

May 31, 2017



## Notice of Convocation

The 151<sup>st</sup> Ordinary General Meeting of Shareholders

Teijin Limited

**Disclaimer:** *Please note that the following is a translation of the original Japanese documents prepared for the convenience of our non-Japanese shareholders with voting rights. Although this translation is intended to be complete and accurate, the Japanese original shall take precedence in the case of any discrepancies between this translation and the original. Certain information regarding voting procedures that is not applicable for shareholders resident outside Japan has been omitted or modified as applicable. In addition, these materials will not facilitate your status as a registered shareholder authorized to attend the Ordinary General Meeting of Shareholders. Every shareholder attending the Ordinary General Meeting of Shareholders is required to present the Voting Card, which is sent to the registered shareholder together with the original Notice of Convocation in Japanese, to the receptionist at the meeting.*

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Dear Shareholder,

**Notice of Convocation of  
the 151<sup>st</sup> Ordinary General Meeting of Shareholders**

You are cordially invited to attend the 151<sup>st</sup> Ordinary General Meeting of Shareholders of Teijin Limited (“the Company”) to be held as set forth below.

**If you do not expect to attend the meeting, you may vote on the proposals for voting using the following method. Please refer to the following “Reference Documents for the General Meeting of Shareholders,” and exercise your voting rights by 5 p.m., Wednesday, June 21, 2017. (Japan Time)**

**[In case of voting by Mail]**

**Please indicate your approval or disapproval of the proposals on the enclosed Document for the Exercise of Voting Rights, and mail the document so that it arrives by the above deadline.**

**[In case of voting by Internet etc.]**

Please access to the web-site to exercising voting rights (<http://www.evot.jp/>) through personal Computer, Smartphone or cellar phone with the log-in ID and temporary password indicated in the enclosed Document for the Exercise of Voting Rights, and input your approval or disapproval of the proposals according to the instructions on the window. In case of personal computer or smartphone, you may access to the web-site to exercise voting rights from the Company’s web-site.

Sincerely,

Jun Suzuki  
President and Representative Director  
Teijin Limited  
2-4, Nakanoshima 3-chome,  
Kita-ku, Osaka 530-8605,  
Japan

## Details

### 1. Date and Time of the Meeting:

Thursday, June 22, 2017, at 10 a.m.(Japan Time)  
(The door opens at 9 a.m.)

### 2. Place:

The Westin Osaka, 2nd Floor, Rose Room, 1-20, Oyodonaka 1-chome, Kita-ku, Osaka , Japan

### 3. Purposes

#### Reports:

The Business Report, Consolidated Financial Statements, Non-Consolidated Financial Statements and the Report by the Accounting Auditor and the Board of Statutory Auditors of the results of audit on the Consolidated Financial Statements, for the 151<sup>st</sup> Fiscal Year (April 1, 2016 to March 31, 2017)

**Proposal 1: Election of Ten (10) Directors**

**Proposal 2: Election of One (1) Statutory Auditor**

### 4. Decision on Convocation

- (1) If you do not indicate either approval or disapproval on the Document for the Exercise of Voting Rights, we shall treat such “no answer” as your “approval” on the proposal.
- (2) In the event of an overlap in the exercise of voting rights via the Document for the Exercise of Voting Rights and the Internet voting system, the exercise of voting rights via the Internet voting system shall prevail.
- (3) If you vote more than once using the same method, your last vote shall prevail.

### 5. Attachments to Notice of Convocation and Reference Documents for the General Meeting of Shareholders

If any revision should be required to the Business Report, Consolidated Financial Statements, Non-Consolidated Financial Statements, or Reference Documents for the General Meeting of Shareholders, such revision will be posted on the Company’s website. (<https://www.teijin.com/>)

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- If you attend the General Meeting of Shareholders, please submit the attached Document for the Exercise of Voting Rights to the reception of the meeting.
  - If you attend the General Meeting of Shareholders by proxy, you may exercise your voting rights by authorizing one(1) other shareholder with voting rights to act as its proxy as stipulated in the Company’s Article of Incorporation.
  - The Company consolidated its common shares at a ratio of five shares to one share on the effective date of October 1, 2016. The results of prior fiscal years are displayed reflecting this merger.

## Reference Documents for the General Meeting of Shareholders

### Proposal and Reference

#### Proposal 1: Election of Ten (10) Directors

The terms of office of ten (10) Directors,— Shigeo Ohyagi, Jun Suzuki, Yo Goto, Hiroshi Uno, Kazuhiro Yamamoto, Yoshihisa Sonobe, Yutaka Imura, Nobuo Seki, Kenichiro Senoh and Fumio Ohtsubo —will expire at the conclusion of this General Meeting of Shareholders.

Shareholders are therefore requested to elect the following ten (10) Directors (of whom nine (9) are up for reelection).

The candidates for Director are as follows.

The candidates for Director are as follows:				
No.	Candidate's Name (Date of Birth)	Personal History, Positions and Significant Concurrent Positions		Number of Company's Shares Owned
1	【Reappointment】 Shigeo Ohyagi (May 17, 1947) <Participation in Board of directors meetings> 12 times out of 12 (100%)	Mar. 1971 Jun. 1999  Jun. 2001  Apr. 2002  Jun. 2002 Apr. 2003  Oct. 2003  Apr. 2005 Jun. 2005 Jun. 2006 Apr. 2007 Jun. 2008  Jun. 2010 Apr.2014	Joined Teijin Limited Corporate Officer; Manager of Tokyo Branch, Medical & Pharmaceutical Business Division Executive Officer; Deputy General Manager, Pharmaceuticals Marketing Division General Manager, Medical & Pharmaceutical Business Division Senior Executive Officer General Manager, Medical & Pharmaceutical Business Group President & Representative Director, Teijin Pharma Limited CIO (Chief Information Officer), Teijin Limited Managing Director Senior Managing Director CSO (Chief Strategy Officer) President & Representative Director , CEO (Chief Executive officer) President , Teijin Limited Chairman of the Board (Incumbent),	56,700 Shares
		<Significant Concurrent Positions> Permanent Officer, Keidanren (Japan Business Federation) Vice Chairman, Japan Association of Corporate Executives (Keizai Doyukai) Outside Director, Recruit Holdings Co., Ltd. Outside Statutory Auditor, JFE Holdings, Inc.		
<Reason of the nomination of the candidate for director> Shigeo Ohyagi assumed a post as President, Representative Director (CEO) of the Company in June 2008 and has worked on the structural reforms of the Company. Furthermore, he assumed a post as Chairman of the Board in April 2014 and has been concentrating his efforts on the operations of the Board of Directors as Chairman and conducting appropriate supervision on Executive Directors. etc.				

No.	Candidate's Name (Date of Birth)	Personal History, Positions and Significant Concurrent Positions		Number of Company's Shares Owned
2	<b>【Reappointment】</b> <b>Jun Suzuki</b> (February 19, 1958) <Participation in Board of directors meetings> 12 times out of 12 (100%)	Apr. 1983 Apr. 2011 Apr. 2012  Apr. 2013   Jun. 2013 Apr. 2014	Joined Teijin Limited President, Teijin Holdings Netherlands B.V. Corporate Officer, Teijin Limited Chief Marketing Officer Director, BRICs business Executive Officer, Teijin Limited General Manager, Advanced Fibers & Composites Business Group General Manager, Carbon Fibers and Composites Business Unit President & Representative Director, Toho Tenax Co., Ltd. Director, Executive Officer, Teijin Limited President, (Incumbent) Representative Director, (Incumbent) CEO (Chief Executive officer) (Incumbent)	29,700 Shares
<Reason of the nomination of the candidate for director> After assuming the post of President, Representative Director (CEO) in April 2014, Jun Suzuki formulated a revised medium-term plan in November of the same year, and promoted the completion of structural reforms on which his predecessor worked. He formulated a new medium-term plan in February 2017 and he is promoting growth strategies for the future.				
3	<b>【Reappointment】</b> <b>Kazuhiro Yamamoto</b> (September 27, 1952) <Participation in Board of directors meetings> 12 times out of 12 (100%)	Apr. 1975 Apr. 2008 Jun. 2011  Apr. 2012 Apr. 2014  Jun. 2015 Apr. 2016 Apr. 2017	Joined Teijin Limited Corporate Officer, Infocom Corporation CFO Corporate Officer, Teijin Limited General Manager, IT Business Group President & Representative Director, CEO, Infocom Corporation General Manager, Corporate Strategy Officer, Teijin Limited Executive Officer, Teijin Limited CFO (Chief Finance Officer) (Incumbent) General Manager, Accounting, Finance & Procurement Division Director, Executive Officer, Teijin Limited Director, Senior Executive Officer, Teijin Limited Representative Director, Executive Vice President, Teijin Limited (Incumbent) CIO (Chief Information & Innovation Officer) (Incumbent)	7,200 Shares
<Reason of the nomination of the candidate for director> In 2011, Kazuhiro Yamamoto assumed the post of Corporate Officer, Teijin Limited and served as President & Representative Director, CEO of Infocom Corporation which is a listed subsidiary. He assumed the posts of Executive Officer, Teijin limited in April 2014, Director, Executive Officer in June 2015, Director, Senior Executive Officer in April 2016, and Executive Vice President in April 2017. While serving as CFO and CIO, he is putting effort into cost management, IR activities, information strategy, etc.				

