society: Paradigm-shift from mass production and consumerism to information driven and global sustainability
Teijin Group: Anticipate changes in society and endeavor to deliver new value and solutions

Provide Solutions to improve Quality of Life
Focus on delivering the Three Solutions

Portfolio Transformation
- Building a technological platform based on in-house R&D and introduction of external advanced technologies
- Ceaseless portfolio transition to higher value-added business from commoditized business
- New business models and value creation based on core technologies

Healthcare business derived from synthetic chemistry and engineering

High-performance fiber Composites
Aramid fibers, Carbon fibers, Automotive Parts

IT business expanded from a systems provider to a service provider

Chemicals
Resin, Films

Healthcare
Pharmaceuticals, Home healthcare

Multi-materials combined for higher value-added products

Synthetic fiber
Rayon fibers → Polyester fibers

1918 1950 2000 2020
2. Review of Previous Medium-Term Management Plan
2017 - 2019

Clarified the business areas for future growth, still pursuing the ability to generate cash flow
Transformation Strategy (TS): Next core business creation and business model transformation
Growth Strategy (GS): Core business profitability enhancement by growth acceleration

Materials: Executed strategic investment as planned
- **TS:** M&A to expand composites business
- **GS:** Capital investment to increase production capacity for carbon fiber and its decision for aramid fiber

**FY2017:**
- Acquisition of CSP*1 (US)
- Withdrawal from the US Home healthcare business

**FY2018:**
- Decision to build a Carbon Fibers manufacturing plant (US)
- Acquisition of Spine implants business acquired
- Teijin Medical Technology established (Bone cement)
- Licensing out of an investigational antibody drug candidate for treatment of Alzheimer’s disease

**FY2019:**
- Integration of the pharmaceuticals and home healthcare organizations from a dual business unit structure to a functional structure
- Start of clinical trial of cardiovascular repair patch
- Start of sale of the device for treatment of depression (*NeuroStar*)
- Establishment of Nutraceutical sales company
- Exclusive Inuria distributorship in Japan

**Healthcare:** No large-scale M&A, due to careful selection of projects
- **TS:** Small to mid business acquisition and licensing, progress of development
- **GS:** Steady progress in R&D of Pharmaceuticals & Home Healthcare, and strengthened organizational basis through structural reform

*1 CSP: Continental Structural Plastics Holdings Corporation
*2 Based on FY2019 outlook of February 5, 2020
Previous MTP Review: Challenges Still Remain in Transformation Strategy

### ROE (average) and ROIC: Will hit target, ROE and EBITDA (FY2019): Will miss target

<table>
<thead>
<tr>
<th></th>
<th>Target</th>
<th>Average FY2017-2019 (Outlook)</th>
<th>FY2019 (Outlook)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ROIC</strong> <em>(^1)</em>**</td>
<td>8%+</td>
<td>9%+</td>
<td>8%</td>
</tr>
<tr>
<td>based on operating income</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>ROE</strong> <em>(^2)</em>**</td>
<td>10%+</td>
<td>10%+</td>
<td>8%</td>
</tr>
<tr>
<td><strong>EBITDA</strong> <em>(^3)</em>**</td>
<td>Over 120 bil. Yen (final year)</td>
<td>—</td>
<td>108 bil. yen</td>
</tr>
</tbody>
</table>

*1 ROIC based on operating income = Operating income / invested capital : Invested capital = Net assets + Interest-bearing debt – Cash and deposits
*2 Profit (loss) attributable to owners of parent/Shareholders’ equity
*3 Operating income + Depreciation & Amortization

- Delays in expansion and cash-generation of transformation strategy
- Worsening profitability in Materials due to stagnant market conditions mainly from trade friction between US and China

### Sales of Transformation Strategy: No large scale healthcare M&A, to be a future challenge

<table>
<thead>
<tr>
<th>Materials</th>
<th>Healthcare</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Yen in billions)</td>
<td>(Yen in billions)</td>
</tr>
<tr>
<td><strong>Composite Products, LiB Separator and Membrane</strong></td>
<td><strong>Orthopedic Implantable Devices, Functional Food Ingredient, New Medical Products, Digital Healthcare</strong></td>
</tr>
<tr>
<td>• Composites Business for automotive expanded steadily, and the next challenge is profitability improvement</td>
<td>• Executed small to mid size M&amp;A and license agreements</td>
</tr>
<tr>
<td>• Separator for automotive Li-Ion batteries project was delayed</td>
<td>• Challenges in prioritization of resource allocation for development and expansion</td>
</tr>
<tr>
<td>MTP</td>
<td>Outlook</td>
</tr>
<tr>
<td>FY2019</td>
<td>FY2019</td>
</tr>
</tbody>
</table>
3. Overview of Medium-Term Management Plan
2020 - 2022