No.	Candidate's Name (Date of Birth)	Personal History, Positions and Significant Concurrent Positions		Number of Company's Shares Owned
4	<b>【Reappointment】</b> <b>Hiroshi Uno</b> (September 18,1955) <Participation in Board of directors meetings> 12 times out of 12 (100%)	Apr. 1981 Jun. 2009  Apr.2011 Jun.2011 Apr.2013  Jun.2015  Apr.2017	Joined Teijin Limited Corporate Officer, Teijin Limited Director, Teijin Pharma Limited Senior Executive Director, Teijin Pharma Limited Executive Officer, Teijin Limited Senior Executive Officer, Teijin Limited General Manager, Healthcare Business Group President & Representative Director, Teijin Pharma Limited Director, Senior Executive Officer, Teijin Limited (Incumbent) Responsible for Healthcare Business of Teijin Group (Incumbent)	11,800 Shares
<Reason of the nomination of the candidate for director> Hiroshi Uno assumed the posts of Senior Executive Officer, Teijin Limited, General Manager, Healthcare Business Group; and President & Representative Director, Teijin Pharma Limited in April 2013, Director, Senior Executive Officer, Teijin Limited in June 2015, and Responsible for Healthcare Business of Teijin Group in April 2017, and has been working to expand revenue of the healthcare business which forms a part of the core strategies of the Company and working on the integration of “healthcare”, “IT” and “composites and advanced fibers” which are the themes of the Company’s growth strategy.				
5	<b>【New Candidate】</b>  <b>Yasumichi Takesue</b> (July 1,1956)	Apr.1980 Jun.2010   Apr.2012 Apr.2013 Apr.2015 Apr.2016  Apr.2017	Joined Teijin Limited Corporate Officer, Teijin Limited CHO, General manager of Human Resources President & Representative Director, Teijin Creative Staff Co., Ltd General Manager, Human Resources Division, Teijin Limited General Manager, Resin & Plastic Processing Business Group General Manager, Electric Materials & Performance Polymer Products Business Group Executive Officer, Teijin Limited General Manager, Electric Materials & Performance Polymer Products Business Group Senior Executive Officer, Teijin Limited (Incumbent) Responsible for Material Business of Teijin Group (Incumbent) Director, Teijin Frontier Co., Ltd. (Incumbent) Director, Continental Structural Plastics Holdings Corporation (Incumbent)	7,400 Shares
<Reason of the nomination of the candidate for director> Yasumichi Takesue assumed the posts of Corporate Officer, Teijin Limited in June 2010 and under the title of CHO, he promoted the task of global human resources and general affairs. He also assumed the posts of Executive Officer, Teijin Limited and General Manager, Electric Materials & Performance Polymer Products Business Group, in April 2016; Senior Executive Officer, Teijin Limited; and he became responsible for the Material Business of Teijin Group in April 2017. He has been working to expand revenue of the Material Business which forms a part of the core strategies of Company.				

No.	Candidate's Name (Date of Birth)	Personal History, Positions and Significant Concurrent Positions		Number of Company's Shares Owned
6	<p><b>【Reappointment】</b>  <b>Yoshihisa Sonobe</b>  (October 17, 1956)  &lt;Participation in Board of  directors meetings&gt;  12 times out of 12 (100%)</p>	Apr. 1980 Jun. 2009 Apr. 2010  Apr. 2011  Apr. 2012  Apr. 2014  Jun. 2014  Apr. 2015 Apr. 2016 Apr. 2017	Joined Teijin Limited Corporate Officer, Teijin Limited Deputy CFO (for/Accounting/ Finance/ Budget Control) General Manager, Accounting and Finance Office General Manager, Corporate Strategy Office General Manager, Teijin Creative Staff Co., Ltd. CFO General Manager, Accounting and Finance Division Representative Director, Executive Officer, Teijin Creative Staff Co., Ltd. (General Manager, Accounting and Finance Division) Member, Global Policy Board Teijin Dupont Films Global Joint Venture CFO General Manager, Accounting, Finance & IR Division Corporate Strategy Officer Supervisor of Raw Materials & Polymers Division Director, Corporate Officer Supervisor of IT, Healthcare Project Chairman, Teijin Dupont Films Director, Executive Officer Teijin Limited (Incumbent) Responsible for Corporate Strategy (Incumbent) Responsible for Legal and Intellectual Property (Incumbent) Responsible for Global Strategy (Incumbent)	5,700 Shares
<Reason of the nomination of the candidate for director> Yoshihisa Sonobe assumed the posts of Corporate Strategy Officer in April 2014, Director, Corporate Officer in June of the same year, Director, Executive Officer in April, 2016, and he became responsible for Corporate Strategy, Legal and Intellectual Property and Global Strategy in April 2017. He has been working on the planning of strategies toward the achievement of structural reforms and growth strategy which are the most important issues for the Company.				
7	<p><b>【Reappointment】</b>  Candidate for Outside  Director    <b>Yutaka Iimura</b>  (October 16, 1946)  &lt;Participation in Board of  directors meetings&gt;  11 times out of 12 (92%)</p>	Apr. 1969 Aug. 1999 Feb. 2001 Sep. 2001 Jul. 2002 Nov. 2002  Apr. 2006  May. 2007  Jul. 2009 Jul. 2009  Jun. 2011  Aug. 2014	Joined Ministry of Foreign Affairs, Japan (MFA) Director, General, Economic Cooperation Bureau, MFA Deputy Vice-Minister, MFA Assistant Vice-Minister, MFA Ambassador of Japan in Indonesia Ambassador of Japan in Indonesia and the Democratic Republic of Timor-Leste (East Timor) Ambassador of Japan in France and The Principality of Andorra (Andorra) Ambassador of Japan in France, Andorra and the Principality of Monaco Retired from MFA Special Envoy of the Government of Japan for the Middle East and Europe Director, Teijin Limited (Incumbent) Member of the Advisory Board, Teijin Limited (Incumbent) Councilor, MFA (Incumbent)	4,400 Shares
<Reason of the nomination of the candidate for outside director> Although Yutaka Iimura does not have direct experience in corporate management except as an outside director, he has served at the Ministry of Foreign Affairs, and he is expected beneficial to the business of the Company in terms of a global viewpoint, based on his ample wisdom and expertise. And so the Company judges he can fulfill his duties appropriately as Outside Director.				



No.	Candidate's Name (Date of Birth)	Personal History, Positions and Significant Concurrent Positions		Number of Company's Shares Owned
8	<b>【Reappointment】</b> Candidate for Outside Director	Apr.1970 Apr.1992 Jun.1997 Jun.1998 Aug.2000	Joined Chiyoda Corporation Vice-President, Chiyoda International Corporation Director, Chiyoda Corporation Managing Director, Chiyoda Corporation Senior Managing Director & Representative Director, Chiyoda Corporation	4,700 Shares
	<b>Nobuo Seki</b> (September 21,1944) <Participation in Board of directors meetings> 12 times out of 12 (100%)	Apr.2001 Apr.2007 Apr.2009 Jun.2012	President & CEO, Chiyoda Corporation Chairman of the Board, Chiyoda Corporation General Corporate Advisor , Chiyoda Corporation Director, Teijin Limited (Incumbent) Member of the Advisory Board, Teijin Limited (Incumbent)	
	Jul.2012	Adviser Chiyoda Corporation		
<Significant Concurrent Positions > Outside Director, KAMEDA SEIKA Co., Ltd Outside Director, Weathernews Inc. Outside Director, Yokogawa Electric Corporation				
<Reason of the nomination of the candidate for outside director> Nobuo Seki has served as President and Chairman of the Board of Chiyoda Corporation, and he is expected to provide advice on the Company's business operations based on his abundant business experience and high level insight.				
9	<b>【Reappointment】</b> Candidate for Outside Director	Apr.1976 Dec.1999	Joined Fuji Photo Film Co., Ltd.(currently FUJIFILM Corporation) Representative Vice-President Keio Academic Enterprise Co., Ltd.	7,700 Shares
	<b>Kenichiro Senoh</b> (January 1,1954) <Participation in Board of directors meetings> 12 times out of 12 (100%)	Apr.2001 Apr.2004 Jun.2012	Professor, Graduate school of Keio University Media and Government President & Chairperson, The Industry- Academic Collaboration Initiative (NPO) (Incumbent) Director, Teijin Limited (Incumbent) Member of the Advisory Board, Teijin Limited (Incumbent)	
	<Significant Concurrent Positions> President & Chairperson, The Industry-Academia Collaboration Initiative (NPO) Outside Director, Mitsubishi Pencil Co., Ltd Visiting Professor, Hitotsubashi University Graduate School of Commerce and Management (MBA program) Participation, The Japan Society for Research Policy and Innovation Management Director, Intellectual Property Association of Japan			
<Reason of the nomination of the candidate for outside director> Kenichiro Senoh is serving many officers and committee members, and is expected to provide advice based on his specialist viewpoint of industry and business field.				

No.	Candidate's Name (Date of Birth)	Personal History, Positions and Significant Concurrent Positions		Number of Company's Shares Owned
10	[Reappointment]	Apr.1971	Joined Matsushita Electric Works, Ltd., (currently Panasonic Corporation)	3 ,000 Shares
	Fumio Ohtsubo (September 5, 1945) <Participation in Board of directors meetings> 8 times out of 9 (89%)	June.1998 June. 2000 June. 2003  June. 2006  Jun. 2012  July. 2013 Jun.2016	Director, Matsushita Electric Works, Ltd., Managing Director, Matsushita Electric Works, Ltd., Representative Senior Managing Director, Matsushita Electric Works, Ltd., President, Representative Director, Matsushita Electric Works, Ltd., Chairman of the Board, Representative Director, Panasonic Corporation Special Advisor, Panasonic Corporation (Incumbent) Director, Teijin Limited (Incumbent) Member of the Advisory Board, Teijin Limited (Incumbent)	
		<Significant Concurrent Positions> Trustee, Nippon Life Ins.* Director, Kansai University Trustee, Japan-Indonesia Association, Inc. Partner Chairman, Monozukuri, Nippon,Conference Nikkan Kogyo Shimbun, Ltd.		
<Reason of the nomination of the candidate for outside director> Fumio Ohtsubo has served as President and Chairman of the Board of Panasonic Corporation, and he is expected to provide advice on the Company's business operations based on his abundant business experience and high level of insight. **"Nippon Life has a Board of Trustees that serves as a management advisory body to ensure the appropriateness of management. Trustees are elected at the Meeting of Representatives from among policyholders and academic experts. Trustees give opinions on advisory matters and important management issues and deliberate on policyholder opinions regarding corporate management. The results of these opinions and deliberations are reported at the Meeting of Representatives." Fumio Ohtsubo provides advice etc. to Nippon Life from the viewpoint of an outside expert, however, he is not directly engaged in management or execution of business. Although the said company is one of the Company's major shareholders, the Company recognizes that he satisfies the requirements of Independent Director stipulated by the Company.				

- Notes: 1. Yutaka Iimura, Nobuo Seki, Kenichiro Senoh and Fumio Ohtsubo are candidates for Outside Directors. The Company requires the candidate for Outside Director to satisfy all the requirements of Independent Director stipulated by the Company. These four (4) candidates satisfy all such requirements. Since they also satisfy the requirements of independence stipulated by Tokyo Stock Exchange Group, Inc., they were registered by the Company as "Independent Director / Auditor". Refer to the pages 12-13 for the contents of the requirements of "Independent Director" stipulated by the Company.
2. The Company has entered into liabilities limitation agreements with Shigeo Ohyagi, Yutaka Iimura, Nobuo Seki, Kenichiro Senoh and Fumio Ohtsubo, who are currently Directors (excluding Executive Directors), which limit the liabilities of each Director to ¥20 million or the minimum amount stipulated in Article 425, Paragraph 1, of the Companies Act, whichever is higher, in accordance with the provisions of Article 427 of the Companies Act and the Company's Articles of Incorporation.
3. There are no special interests between the candidates and the Company.
4. The chart below indicates the dates of the first appointment of the Outside Director for each candidate and the tenures in position as Outside Director before the closing of this General Meeting of Shareholders.

Name	Date of First Appointment	Tenure in Position
Yutaka Iimura	June 22,2011	6 years
Nobuo Seki	June 22,2012	5 years
Kenichiro Senoh	June 22,2012	5 years
Fumio Ohtsubo	June 22,2016	1 year

## Proposal 2: Election of One (1) Statutory Auditor

The terms of office of one (1) Statutory Auditor—Noriko Hayashi —will expire at the conclusion of this General Meeting of Shareholders.

Shareholders are therefore requested to elect the following one (1) Statutory Auditor

The Board of Statutory Auditors has already approved this proposal.

The candidate for Statutory Auditor is as follows.

No. Candidate's Name (Date of Birth)	Personal History, Positions and Significant Concurrent Positions	Number of Company's Shares Owned
New Candidate for Outside Statutory Auditor	<p>Apr.1991 Registered as a lawyer (The Second Tokyo Bar Association) Joined Kasumigaseki-Sogo Law Offices</p> <p>May.1994 Partner lawyer, Kasumigaseki-Sogo Law Offices (Incumbent)</p> <p>Apr.2011 Vice Chairperson, The Second Tokyo Bar Association</p> <p>Apr.2013 Executive Director, Japan Federation of Bar Association</p>	0 Share
Hitomi Nakayama (November 14 , 1955)	<p>Committee, Board of Education Meguro City</p> <p>Committee, Examination Committee for Certification of Sickness and Disability, Ministry of Health, Labour and Welfare</p> <p>Committee, Administrative dissatisfied board of review, Ministry of Internal Affairs and Communications</p> <p>Director, Public Interest Incorporated Foundation “ Automotive Dispute Resolution Center”</p> <p>Auditor, Japan Electric Meters Inspection Corporation</p>	
<p>&lt;Reason of the nomination of the candidate for Statutory Auditor&gt;</p> <p>Although Hitomi Nakayama does not have direct experience in corporate management, the Company expects her to contribute her abundant insight and experience as a lawyer toward maintaining and improving compliance of the Company and judges that she is capable of suitably performing her duties as Outside Statutory Auditor.</p>		

- Notes: 1. Hitomi Nakayama is a candidate for Outside Statutory Auditor. The Company requires candidates for Outside Statutory Auditor to satisfy all the requirements to become Independent Statutory Auditor stipulated by the Company. This candidate satisfies all such requirements. Since she also satisfies the requirements of independence as stipulated by Tokyo Stock Exchange Group Inc., she was registered by the Company as “Independent Director / Auditor”. Refer to pages 12-13 for the contents of the requirements of “Independent Statutory Auditor” stipulated by the Company.
2. If Hitomi Nakayama’s election is approved, the Company will enter into a liabilities limitation agreement with her, which limits her liabilities to ¥20 million or the minimum amount stipulated in Article 425, Paragraph 1, of the Companies Act, whichever is higher, in accordance with the provisions of Article 427 of the Companies Act and the Company’s Articles of Incorporation.
3. There are no special interests between the candidate and the Company.

## <Reference>

### **Teijin Limited Independent Director and Independent Statutory Auditor Requirements**

On April 1, 2003, Teijin Limited (the Company) prescribed "Requirements for Independent Directors" for outside directors, including candidates. These conditions for appointment are designed to increase the level of precision and ensure the transparency of the management supervisory function of the Board of Directors. At the same time, the Company also prescribed "Requirements for Independent Statutory Auditors," which covers outside statutory auditors and candidates. These requirements are intended to enhance the precision and transparency of the auditing of duties of internal directors and the management team. With regard to independent director and independent statutory auditor requirements, the Company has formulated and operates regulations concerning independent directors and independent statutory auditors of its own accord. The primary content of these requirements is described below.

Note: Hereinafter, the "Teijin Group" is used to refer collectively to 1) "Teijin Limited," 2) "subsidiaries of Teijin Limited" and 3) "equal joint venture partners."