Focused Investment on the Three Solutions for Creating Growth Platforms
Strategic Direction and Key Success Factors (KSFs)

Creating Growth Platforms toward Sustainable Growth

1. Create Opportunities
   - Increase resources for the Three Solutions and accelerate efforts to cope with societal challenges
   - Active investment to future sources of earnings, acceleration of portfolio transformation and increase of cash-generating ability

2. Reduce Risks
   - Enhance efforts to minimize environmental risks including climate change

3. Strengthen Management Basis
   - Strengthen management basis to drive innovation and to accelerate creating business opportunities

Previous MTP 2017-2019
“Prioritized business areas and clarified challenges”
- Next core businesses creation
- Basic earning power improvement

Medium-Term Management Plan 2020-2022
“Creating Growth Platforms”

Towards 2030
Sustainable Growth
“Contribution to realize a Sustainable World”
Teijin Group’s Value Creation Model through the Three Solutions

<table>
<thead>
<tr>
<th>Societal Challenges</th>
<th>Climate Change mitigation and adaptation</th>
<th>Achievement of a circular economy</th>
<th>Safety and security of people and local communities</th>
<th>Realization of healthy and comfortable living for people</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>• Lightweight and energy efficient mobility • Clean energy shift</td>
<td>• Longer product lifespan and resource saving • Circular Economy</td>
<td>• Disaster prevention and mitigation • Reducing damage from disaster, crime and conflict</td>
<td>• Health maintenance • Improvement of patient QoL • Healthcare cost containment</td>
</tr>
</tbody>
</table>

**Societal Challenges**

- Climate Change mitigation and adaptation
- Achievement of a circular economy
- Safety and security of people and local communities
- Realization of healthy and comfortable living for people

**Social Expectations**

- Technological basis, Human resources, Corporate Governance, CSR, Diversity & Inclusion

**Delivering Solutions for Society**

**Environmental value**

- Lightweight materials
- Battery separator
- Pipeline
- Hydrogen tank

**Safety, security and disaster mitigation**

- Asbestos substitution
- Protection apparel
- Reinforcing material for High-performance tire
- Recycled materials
- Bag filter
- High-performance fiber reinforcing material

**Demographic change and increased health consciousness**

- Pharmaceuticals
- Home healthcare
- Functional foods

**Healthcare**

- Community medical cooperation System

**Materials**

- IT platform
- Safety confirmation services

**1. Create Opportunities**

- Products & Services

**2. Reduce Risks**

**3. Strengthen Management Basis**

- Reduce GHG emissions
- Resource-efficient use
- Waste minimization
- Prevent pollution
- Hazardous substances management
- Improve employee health and satisfaction

- Technological basis, Human resources, Corporate Governance, CSR, Diversity & Inclusion

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Prioritize Investments for the Three Solutions

85% of Investment for the Three Solutions (CAPEX and M&A)

Sales of the Three Solutions will be 75% by FY2030

Environmental Value
Safety, Security and Disaster Mitigation
Demographic Change and Increased Health Consciousness
Others

Environmental Value (35%)
Safety, Security and Disaster Mitigation (5%)
Demographic Change and Increased Health Consciousness (45%)
Others (15%)

FY2020-2022 Investment
350 bil. yen

56% 60% 65% 75%
FY2018 FY2022 FY2025 FY2030
## Business Classification and Investment Strategy

**Proactive resource allocation to “Strategic Focus” projects for portfolio transformation and future sources of earnings**

### Strategic Focus

**60% of strategic investment**

**Proactive Investment**

#### Next-gen Growth
- Comprehensive community healthcare related business
- Functional foods
- New healthcare businesses

#### Ongoing Monetization
- Composites for automotive
- Carbon fiber Intermediate materials for aircraft

Extend cash-generating ability toward high-profitability business

### Allocation (Capex + M&A) per Business Segment

<table>
<thead>
<tr>
<th>Business Segment</th>
<th>FY2017 - 2019</th>
<th>FY2020 - 2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>Materials</td>
<td>140</td>
<td>50</td>
</tr>
<tr>
<td>Healthcare</td>
<td>160</td>
<td>60</td>
</tr>
<tr>
<td>Others</td>
<td>50</td>
<td>50</td>
</tr>
</tbody>
</table>