### **Independent Director and Independent Statutory Auditor Requirements**

- (1) Persons having no significant special interests in the Teijin Group.
- (2) Persons to whom items (a) through (e) below do not apply are deemed to be Independent Directors or Independent Statutory Auditors having no significant special interest in the Teijin Group.
  - (a) Internal officers or employees and former internal officers or employees of the Teijin Group
  - (b) Providers of specialized services to the Teijin Group
  - (c) Persons having customer or business partner relations with the Teijin Group
  - (d) Persons having "inter-directorship" relations with the Teijin Group
  - (e) Persons having other special interests in the Teijin Group

### **Detailed Internal Standards Concerning Persons Falling under Items (a) through (e) above**

Applicability of the category

- (a) Internal officers or employees and former internal officers or employees of the Teijin Group
  - (1) In the event that the person does not satisfy the requirements under Company Law (Please refer to Company Law, Article 2, No. 15 and 16) for outside director or outside statutory auditor of Teijin Limited
  - (2) In the event that the person is a director of an "equal joint venture company," (including persons defined as "management executives" in Note 1 below) or has held such a position within the past five years
  - (3) In the event that a member of the person's "family" (Note 2) is currently a director of the Teijin Group (including persons defined as "management executives")
- (b) Providers of specialized services to the Teijin Group
  - (1) In the event that the person or the person's "family" provides accounting audit services to the Teijin Group or has done so within the past five years, or in the event that the person or the person's "family" is currently a member of an outside auditing firm that provides accounting audit services to the Teijin Group or has been a member of such a firm within the past five years
  - (2) In the event that the person or the person's "family" provides, or has provided within the past three years, services other than accounting services that involved compensation of more than 7 million yen (or US\$60,000) and fall into the following categories:
    - (i) Lawyers, (ii) certified public tax accountants, (iii) chartered patent agents, (iv) judicial scriveners, (v) management, financial, technical or marketing consultants
- (c) Persons having customer or business partner relations with the Teijin Group

In the event that the person currently holds the position of Director or any of "Executives and top managers" (Note 4) in a company or other for-profit organization in Japan or overseas that is presently a "major customer or business partner" (Note 3) of the Teijin Group
- (d) Persons having "inter-directorship" relations with the Teijin Group
  - (1) In the event that the relationship exists wherein the outside director currently holds the position of director in a company in Japan or overseas or holds a position in a for-profit organization that is equivalent to the director position, and a director of the Teijin Group currently holds a director or equivalent executive position in that same organization
  - (2) In the event that the relationship exists wherein the outside statutory auditor holds a director position in a company in Japan or overseas or an equivalent executive position in a for-profit organization, and a director or statutory auditor of the Teijin Group currently holds a director, statutory auditor or equivalent executive position in that same organization
- (e) Persons having other special interests in the Teijin Group
  - (1) In the event that the person currently receives contributions, financing or debt guarantees from the Teijin Group
  - (2) In the event that the person's "family" currently receives contributions, financing or debt guarantees from the Teijin Group amounting to 1 million yen or more
  - (3) In the event that the person or the person's "family" currently holds the position of Director or any of "Executives and top managers" (Note 4) in a company or for-profit organization in Japan or overseas that currently receives contributions, financing or debt guarantees from the Teijin Group amounting to 1 million yen or more

**The terminology used above is defined below.**

- Note 1: "Management executives" are employees who hold positions of importance, including operating officers, senior officers or positions higher than general manager.
- Note 2: "Family" includes spouses, children, people sharing the same household and other persons related by blood or marriage within two degrees of consanguinity
- Note 3: "Major customer or business partner" describes a person or an entity whose total annual transaction relationship, either as a seller or a purchaser, has exceeded 2% of consolidated net sales at any time within the past three years. (If the Teijin Group is the seller, this amount refers to the percentage of consolidated net sales of Teijin Limited. If the Teijin Group is the buyer, this amount refers to the percentage of consolidated net sales of the other party.)
- Note 4: "Executives and top managers" are employees, counselors or advisors who hold positions of importance, including statutory auditor, operating officer or positions higher than general manager.

This "Teijin Limited Independent Director and Independent Statutory Auditor Requirements" document is intended as a reference to help deepen the reader's understanding of the Teijin Group. This document is an overview of the Independent Director Regulations and Independent Statutory Auditor Regulations as prescribed by the Company and is not a rigorously defined record of these regulations, Company Law or any other legislation.

# Attached Reports

## Reports on Operations for the 151<sup>st</sup> Fiscal Year (April 1, 2016 to March 31, 2017)

### 1. Current State of the Teijin Group

#### (1) Progress and Results of Operations

##### 1) Progress and Results of Operating Activities

###### ① Sales and Income

Global economic conditions in FY 2016, ended March 31, 2017, tracked a gradual expansionary path as a whole, as developed countries centered on the U.S. drove firm growth, and the People's Republic of China (PRC) economy turned upward from the second half of the fiscal year due to economic stimulus measures. Meanwhile, the Japanese economy saw signs of improvement, including an upturn in business confidence in the manufacturing industry due to a recovery in exports and other factors despite sluggish growth in personal consumption.

In this environment, for FY 2016, consolidated net sales totaled ¥741.3 billion, a decrease of 6.3% year on year. This decrease was due in part to the impact of optimizing our production configuration associated with restructuring initiatives mainly in the resin business, in addition to the stronger yen in the first half of the fiscal year, although sales were generally steady across all businesses on the whole. Operating income decreased 15.8% to ¥56.5 billion, due in part to the impacts of foreign exchange movements, new drug licensing costs and downward revisions to NHI drug reimbursement prices, despite efforts to steadily expand the earnings base by driving growth in existing businesses and executing restructuring initiatives. Ordinary income decreased 7.3% to ¥55.9 billion.

Profit attributable to owners of parent increased 61.3% to ¥50.1 billion, partly due to a large decrease in tax expense in conjunction with the adoption of tax effect accounting in connection with a decision to withdraw from the home healthcare business in the U.S. Earnings per share rose ¥96.77 to ¥254.91.

###### ② Analysis of Assets, Liabilities and Net Assets

Total assets as of March 31, 2017 amounted to ¥964.1 billion, up ¥140.6 billion from the end of FY 2015. The increase in total assets was primarily the result of increases in fixed assets, including goodwill, and certain other items due to the completion of the acquisition of Continental Structural Plastics Holdings Corporation (Headquarters: Michigan, U.S.A.; "CSP") in January 2017. There was also an increase in deferred tax assets in conjunction with the adoption of tax effect accounting following the decision to withdraw from the U.S. home healthcare business.

Total liabilities amounted to ¥612.2 billion, up ¥103.2 billion from the end of FY 2015. Interest-bearing debt accounted for ¥376.2 billion of the total, up ¥72.9 billion mainly due to an increase in line with the procurement of funds for the acquisition of CSP.

Total net assets amounted to ¥351.8 billion, up ¥37.4 billion from the end of FY 2015. Total shareholders' equity and total accumulated other comprehensive income together represented ¥338.4 billion of the total, an increase of ¥38.3 billion from the end of FY 2015.

There was an increase in line with profit attributable to owners of parent, but this was partially offset by the payment of dividends and by a decrease in foreign currency translation adjustment in connection with the stronger yen.

Segment operating results (sales and operating income) of the Teijin Group are as follows.

(Billions of yen / %)

		Fiscal 2015	Fiscal 2016	Change	Percentage
Net sales	Advanced Fibers and Composites	¥133.0	<b>¥136.8</b>	+¥3.7	+2.8%
	Electric Materials & Performance Polymer Products	163.7	<b>134.4</b>	-29.3	-17.9
	Health Care	147.5	<b>147.5</b>	+0	+0.0
	Trading & Retail	270.9	<b>259.6</b>	-11.3	-4.2
	Sub-Total	¥715.2	<b>¥678.3</b>	-¥36.5	-5.2
	Others	75.6	<b>63.0</b>	-12.6	-16.7
	Total	¥790.7	<b>¥741.3</b>	-¥49.5	-6.3
Operating income	Advanced Fibers and Composites	¥18.5	<b>¥13.8</b>	-¥4.7	-25.2
	Electric Materials & Performance Polymer Products	22.3	<b>18.5</b>	-3.8	-17.1
	Health Care	28.8	<b>27.6</b>	-1.2	-4.3
	Trading & Retail	5.3	<b>6.7</b>	+1.4	+25.8
	Sub-Total	¥74.9	<b>¥66.6</b>	-¥8.3	-11.1
	Others	6.5	<b>5.4</b>	-1.1	-17.2
	Elimination and corporate	(14.3)	<b>( 15.5)</b>	-1.2	-
	Total	¥ 67.1	<b>¥56.5</b>	- ¥10.6	-15.8

Business Segment Results for fiscal 2016 were as follows:

## ■ Advanced Fibers and Composites

*Sales in the Advanced Fibers and Composites segment totaled ¥136.8 billion, while operating income was ¥13.8 billion.*

### High-Performance Fibers

*Sales remained firm for automotive applications*

In aramid fibers, sales of *Twaron* para-aramid fibers expanded firmly for automotive applications, including for tires in Europe. In contrast, sales for oil drilling and ballistic protection applications were weak. Sales were firm for *Technora* para-aramid fibers both for automotive applications in Japan and also for infrastructure-related applications overseas. *Technora* is being used in an expanding range of applications under more extreme conditions given the positive assessment of its outstanding fatigue resistance, chemical barrier and other properties.

Sales of *Teijinconex* meta-aramid fibers were robust for use in automotive applications such as turbocharger hoses, as well as protective clothing and industrial applications, despite persistently fierce competition in the growing market for filter applications. Moreover, at a new production facility in Thailand, where production and sales commenced in the previous fiscal year, we are focused on expanding this particular business in promising Asian markets and emerging markets, where high growth is expected against the backdrop of increasingly stringent regulations pertaining to flame-retardant materials and environmental safety.

In polyester fibers, solid sales were recorded for automotive applications, such as seat belts, conveyor belts and hose cords, and for use in personal hygiene products, wadding, and reverse osmosis membrane support layers for water treatment applications. Moreover, we are striving to further strengthen our competitiveness by realigning our domestic production configuration and by transferring production of certain items to subsidiaries in Thailand.

### Carbon Fibers and Composites

*Sales for use in aircraft grew steadily; U.S.-based Continental Structural Plastics acquired.*

Sales of *TENAX* carbon fibers continued to grow steadily for use in aircraft. Among other applications, sales for wind power generation in the Americas and Europe were robust, but the supply-demand balance softened for general industrial use, and for sports and leisure applications in Asia. In addition, *Pyromex* Oxidized PAN fiber has continued to post steady sales, reflecting favorable demand for use in aircraft brake pads. In response, a carbon fiber production line is being converted into a *Pyromex* production line at Toho Tenax America, Inc.

We are working to expand business centered on composite materials in the field of high-performance materials to be used in mass-produced automotive components. As part of these efforts, in January 2017, we acquired CSP, a global leader in automotive lightweight composite technologies. CSP became our wholly owned subsidiary. Going forward, we will integrate CSP's glass fiber reinforced plastic (GFRP) and our fiber reinforced plastic (FRP) technologies, specifically carbon fiber reinforced thermoplastic (CFRTP) and carbon fiber reinforced plastic (CFRP), along with driving growth of CSP's components business model in the Americas and global market expansion of this business model to Europe, Japan and Asia. Through this process, we will establish a strong business platform in automotive composite products and will seek to become a supplier of Tier 1 components in this business.

Furthermore, to address further growth in demand for carbon fiber primarily in North America, we have completed the acquisition of land in the United States and are considering the construction of a new carbon fiber plant.

In addition, we carried out a fuel conversion of in-house power generation equipment at the Mishima Factory, a key carbon fiber production site, by switching from steam turbine generation using heavy oil to gas turbine power generation, and commenced operation of the converted equipment. As a result, we will push ahead with the reduction of our environmental impact in conjunction with improving power generation efficiency.

## ■ Electronics Materials & Performance Polymer Products

*The Electronics Materials & Performance Polymer Products segment reported sales of ¥134.4 billion and operating income of ¥18.5 billion.*



## Resin and Plastics Processing

*Steady performance by polycarbonate resins, with a focus on further expanding high-performance applications.*

Our mainstay *Panlite* and *Multilon* polycarbonate resin products saw firm supply-demand dynamics and maintained steady profitability, owing to high capacity utilization maintained at both production sites in the PRC and Japan, plus an improved sales mix, despite a reduction in profits due to the impact of foreign currency conversion reflecting the stronger yen. In this environment, we are taking initiatives to further expand high-performance applications. In the automotive market, we are working to apply polycarbonate resin molded products incorporating advanced coating technology to automotive windows. Also, we are actively expanding a copolymer polycarbonate featuring a high surface hardness to applications such as automotive interior panels. In growing markets such as disaster readiness infrastructure, housing, and healthcare, we are offering proposals encompassing the supply of products as well as materials, both of which are centered on high value added polycarbonate resins and their compounds. In addition, we are actively pushing ahead with providing weight reduction, metal replacement and other solutions using proprietary composite materials that combine polycarbonate resins with the Teijin Group's high-performance fibers (aramid fibers, carbon fibers).

In high-performance resins, we are working to upgrade and expand our lineup of specialty polycarbonate resins for camera lenses in order to offer optimal products for smartphones as well as for use in vehicle and surveillance cameras expected to see market expansion. In addition, we are accelerating the expansion of polyethylene-naphthalate (PEN) resin to various pressure vessels by taking advantage of the features of PEN resin, including its chemical and gas barrier resistance properties. In flame retardants, we are expanding the market for new phosphorous products that lend high flame retardancy and bring easy colorability to polyester fibers as well as resins, alongside our existing lineups, which are generating steady earnings.

In regard to the "super engineering plastic" polyphenylene sulfide (PPS) resin, for which a mass-production structure is being established at INITZ Co., Ltd., a joint venture with SK Chemicals Ltd. of the Republic of Korea (ROK), we are developing distinctive compound products leveraging Teijin's proprietary technologies centered on automotive and electronics applications.

## Films

*Integrated our domestic polyester film production facilities and converted joint ventures in Japan and Indonesia into wholly owned subsidiaries.*

Reflective films for use in liquid crystal display (LCD) televisions remained under pressure in terms of both volume and pricing due to the emergence of Chinese manufacturers. We posted relatively firm sales of *Purex* release films for manufacturing processes mainly for use in multilayer ceramic capacitors for smartphones and other devices, as well as special packaging application exports and polyethylene-naphthalate (PEN) film for use in magnetic materials. Sales also remained strong for *Panlite* Sheet, a product made of polycarbonate resin, and *ELECLEAR* transparent electroconductive film, primarily for use in vehicle display applications. In addition, *PURE-ACE* optical film using specialty polycarbonate resin saw expanded sales for reverse-dispersion solvent-cast retardation film for use as an organic electroluminescent display (OLED) antireflective film, along with expanded sales for use in flexible printed circuits.

In this climate, profit increased from the previous fiscal year, owing to improvements in the sales mix of both polyester and polycarbonate films, as well as contributions from lower costs due to the integration of domestic polyester film production facilities. Moreover, we acquired the shares held by our joint venture partner E.I. du Pont de Nemours and Company (Du Pont) in the film business joint ventures in Japan and Indonesia. Business operations in Japan have recommenced under the new company name Teijin Film Solutions Limited. In Indonesia, business operations have recommenced under the new company name of P.T. Indonesia Teijin Film Solutions. This deal will enable us to improve management flexibility and decision-making speed, as well as utilize an even more diverse range of materials and film production methods than before, in order to create and further enhance value for customers.

Looking at overseas sites, in the PRC, sales volume was mostly unchanged from the previous year as market conditions remained sluggish. In the Americas and Europe, demand was relatively firm centered on packaging applications.

## ■ Healthcare

*Sales in the Healthcare segment came to ¥147.5 billion, while operating income was ¥27.6 billion.*

### Pharmaceuticals

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

The domestic pharmaceuticals market continues to face a challenging business environment. In this climate, sales of hyperuricemia and gout treatment *FEBURIC* (febuxostat) and *Somatuline*<sup>®\*</sup>, a treatment for acromegaly, continued to expand steadily. In addition, we are providing patients with a wider range of choices through new formulations, such as an oral jelly and an intravenous drip of the osteoporosis treatment *Bonalon*<sup>®†</sup>, and *Mucosolvan* L Tablet 45 mg, a novel reduced-sized tablet-form version of the sustained-release expectorant *Mucosolvan*. Also, we are working to expand sales of the transdermal anti-inflammatory analgesic patch formulation *LOQOA* Tape, which it began jointly marketing with Taisho Toyama Pharmaceutical Co., Ltd. in January 2016.

On the R&D front, in July 2016, we applied for a new indication for treatment of neuroendocrine tumors for *Somatuline*<sup>®\*</sup>, a treatment for agromegaly. In parallel, we began the clinical development of TMX-049DN (UK, Phase 1) as a new treatment for diabetic nephropathy in Type 2 diabetes. In August 2016, we signed an exclusive license and supply agreement with Versartis, Inc. of the U.S. for the development and marketing of *Somavaratan* (VRS-317), a novel, long-acting form of recombinant growth hormone (rhGH) developed by Versartis, Inc. with its first planned indication being dwarfism caused by pediatric growth hormone deficiency (PGHD). In November 2016, we received a request from the Ministry of Health, Labour and Welfare to develop an expanded indication of *Somatuline*<sup>®\*</sup> for thyroid stimulating hormone-secreting pituitary tumors, and have begun taking actions targeting the start of clinical trials within one year. Also, in December 2016, we entered into a collaboration and license agreement with Amgen Inc. of the U.S. regarding research and development of new therapeutic agents for kidney diseases and disorders. In February 2017, we started phase III clinical trials of ITM-058, a new treatment for osteoporosis. In March 2017, we started phase II clinical trials of TMX-049, a new treatment for hyperuricemia and gout, and phase II clinical trials of TMG-123, a new treatment for Type 2 diabetes.