### Allocation (Capex + M&A) per Strategy

<table>
<thead>
<tr>
<th>Strategy</th>
<th>FY2020 - 2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategic Focus</td>
<td>130</td>
</tr>
<tr>
<td>Profitable Growth</td>
<td>100</td>
</tr>
<tr>
<td>Maintenance</td>
<td>120</td>
</tr>
</tbody>
</table>

### Profitable Growth

**40% of strategic investment**

**Continuous Investment**

**Enhance High-profitability**
- Aramid
- Pharmaceuticals
- Resin & Plastics Processing
- Home Healthcare
- IT

Be a high-profitability business

**Carefully Selected Investment**

**Strengthen Profitability**
- Fibers & Products Converting
- Separators
Business Portfolio Transformation and EBITDA

FY2030: EBITDA from Strategic Focus to 1/3 or more

Portfolio in FY2019
- Materials
- Healthcare

Strategic Focus
- Composites
- Separator / Membrane
- Fibers & Products Converting
- Carbon Fibers

Profitable Growth
- Materials
- Healthcare
- Fibers & Products Converting
- IT

Portfolio in FY2030
- Materials
- Healthcare

Strategic Focus:
- Composites
- Carbon Fiber Intermediate Materials for Aircrafts
- Resin & Plastics Processing
- Carbon Fibers
- Separator / Membrane

Profitable Growth:
- Functional foods
- Comprehensive Community Healthcare related business
- Orthopedics
- New medical devices
- Pharmaceuticals
- Home Healthcare

The final year of previous MTP
FY2019
108 bil. yen

The final year of MTP
FY2022
150 bil. yen

FY2025
200 bil. yen

FY2030
over 250 bil. yen

Strategic Focus:
approx. 15%

1/4 or more

1/3 or more

Materials
Healthcare

Portfolio Transformation
Strategic Growth

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### Long-Term Environmental Goals for Reducing Environmental Targets

<table>
<thead>
<tr>
<th>Category</th>
<th>Goal</th>
<th>Target Year</th>
<th>Reduction/Improvement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Climate Change (CO₂ Emission)</td>
<td>20% reduction (total amount)</td>
<td>FY2030</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Net Zero Emissions</td>
<td>FY2050</td>
<td></td>
</tr>
<tr>
<td>Water (freshwater intake)</td>
<td>30% improvement (per sales unit)</td>
<td>FY2030</td>
<td></td>
</tr>
<tr>
<td>Hazardous Materials</td>
<td>20% improvement (per sales unit)</td>
<td>FY2030</td>
<td></td>
</tr>
</tbody>
</table>

(*) resource circulation target to be set by mid-FY2020

### Promote CO₂ emission reduction, taking the entire supply chain into scope

- Increase “avoided CO₂ emissions” by Teijin products used in supply chain downstream
- Reduce total CO₂ emissions by the entire Group and supply chain upstream
- Make “avoided emissions” larger than “total emissions”
## Financial Targets of MTP 2020 - 2022

<table>
<thead>
<tr>
<th></th>
<th>FY2019 (Outlook)</th>
<th>FY2022 Targets</th>
<th>Previous MTP (Outlook)</th>
<th>MTP Targets (FY2020 - 2022)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ROE</strong></td>
<td>8%</td>
<td>10%+</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>ROIC</strong> (based on operating income)</td>
<td>8%</td>
<td>8%+</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>EBITDA</strong></td>
<td>108 bil. yen</td>
<td>150 bil. yen</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Materials</strong> *1</td>
<td>47 bil. yen</td>
<td>80 bil. yen</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Healthcare</strong></td>
<td>45 bil. yen</td>
<td>45 bil. yen</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Others</strong> *2</td>
<td>16 bil. yen</td>
<td>25 bil. yen</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*1 excluding Fibers & Products Converting

*2 including Fibers & Products Converting + IT, Others, Elimination and corporate

**Investment**
- Capex + M&A: 240 bil. yen around
- R&D expenses: 110 bil. yen around

**D/E ratio**
- 0.9 around

**Shareholder returns**
- Dividend payout ratio: 30%
- Share repurchase: 20 bil. yen Flexibly conduct
4. Business Strategy
Materials：Medium- to Long-Term Strategy