Sales of febuxostat also continued to expand encouragingly overseas. We have secured exclusive distributorship agreements for febuxostat covering 117 countries and territories. The drug is currently sold in 67 of these countries and territories (including Japan), and we are in the process of obtaining regulatory approval to make it available in the others.

### Home Healthcare

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

In Japan, we firmly maintained a high level of rental volume for therapeutic oxygen concentrators for home oxygen therapy (HOT). Looking ahead, we will strive to further boost rental volume by enhancing the lineup and expanding the use of portable oxygen concentrators (*Hi-Sanso Portable α* (alpha), *Hi-Sanso Portable α II*), which are designed to expand the range of patients' daily activities, along with efforts to achieve the same for non-portable oxygen concentrators such as *Hi-Sanso 5S*. Rental volume for continuous positive airway pressure (CPAP) ventilators for the treatment of sleep apnea syndrome (SAS) continued to increase favorably, due to increasing the appeal of *NemLink*, a monitoring system for CPAP ventilators that uses mobile phone networks, and to the use of the *SAS2100* sleep disorder diagnostic system. We will continue seeking to further boost rental volume by expanding the use of *SLEEPMATE10*, a model featuring a built-in heater-humidifier in addition to *NemLink* functions. To further fortify support services for individuals, we sought to improve our ability to respond to patient needs by capitalizing on our home healthcare call centers in Fukuoka and Osaka, Japan.

Meanwhile, in September 2015 we commenced sales of *VitalLink*, a multidisciplinary collaboration and information sharing system. We have steadily expanded sales of *VitalLink* by making progress on signing agreements with physicians through medical associations, in addition to signing agreements directly with primary care physicians. Moreover, in regard to a repetitive transcranial magnetic stimulation device developed through an industry-academia partnership with Osaka University and other partners, investigator-initiated clinical trials of intractable chronic pain using this device are under way at several facilities. We also continued to expand our marketing efforts for the *WalkAide* System, a neuromuscular electrical stimulation device providing walking assistance in the case of gait impairment resulting from stroke or other causes launched in FY 2013, which initially focused on the Tokyo metropolitan area, to medical institutions elsewhere in the country. Additionally, we launched *ReoGo-J*, a portable robotic arm that supports the rehabilitation of paralyzed upper limbs due to stroke. Besides expanding sales of both products, we will continue to upgrade and enhance our lineup of these types of rehabilitation devices going forward.

<sup>†</sup> *Bonalon*<sup>®</sup> is the registered trademark of Merck Sharp & Dohme Corp., Whitehouse Station, NJ, U.S.A.

Overseas, we had been considering bold reorganization measures targeting the home healthcare business in the U.S. On April 27, 2017(U.S. time), we decided to withdraw from the home healthcare business in the U.S. by selling all of our equity in this business to a company affiliated with Quadrant Management, Inc.<sup>†</sup>. We will continue to undertake the home healthcare business in Spain and the ROK.

## ■ Trading & Retail

*The Trading & Retail segment yielded sales of ¥259.6 billion and operating income of ¥6.7 billion.*

### Fiber Materials and Apparel

*Focused on strengthening the operating structure and expanding differentiated businesses.*

In fiber materials, sales of high-performance materials for sports and outdoor use grew in the Americas and Europe, and the Japanese market, but profitability declined due to the impact of the stronger yen. In addition, in polyester yarn, although sales volume for use in automobiles declined due to the negative impact of domestic production adjustments by automakers, we posted expanded sales of differentiated, high performance yarn for interior goods to major retailers, as well as differentiated yarn for apparel, leading to a large improvement in earnings. In uniform materials, earnings improved owing to cost reductions through the transfer of production overseas and an increase in individual orders.

In functional textiles and apparel, the business environment in Japan remained under pressure due to a downturn in spending on apparel, inventory adjustments by customers, and other factors. In this environment, we promoted production at optimal sites and improved quality control in the production process. In conjunction with this, we strove to drive earnings growth by expanding business targeting prominent retailers and apparel sectors, leveraging our strengths in planning and proposal-oriented business based on our unique material *SOLOTEX* and the *DELTA* series. In June and November 2016, we proposed and presented our differentiated businesses to the markets through comprehensive exhibitions of textiles and apparel staged by Teijin Frontier Co., Ltd., which enabled us to capture customer needs and expand business.

### Industrial Textiles and Materials

*Favorable performance by automotive materials and civil engineering materials.*

In sales of automotive materials, sales of reinforcement materials for tires, conveyor belts, and automotive hoses were firm. With the sales volume of air-bag fabric remaining on a growth track, we have set our sights on further expanding production. Sales of automotive interior materials and equipment struggled because of inventory adjustments by customers, but sales of fabric for synthetic leather grew significantly.

In other industrial textiles and related materials, in the Japanese market, we recorded solid sales of civil engineering materials including *Technora SAMM Sheet* concrete flaking prevention sheets for use in disaster reconstruction projects and arterial highways. In addition, we saw surging demand for *AEROSHELTER* provisional tents for disaster-readiness purposes and events. Sales were also solid for materials for agriculture, fisheries, electronics and the environment. Moreover, in overseas markets, we expanded business involving environmental materials for PRC on the back of market expansion.

In living related materials, particularly interior materials, we recorded increased profits from curtain materials due to the stronger yen, along with firm sales of wall-covering materials and floor-covering materials. We also posted solid sales of wiping-related materials. In wellness related products, we steadily increased sales of personal hygiene products and expanded the healthcare-related business with a major convenience store chain.

In resin and films, sales of PET films turned upward in the second half of the fiscal year in step with a recovery in production in the market for electronic components, but this did not make up for the sluggish sales in the first half.

In initiatives to create other new businesses, we focused on expanding sales of our “wearable cosmetics” *Raffinan*, disaster mitigation-related products, *Motanka*, an emergency blanket, and *Pullshelter*, a disaster-readiness curtain. We also steadily advanced initiatives to commercialize products using wearable electrode textiles.

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<sup>†</sup> An investment firm based in the U.S. that has a portfolio including a major home healthcare provider boasting one of the largest home healthcare businesses in the country.

## ■ Others

*Others, which does not qualify as a reportable operating segment, generated sales of ¥63.0 billion and operating income of ¥5.4 billion.*

The IT business posted a steady performance mainly due to steady growth in sales of *Meccha Comics*, an e-book distribution service in the net services category. In the IT services category, specifically in the healthcare business, we bolstered sales of medical information systems including a radiology information system. At the same time, we are taking steps to expand into the nursing care field. Notably, we began providing monitoring services using the Internet of Things (IoT)\* and a nursing care recordkeeping system.

In new business development, sales of *LIELSORT* lithium-ion battery (LiB) separators were sluggish due to market conditions. In parallel, we stepped up our focus on developing new customers.

In the area of new healthcare initiatives, we decided to establish a joint venture company in July 2017 that will be a medical company spun off from Takiron Co., Ltd. in the field of implantable medical products. We will promote business development over the medium to long term in tandem with improving profit through combining Teijin Group's marketing and technological capabilities with the knowhow of Teijin Nakashima Medical Co., Ltd., which has already entered the market.

In the field of functional food ingredients, we made efforts to conduct development and marketing activities that are resulting in food manufacturers steadily increasing their adoption of *BARLEYmax*, an enhanced barley product. Looking ahead, we will continue to focus on evidence acquisition and promotion to accelerate future business development.

## 2) Progress and Results of Non-Operating Activities

**The progress and results of non-operating activities conducted by the Teijin Group (“the Group”) during the fiscal year under review were as follows.**

The Teijin Group aims for the sustainable development of both business and society. Of the issues related to sustainability including social and environmental problems, in 2015, we identified and took proactive initiatives on important CSR issues related to business activities, which are three governance issues, three environmental issues, and seven social issues. In 2016, the important issue of “CSR Procurement” was added to social issues. In one designated issue, “Reducing Environmental Impact,” in addition to working to reduce its greenhouse gas emissions in manufacturing both within Japan and abroad, the Group made further efforts to reduce waste, both by reducing the total amount of waste produced and by promoting various recycling programs, achieving a large overall reduction in the amount of non-recyclable waste emissions. Furthermore, we have identified solutions of environmental value as an important CSR issue, and we are supplying products and services that lower the environmental burden in order to contribute toward reducing CO<sub>2</sub> emissions and saving energy.

The Teijin Group does not discriminate by nationality, age, gender, race, or physical disability with respect to hiring and promotion, and while respecting the values held by its diverse human resources, it supports everyone's efforts to realize their potential. The Group carries out efforts to promote active roles for women through a dedicated organization that it established in 2000 after establishing a special committee in 1999. When hiring new graduates, the five major group companies in Japan follow a guideline of aiming for at least 30% female intake. In 2016 and 2017, we achieved this level with 33% and 32%, respectively. Concerning female representation in managerial positions, the number of female managers exceeded 100 as of March 2016, which is ten times the initial number. Aiming to further increase the number of female managers, we are giving attention to a female leader development program. In addition, we are actively implementing initiatives aimed at reforming the working styles of all Group employees, and striving to implement measures that support work-life balance. The Teijin Group has introduced a system for scheduling reduced working hours and a system for working at home for employees with child-raising or caregiving responsibilities, as well as a system for the re-hiring of employees who retired for family reasons. We have also formulated a system in 2014 that recognizes a three-year leave period associated with a spouse being relocated overseas.

Furthermore, based on shared Group guidelines, the Teijin Group proactively approaches social contribution activities in line with the characteristics of the different business groups and regions. Among these approaches, we believe next-generation education is particularly important, and through the Teijin Kumura Scholarship system provided by the Teijin Scholarship Foundation, we have supported around 1,600 science and engineering students over

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

more than 60 years, and in 2010, launched a scholarship system in China.

Furthermore, we are working to support youth sports such as by being a sponsor of the All Japan High School Soccer Tournament, and creating TEIJIN ACADEMY FUJI, a human resource development center in cooperation with Japan Football Association (JFA).

Additionally, we provide continual relief support for the areas affected by the Tohoku-Pacific Offshore Earthquake, as well as continually operating a range of initiatives to support employee volunteer activities.

These activities have been recognized through the inclusion of the Teijin Group in multiple social development investment indices including the DJSI Asia Pacific, FTSE4Good, and MSCI ESG Index.

Going forward, as a good corporate citizen, to realize both sustainable social and corporate development, we will continue to proactively participate in and support initiatives for the environment and social problems, as well as various social contribution activities.

## (2) Changes in Assets and Profit and Loss

Fiscal Period Items	148 <sup>th</sup> Fiscal Period FY2013	149 <sup>th</sup> Fiscal Period FY2014	150 <sup>th</sup> Fiscal Period FY2015	151 <sup>st</sup> Fiscal Period FY2016 (Current period)
Net sales (Millions of yen)	784,424	786,171	790,748	741,291
Operating income (Millions of yen)	18,078	39,086	67,130	56,512
Ordinary income (Millions of yen)	19,887	42,378	60,316	55,933
Profit attributable to owners of parent (Millions of yen)	8,356	Δ8,086	31,090	50,133
Net earnings per share (Yen)	42.51	Δ41.15	158.15	254.91
Total assets (Millions of yen)	768,411	823,694	823,429	964,053
Net assets (Millions of yen)	300,112	303,635	314,412	351,829

## (3) Capital Investments

Capital investments by the Group in fiscal 2016 totaled ¥46.2 billion, mainly for maintenance and renewal..

## (4) Financing

The Company secured finance through long-term debts and allocated these funds to an enterprise purchase fund. As a result, the interest-bearing debt in long-and short-term loans of the Company amounted to ¥376.2 billion, an increased of ¥72.9 billion from the end of the previous year.

## (5) Tasks Ahead and Medium & Long-Term strategies

### 1) Basic Management Policies of the Teijin Group

As declared in the Teijin Group's corporate philosophy, we are committed to enhancing the quality of life of people everywhere through our deep insight into human nature and the application of our creative abilities. At the same time, our

corporate philosophy commits us to Grow In Harmony With Society, and to Grow By Empowering Our People. Accordingly, as our long-term vision, we pledge to create the new value needed by society by utilizing its workforce diversity, thereby aiming to become an enterprise that is essential to tomorrow's society.

## 2) Principal Performance Targets

The Teijin Group has identified ROE and EBITDA as key performance indicators.

## 3) Tasks Ahead and Medium & Long-Term strategies

In February 2017, the Teijin Group formulated and announced its new medium-term management plan for 2017-2019, "ALWAYS EVOLVING," as a three-year action plan to realize its long-term vision. Guided by the medium-term management plan, the Teijin Group will improve core earnings through growth strategies, establish new core businesses through transformation strategies and strengthen its basic management systems to support those strategies.

### a) Working to realize the long-term vision

The Teijin Group is aiming to achieve the following vision as an enterprise that is essential to tomorrow's society.

#### ◆ An enterprise that helps to solve social issues

Teijin will strive to capture business opportunities leveraging its strengths from the issues facing society, and to strengthen the management base.

#### Core priority fields for business development

Environmental value solutions	Supply weight-reducing materials that enhance environmental performance for transportation
Safety, security and disaster mitigation solutions	Enhance disaster-readiness measures and social infrastructure development
Demographic change and increased health consciousness solutions	Support health maintenance and enhancement in response to the progression of demographic change and increasing lifestyle diseases

#### ◆ An enterprise that achieves continuous transformation by anticipating changes in the external environment

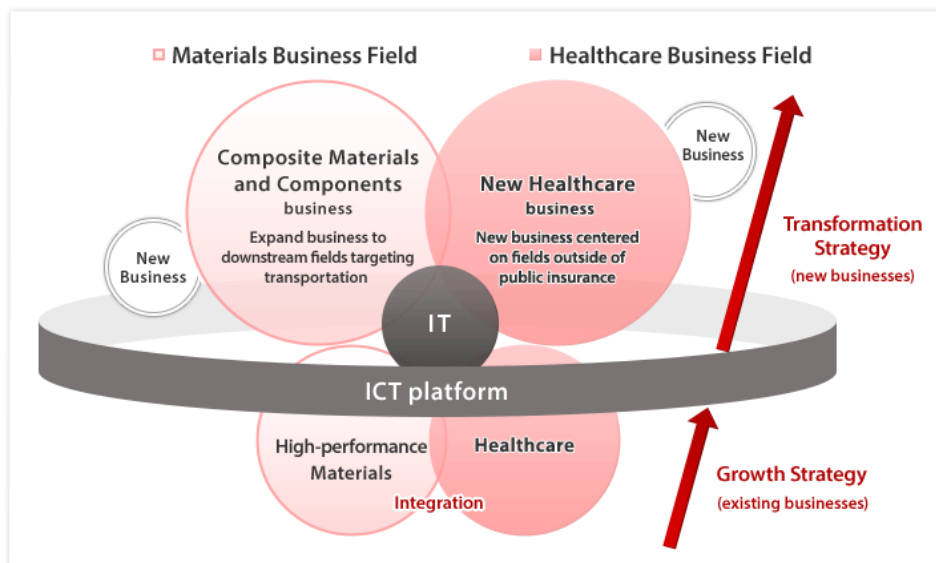
In an increasingly uncertain external environment, Teijin will take the initiative to contribute to evolution, instead of chasing trends, for sustainable growth.

#### ◆ An enterprise that continues to create new value at all times

Teijin will create products and services that accelerate the evolution of society.

## b) Business Strategies in Medium-Term Management Plan

Teijin will implement both growth and transformation strategies focusing on the materials and healthcare business fields as the pillars of its operations and develop new businesses that are not yet contributing to profits at present into its core earnings sources, without merely relying on the continuation of existing businesses.



### I. Growth strategies for Materials business field

#### ◆ Focus on aircraft and automobile businesses (environmental value solutions)

Step up development of strong, lightweight high-performance materials in response to demands for higher fuel efficiency in line with stricter environmental regulations

#### ◆ Address infrastructure needs (safety, security and disaster mitigation solutions)

Accurately respond to disaster mitigation awareness and needs for improved and expanded infrastructure

### II. Growth strategies for Healthcare business field

#### ◆ Strengthen solutions in high-growth domains (demographic change and increased health consciousness solutions)

Maximize earnings from existing growth drivers and emphasize drug discovery research

### III. Transformation strategies for material business field

Transform the business model from supplying customers with materials to close-to-customer businesses to develop composites that incorporate multiple materials, and thereby win the competition amongst multiple materials.

#### ◆ Automotive composite products (environmental value solutions)

Rather than merely extending materials businesses into downstream fields, Teijin will leverage its strengths in composite technologies to expand business with a view to becoming a supplier of multi-material components.

#### ◆ Lithium-ion battery separator and membranes (environmental value solutions)

Leveraging technologies and expertise developed in membrane production, Teijin will roll out high-performance, high-productivity products in a wide range of fields.