Accelerate the development of high value-added applications with high-performance materials and multi-materials strategy

- High-performance materials business expansion
- High value-added intermediate materials, parts, and modules
- Longer product lifespan and recycling technologies
- Carbon fiber intermediate materials for aircraft
- Composites for automotive applications
- Utilize other companies’ materials as well

Teijin’s materials

Resin  Aramid Fiber  Carbon Fiber

Profitable Growth  Strategic Focus
Materials (Strategic Focus): Composites for Automotive

CSP regains positive operating income by FY2021 (after amortization of goodwill)
Expand market share in US as No.1 manufacturer and penetrate European and Chinese markets

**Business Environment**

<table>
<thead>
<tr>
<th>Needs</th>
<th>• Reduce vehicle weight (reduces exhaust emission, improves fuel efficiency)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Teijin’s Position</td>
<td>• <strong>Largest Tier 1 manufacturer in North America</strong> (automotive parts using composites)</td>
</tr>
<tr>
<td>Strengths and competitive edge</td>
<td>• Outstanding composites technology with quality stability</td>
</tr>
<tr>
<td></td>
<td>• Solid Partnership with major North American automakers</td>
</tr>
<tr>
<td></td>
<td>• Production bases in Europe and Asia</td>
</tr>
</tbody>
</table>

**Key Measures**

<table>
<thead>
<tr>
<th>North America</th>
<th>Previous MTP</th>
<th>MTP 2020 - 2022</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>• Continuously obtained new programs</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Started mass production of carbon fiber reinforced composites</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Start operations at the Texas plant</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Expand production and sales</td>
<td></td>
</tr>
</tbody>
</table>

| Europe                                | • Acquired European operating companies                           |
|                                      | • Established application development base*                      |
|                                      | • Expand in the European market through new production bases      |
|                                      | • Promote multi-materials                                         |

| China                                 | • Decided on constructing a second plant                         |
|                                      | • Penetrate Chinese market through production at 2 plants        |

*Teijin Automotive Center Europe (Germany)

**Sales Target**

- Growth mainly in North America
- Growth Globally

CAGR 10 - 15%

<table>
<thead>
<tr>
<th>(USD millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2017</td>
</tr>
<tr>
<td>FY2019</td>
</tr>
<tr>
<td>FY2022</td>
</tr>
<tr>
<td>FY2025</td>
</tr>
<tr>
<td>FY2030 around</td>
</tr>
</tbody>
</table>

Growth mainly in North America

Growth Globally
Materials (Strategic Focus) :
Carbon Fiber & Intermediate Materials for Aircraft Structures

Obtain several new big programs in MTP 2020 - 2022, and will start mass production and profit contribution after FY2023

### Business Environment

#### Needs
- Lighten aircraft (reduces exhaust emissions, improves fuel efficiency)
- Lowers-cost

#### Teijin’s Position
- Global top-class product quality and share in the carbon fiber market

#### Strengths and competitive edge
- Lead with intermediate materials for aircraft structures (thermoplastic prepreg, Non-crimp fabric)

#### Key Measures

**Previous MTP**
- North America new CF factory: Decided on construction
- Acquire new aircraft programs: Obtained certification for next-generation primary structural materials for Boeing (thermoplastic prepreg)
- Intermediate materials business expansion: Acquired Renegade Materials Corporation of US (high-temperature thermoset-prepreg)

**MTP 2020 - 2022**
- Start commercial production (FY2020)
- Obtain certification for aircraft (plan to start mass production for aircraft after FY2023)
- Acquire several new big programs

### Sales Target of CF & Intermediate Materials for Aircraft

![Graph showing sales target for carbon fiber and intermediate materials for aircraft from FY2019 to FY2030](image)

Shift the business to carbon fiber intermediate materials for aircraft

- **Fibers and Others**
- **Intermediate materials**

*(USD millions)*

- FY2019
- FY2022
- FY2025
- FY2030 around

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Aramid

High growth (CAGR 5 - 7% in sales) through increased capacity and new applications

Business Environment

Needs
- Improve automotive fuel efficiency and durability
- Next-generation communications (5G)
- Protective clothing and equipment for safety and security

Teijin’s Position
- No. 1 market share in the para-aramid fiber market

Strengths and competitive edge
- Cost competitiveness (integrated process from raw materials, No. 1 share)

Key Measures
- Expand production capacity, start mass production from FY2022 (25% or more increase projected in the previous MTP)
- Sales expansion by utilizing No.1 market position
- Improve environmental performance through lightweight materials and developing applications for realizing a circular society

Resin & Plastic Processing

Secure stable earnings by expanding high value-added business

Business Environment

Needs
- Next-generation communications (5G)
- High performance resin for the electric vehicle and autonomous driving markets

Teijin’s Position
- Leading class Polycarbonate Resin production capacity in Asia (4th position among the major players)

Strengths and competitive edge
- Technologies (fillers, interfacial control, special design, etc.)
- High value-added products line-up

Key Measures
- Increase high value-added products in growth industry applications (5G, autonomous driving, EV, etc.)
- Sales expansion in the Chinese and ASEAN markets
- Expansion of compounds production capacity
Materials: Key Measures and EBITDA

CSP: Productivity improvement and sales increase
Aramid: Steady growth in earnings by expanding capacity and sales
Carbon fiber: Launch a new US factory in FY2020, toward mass production and profit contribution of aircraft intermediate materials after FY2023

Strategic Focus
- Carbon fiber intermediate materials for aircraft
- Composites for automotive applications

Profitable Growth
- Aramid
- Carbon Fiber
- Resin & Plastics Processing
- Separators
A large increase in EBITDA is expected, with CSP’s composite business expansion for automotive and Aramid growth, that are covering the upfront investment.
Healthcare: Medium- to Long-Term Strategy

Develop comprehensive community healthcare related service, including rehabilitation, nursing care and prevention/health promotion, utilizing our strengths.

- **Innovative medical treatment**
- **Medical technologies and services**
  - to support self-reliance
- **Drug discovery, Device, Material technologies**
- **Home healthcare business platform**
  - Drug discovery, device technologies
  - Digital technologies
- **New business related to comprehensive community healthcare system**
  - Create comprehensive community healthcare business to develop new markets
- **Pharmaceuticals, Medical devices and materials**
- **Home healthcare business platform**
- **Exploring new materials**
  - Evidence establishment
  - Brand power
- **Functional foods business**
  - Specialize in foods with scientific evidence

Teijin’s Strengths
- Experience and knowledge of the healthcare business
- Science and technologies
- Close connection with patients and physicians

Profitable Growth
Strategic Focus
**Healthcare (Strategic Focus): New Business Areas**

**Innovative healthcare service and products, uncovered as well as covered by the public health insurance**

<table>
<thead>
<tr>
<th>Innovative medical treatment</th>
<th>Medical technologies and services to support self-reliance</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Depression treatment device</strong></td>
<td>**Functional electrical stimulation device <strong>WalkAide</strong></td>
</tr>
<tr>
<td><em>NeuroStar</em></td>
<td><strong>Rehabilitation robot for upper limb paralysis</strong> ReoGo-J</td>
</tr>
<tr>
<td>• First approval of reimbursement of medical fees in Japan</td>
<td>• Provide comprehensive solutions from stroke onset to prognosis in combination with botulinum toxin type A “NT-201” (under development)</td>
</tr>
<tr>
<td><strong>Prevention and treatment for frailty</strong>¹</td>
<td></td>
</tr>
<tr>
<td><strong>Functional foods business</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Prebiotics material</strong>³ (Dietary fiber)</td>
<td><strong>Probiotics material</strong>⁴ (Bifidobacterium, Lactic acid bacteria)</td>
</tr>
<tr>
<td>• Expand lineup and applications, and market globally</td>
<td>• Sales as natural ingredients for health food and infant formulas</td>
</tr>
</tbody>
</table>

1. Frailty: Physical deterioration as a result of aging, decreased resilience from stress
2. AMED: Japan Agency for Medical Research and Development
3. Prebiotics can improve the intestinal environment to support healthy life.
4. Probiotics are live microorganisms that can offer useful benefits when consumed in appropriate amounts

---

**New business related to comprehensive community healthcare system**

- Utilize data-platform to provide healthcare supporting services, prevention of severe illness, etc.
Healthcare (Profitable Growth): Pharmaceuticals & Home Healthcare

Strengthen business platform by organizational reform and launch new drugs, mitigating the risk of generic entry of FEBURIC ("FEBURIC cliff")

### Business Environment

**Needs**
- Comprehensive community healthcare services with multidisciplinary collaboration
- Personalized medical treatment
- Extension of healthy lifespans

**Teijin’s Position**
- Leading company for home healthcare
- Top Japanese manufacturer for hyperuricemia and gout treatment (Risk of generic entry: "FEBURIC cliff")

**Strengths and competitive edge**
- Unique business platform: Home healthcare + pharmaceuticals + IT

### Key Measures

**Organizational reform**
- Expand sales by community based, multidisciplinary sales teams
- Optimize R&D, production and sales framework (Enhance productivity, Cost reducing structural reform)

**Launch new drugs, expand existing products**
- Launch new drugs
- Enhance value-added service through medical devices with ICT, etc.

**Acquire pipelines and technologies**
- Acquire innovative medical treatment and core technologies

---

### Overview of Organizational Reform (2019.10-)

**Home healthcare**

- Provide community based comprehensive solution by multidisciplinary sales teams

**Pharmaceuticals**

- Create new value through technology combination

**Sales & Marketing (S&M)**

- Medicine / Medical device

**R&D**

---

### Expected new drugs in MTP 2020 - 2022

- Osteoporosis drug: ITM-058
- Botulinum toxin type A: NT-201

### Innovative Medical Treatment

- Cell therapy for acute cerebral infarction JTR-161, etc.
Steady Progress: Obtain approval of new drugs, maximizing value of existing products

Strategic investments: Acquire services, technologies, and pipelines for future earnings

**Strategic Focus**
- Functional foods
- Comprehensive Community Healthcare related business
- New Medical devices

**Profitable Growth**
- Medical devices
- Pharmaceuticals

### Organizational reform
- Launch new drugs, and maximize value of existing products

### Effects from organizational reform
- Contribution of new drugs to earnings
- Osteoporosis drug: ITM-058
- Botulinum toxin type A: NT-201

### Enrich technological base for future profitability
- Build a comprehensive community healthcare system base (visiting nursing stations, contact centers, multidisciplinary collaboration “VitalLink”)
- Acquire pipelines and technologies (Medical devices • Pharmaceuticals)

**Profit contribution during the next Medium-Term**
- Functional foods, Nutraceuticals
- Services supporting health management, and preventing severity
- Artificial joints, absorbable bone-bonding materials
- Devices for depression (NeuroStar), rehabilitation (ReoGo)

- FY2020
- FY2021
- FY2022
- FY2023
- FY2024
- FY2025

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The “FEBURIC cliff” will be mitigated by new business expansion, productivity and cost structure improvement in the entire Healthcare business unit.


**Fibers & Products Converting**

Expansion in growth areas and improvement in basic profitability

### Business Environment

- **Needs**
  - Expanding automotive market, mainly in emerging countries
  - Fuel efficiency, compactness and safety in mobility
  - Increasing seriousness of environmental issues, disaster response and infrastructure degradation

- **Teijin’s Position**
  - A unique fiber trading group company involved in material development and production

- **Strengths and competitive edge**
  - Diversified customer base through various application development
  - Strategic product allocation between parent factory and OEM for speedy and efficient supply system

### Key Measures

- Expand markets in growth areas (mobility, environment, infrastructure, etc.)
- Enhance new business areas such as wearable materials with sensing technologies
- Raise basic profitability, primarily in unprofitable areas

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**IT**

Keep growth of E-comics and expansion of healthcare business

### Business Environment

- **Needs**
  - Digitalize the existing comic market
  - Business efficiency in the expanding nursing care market due to labor shortage

- **Teijin’s Position**
  - Largest e-comic provider in the market

- **Strengths and competitive edge**
  - Marketing capabilities utilizing data analysis
  - Group collaboration with healthcare services

### Key Measures

- Keep growth of the e-comics business through AI/data
- Expand healthcare services by expanding nursing and comprehensive community healthcare areas, and developing the Asian market
5. Driving Innovation

Organize a system to accelerate the generation of business opportunities and new business development
Prioritized Strategy to Create Innovation

Organization

Strengthen innovation framework

Entrepreneurship

Innovation promotion organization

Organizational restructuring to strengthen business competitiveness and accelerate innovation

Synergy

Expand collaborative businesses

Unique technological base for each business unit

Internal and external technological platform, services, networks

Innovative products and services through collaboration within and outside of the Teijin Group

Technology

Utilize digital and information tech.

Digital and information technologies

Business model, operational process

Innovation creation by deployment of digital technologies

Human resources

Promote diversity and inclusion

Human resources

Structure to utilize diverse human resources

Promote diverse working styles, advancement of women and diversity of human resources to revitalize the organization and accelerate innovation
Organizational Restructuring

Establish and restructure the organization to accelerate innovation

- **Cooperation**

  - **Innovation promotion organization**
    - (Scheduled in April 2020)
    - Research and foster next-generation new technology
    - Support R&D and new business from a company-wide and long-term perspective

  - **Teijin Automotive Center Europe**
    - (Scheduled in February 2020)
    - Propose design such as multi-material parts to European-OEM (lightweight materials for automotive)

  - **R&D Center in Europe**
    - (Scheduled in FY2020)
    - Focus on development of solutions for environmental issues (Climate Change mitigation, Circular economy, etc.)

  - **Integration of R&D Organization (Pharmaceuticals and Medical devices)**
    - (as of October 2019)
    - Creation of innovative medical technologies by integrating the technologies of pharmaceuticals / medical devices and materials

- **Corporate**

- **Materials**

- **Healthcare**
Expand Collaborative Businesses

Promote collaboration within the Teijin Group as well as with others and create innovative products and services, that are difficult to develop by stand-alone approach

**Measures**

- Open Innovation Promotion Office in Healthcare (FY2019 -)
- Integrated R&D organization in Healthcare (Oct. 2019 -)
- Innovation promotion organization (Apr. 2020 -)
- R&D Center in Europe (FY2020)

**Healthcare × Materials**
- Physical stimulation technology × Medicines (under research)

**Healthcare × IT × Materials**
- Smart sensing

**Healthcare × Materials**
- Bone-bonding materials
- Cardiovascular and Vascular Repair Patch (Clinical trial)

**Healthcare × IT**
- Sleep App. (Sleep Styles)
- Cooperation in Comprehensive Community Healthcare area

**Companies, Public R&D institutions, Academia etc.**
- Alliance
- Collaborative R&D
- Consortium

**Materials × Fiber & Products Converting**
- Recycle technologies

**Materials**
- Compound materials
- Composite parts × Glazing

**Fibers & Products Converting**
Promote Diversity and Inclusion (D&I)

**Promote diverse working styles, advancement of women, and diverse human resources**
Be an organization where diverse human resources with different values and experiences can realize their maximum potential

**Main actions in MTP 2020-2022**

<table>
<thead>
<tr>
<th>Changes in personnel system</th>
<th>• Restructure the HR organization to support global strategy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Global Talent Management</td>
<td>• Develop and deploy the next-generation of global leaders</td>
</tr>
</tbody>
</table>
| Work style reform          | • Manage working hours appropriately  
                           | • Design flexible HR and benefits systems to support diverse human resources and working styles |

**KPI**

<table>
<thead>
<tr>
<th>Diversity of Executives*1</th>
<th>FY2019</th>
<th>Milestone FY2022</th>
<th>FY2030</th>
</tr>
</thead>
<tbody>
<tr>
<td>Female executives</td>
<td>3</td>
<td>6+</td>
<td>10+</td>
</tr>
<tr>
<td>Non-Japanese executives</td>
<td>3</td>
<td>6+</td>
<td>12+</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Women’s advancement Key goals*2</th>
<th>FY2019</th>
<th>Milestone FY2022</th>
<th>FY2030</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Managers (or higher)</td>
<td>117</td>
<td>174</td>
<td>300+</td>
</tr>
<tr>
<td>US</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Senior managers*3</td>
<td>2</td>
<td>4</td>
<td>10</td>
</tr>
<tr>
<td>EU</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Global core talents*4</td>
<td>0</td>
<td>3</td>
<td>10</td>
</tr>
</tbody>
</table>

*1 Total number of board members, auditors, group corporate officers  
*2 Key goals are set based on the regional situations (Targets in Asia to be set)  
*3 President or its direct report in a group company  
*4 Human resources of female senior managers selected and certified as executive candidates
6. Capital Policy and Shareholder Returns

Prioritize cash flow allocation to Strategic Investment
Stable dividends and flexible repurchasing of own share
Capital Policy and Shareholder Returns

- Created cash flows will be given **prioritized allocation to “Strategic Investment for Future Growth”**, while maintaining a healthy financial structure (aiming for a debt-to-equity ratio of 0.9 times)
- Stable and sustainable dividends will be considered, and own share repurchasing will be flexibly conducted as well
- **Dividends are in line with consolidated operating results**, aiming to raise the dividend along with profits growth, and targeting a consolidated payout ratio of 30% of profit attributable to owners of parent for the medium term

Note) The Company consolidated its common shares at a ratio of five shares to one share effective October 1, 2016. Dividend amounts per share are converted based on this reverse stock split

* Repurchased 20 bil. yen of own share (FY2018)
Appendix
Key performance indicators were set with an emphasis on both investment efficiency and earnings power.

**Profitability Indicators**
- **ROE** (Return on Equity): Investment returns on funds entrusted to us by shareholders.
  - Group-wide

**Growth Indicators**
- **EBITDA** (Earnings Before Interest, Taxes, Depreciation, and Amortization): Ability to generate cash to fund growth investment and shareholder returns.
  - Group-wide
  - For Each Business

**Secure Growth**
- Efficiency of generating profits relative to capital invested in business activities.
  - Group-wide
  - For Each Business

**Pursue Efficiency**
- Based on individual business activities, work to improve indicators on a Group-wide basis.

**Most Important Indicators**
- ROIC (Return on Investment Cash): Efficiency of generating profits relative to capital invested in business activities.
  - Group-wide
  - For Each Business
Business Classification for Portfolio Transformation

Previous MTP

Classified per Business Unit

- Materials
  - Composites and Parts business for mobility
- Healthcare
  - New healthcare Businesses including areas outside of public insurance
- Materials
  - Aramid Carbon Fibers
  - Resin & Plastics Processing
  - Fibers & Products Converting
- Healthcare
  - Pharmaceuticals
  - Home Healthcare

Growth Strategy

Some business areas in the Growth Strategy were split as the businesses for future sources of earnings

MTP 2020 -2022

Classify per Business Areas

Strategic Focus

- Expand cash-generating sources

- Carbon fiber intermediate materials business for aircraft

Profitable Growth

- Enhance cash-generation

- New medical devices (depression and rehabilitation, etc.)
- Comprehensive community healthcare related new business

A strategy for /resource allocation is set based on classification of business areas
Teijin’s Initiatives within a “Comprehensive Community Healthcare System”

Strengthen healthcare business basis, through utilizing the advantages of the home healthcare business
Create new market opportunities leveraging Teijin’s data platform, and provide comprehensive healthcare services to both individuals and communities

**Individuals**
Contribute to improving the QoL of individuals through providing our products and services

**Community / Society**
Contribute to local communities through support for medical practitioners, and multidisciplinary collaboration

Functional foods, Pharmaceuticals, Medical devices, Medical materials

“Comprehensive Community Healthcare System” basis

Create a new business
Data-oriented health promotion supporting services, prevention of severe illness, etc.

(Strengthen Teijin’s healthcare business basis)
Innovation Creation : Utilization of Digital and IT Technologies

Activities

<table>
<thead>
<tr>
<th></th>
<th>Previous MTP</th>
<th>MTP(FY2020-2022)</th>
<th>Future vision</th>
</tr>
</thead>
<tbody>
<tr>
<td>Office</td>
<td>Introduce RPA and telework</td>
<td>Full deployment of RPA</td>
<td>• diverse human resources and work styles</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Full deployment of telework with solid infrastructure</td>
<td>• Increase creative work</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>Pursue optimization from the plant’s perspective</td>
<td>Business optimization</td>
<td>• Improve work innovation speed</td>
</tr>
<tr>
<td>and Sales</td>
<td>(Operate information integration platform* at model plant)</td>
<td>(Supply chain management, marketing information system)</td>
<td>• Increase business efficiency</td>
</tr>
<tr>
<td>R&amp;D</td>
<td>Enhance R&amp;D with data technologies</td>
<td>Deployment and operation of data orientated R&amp;D</td>
<td>• Improve and enhance R&amp;D’s capabilities and efficiencies</td>
</tr>
</tbody>
</table>

* Information integration platform : Platform that organizes and integrates various data in the plant to analyze data continuously and effectively

Promotion system

- Corporate organization -

  - Operational Reforms Promotion Team -
    - Promote RPA
  - Work Life Reforms Promotion Group -
    - Evaluation and introduction support for ICT advanced technologies
  - Smart Technology Center -
    - Evaluation and introduction support for advanced engineering technologies
  - Engineering Department -
    - Integrate work style reforms and operational reforms

- Business and functional organization -

  Innovation creation by digital technology

  R&D
  Manufacturing
  Sales
  Staff