### IV. Transformation strategies for healthcare business field

Strengthen existing healthcare business to deliver comprehensive patient-service systems, even those not reimbursed under the Japanese health insurance system

#### ◆ Diversified product/service lineups (demographic change and increased health consciousness solutions)

Diversify lineups of medical equipment, digital healthcare, implantable medical products and functional food materials

◆ **Healthcare business creation (demographic change and increased health consciousness solutions)**

Establish a healthcare business platform for pre-symptomatic condition, diseases and nursing care, and new business using the group's information platform

**c) Strengthening of the Management System Platform**

**I. Structural reorganization**

Teijin will pursue inter-business integration by integrating materials-related businesses into one materials business field. The New Business Development Business Unit will be split into units for materials and healthcare business to deepen group-wide collaboration with and absorption of these individual businesses. A newly established Global Strategy Officer will develop cross-business regional strategies and a newly established Information Strategy Representative will pursue smart projects on a group-wide basis.

**II. Smart projects**

Teijin will leverage IT to create new businesses and enhance group-wide business styles. In the medium-term, this will involve healthcare services development, smart plantations and innovation in business operating process, and the allocation of JPY ten billion centered on establishing the business platform.

**III. Cost restructuring initiatives**

By FY 2019, Teijin aims to reduce total costs by JPY 20 billion from the FY 2016 level. This will be realized by completing measures in the revised medium-term management plan in 2014 and strengthening product cost competitiveness centered on growth businesses (JPY 11 billion), and restructuring into a small head office commensurate with business scale after the implementation of restructuring initiatives (JPY 9 billion).

**d) Performance Targets**

New key performance indicators (KPIs) will be established with an emphasis on both investment efficiency and earnings power. ROE will be chosen as a profitability indicator and EBITDA will be chosen as a growth indicator. ROIC, based on operating income, will be chosen as an indicator of efficiency of generating profits relative to capital invested. Also, in order to visualize and monitor business portfolio transformation, net sales from transformation strategy projects and degree of diversity promotion will be set as original KPIs, including non-financial information, with follow-up progress. The targets until FY 2019 are as follows.

ROE	10%+
EBITDA	Over ¥ 120 billion
ROIC based on operating income	8%+
Invested Resources	CAPEX + M&A ¥ 300 billion (three-year total)
Dividend Payout Ratio	30% of the profit attributable to owners of parent (guidance)

Note: Return on equity (ROE) : Profit attributable to owners of the parent ÷ Average\* total shareholders' equity  
 \* ([Beginning balance + Ending balance] ÷ 2)  
 Earnings before interest, tax, depreciation and amortization (EBITDA) : Operating income + Depreciation & amortization  
 Return on invested capital (ROIC) based on operating income : Operating income ÷ Invested capital\*  
 \* (Total shareholders' equity + Non-controlling interests + Interest-bearing debt – Cash and deposits)

Italicized product names and service names in this report are trademarks or registered trademarks of the Teijin Group in Japan and/or other countries. Where noted, other italicized product names and service names used in this document are protected as the trademarks and/or trade names of other companies.



## (6) Primary Businesses

The Teijin Group conducts various businesses including the manufacture and sale of the products below, operating in the Advanced Fibers and Composites, Electric Materials & Performance Polymer Products, Health Care, Trading & Retail, and Others segments.

(As of March 31, 2017)

Business Segments	Business Fields	Principal Products and Businesses
Advanced Fibers and Composites	Aramid Fibers	Para-aramid fibers, Meta-aramid fibers, High-performance polyethylene
	Polyester Fibers	PET • PEN fibers, Artificial leather
	Carbon Fibers	Carbon fibers, Oxidized PAN fibers
	Composite products	The automotive composite products
Electric Materials & Performance Polymer Products	Plastics	Polycarbonate resin • sheet, molding product PET • PEN • PBN resin, Frame-retardant agents
	Films	PET • PEN film, Polycarbonate resin film, Transparent conductive film
Health Care	Pharmaceuticals	Treatment for Hyperuricemia and gout, Agent for Osteoporosis, Agent for Infection, Sustained-release expectorant, Transdermal anti-inflammatory analgesic patch formulation Treatment for acromegaly and pituitary gigantism
	Home Health Care	Oxygen Concentrator for Home oxygen Therapy (HOT), Continuous Positive Airway Pressure Unit (CPAP), Ultrasound Bone Fracture Treatment Devices
Trading & Retail	Textiles and Apparel	Fiber materials, Textiles, Apparel products, General merchandise
	Industrial Textiles and Materials	Industrial and vehicle materials, Living and interior goods, Resin • films, Packing and construction materials,
Others	IT Services	General Corporation information system, Information system for hospital, Information system for Care Business, Document control system, Web-ERP(Integration Business Software Package), Emergency Call / Safety Confirmation system
	Net Business	Electronic book delivery service, E-commerce of foods
	New Business development	Lithium-ion battery separators Medical equipment for joint prostheses, bone joining material, etc.,
	Raw Materials, Polymers	PET / PEN recycle, Polyester raw materials

Notes: PET (Polyethylene terephthalate), PEN (Polyethylene naphthalate), PBN (Polybutylene naphthalate)

## (7) Primary Business Places

(As of March 31, 2017)

Business	Function	Location
The Company	Headquarters	Osaka, Tokyo
Advanced Fibers and Composites	Manufacturing bases	Ehime, Yamaguchi, Shizuoka, Gifu
		U.S.A., Mexico, Germany, the Netherlands, China ,Thailand
	Operation bases	Tokyo, Osaka
		U.S.A., Mexico, Germany, the Netherlands, China ,Thailand
	Research bases	Shizuoka, Ehime
		U.S.A., Germany , the Netherlands ,France, Thailand, China
Electric Materials & Performance Polymer Products	Manufacturing bases	Tochigi, Ehime, Hiroshima
		China, Indonesia
	Operation bases	Tokyo, Osaka, Aichi
		U.S.A., the Netherlands, China, Taiwan, Malaysia, Indonesia, Thailand
	Research bases	Gifu, Ehime, Chiba, Hiroshima
		China
Health Care	Manufacturing bases	Yamaguchi
	Operation bases	12 branches throughout Japan
		U.S.A
	Research bases	Tokyo, Yamaguchi
		U.S.A.
Trading & Retail	Manufacturing bases	Ishikawa, Fukui, Shiga, Fukuoka
		China, Thailand, Vietnam
	Operation bases	Tokyo, Osaka, Aichi, Niigata, Gifu
		U.S.A., Germany, China, Vietnam, Indonesia, Myanmar, Mexico
Others	Manufacturing bases	Tokyo, Ehime, Okayama,
		South Korea
	Operation bases	Tokyo, Osaka, Fukuoka, Ehime, Yamaguchi, Okayama
		South Korea
	Research bases	Tokyo, Osaka, Yamaguchi, U.S.A

Note 1: The function of headquarters is indicated in The Company, and the manufacturing, operation and research bases are indicated in each business segments.

Note 2: The Operation Base of Health Care Business in U.S.A ceased to exist by selling its shares on April 27, 2017 (U.S.Time).

## (8) Employees

(As of March 31, 2017)

Business segments	150 <sup>th</sup> Fiscal Period FY2015 (As of March 31, 2016)	151 <sup>st</sup> Fiscal Period FY2016 (As of March 31, 2017) (Current period)	Change in the number of employees
Advanced Fibers and Composites	4,301	7,769	+3,468
Electric Materials & Performance Polymer Products	2,141	1,851	Δ 290
Health Care	3,633	3,750	+117
Trading & Retail	2,966	3,154	+188
Others	2,715	2,768	+53
Total	15,756	19,292	+3,536

Notes:

1. The number of employees stated above represents the numbers of employees in each segment.
2. The number of employees stated above does not include temporary employees (2,535 employees for the 150<sup>th</sup> fiscal period and 2,301 employees for the 151<sup>st</sup> fiscal period)
3. The number of employees increased 3,536 from FY2015 to FY2016. However, this was primarily due to the acquisition of CSP.
4. The number of employees in the Health Care segment will decrease 829 by withdrawing from the home health care business in U.S.A. in April 2017.

## (9) Significant Subsidiaries

(As of March 31, 2017)

Business segments	Subsidiary (Location of The Head Office)	Capital	Investment ratio (%)	Principal business
Advanced fibers and Composites	Toho Tenax Co., Ltd. (Tokyo)	¥500 million	99.75	Production and sales of carbon fibers and Oxidized PAN fibers
	Toho Tenax Europe GmbH (Germany)	0.025 million euro	※100.00	Production and sales of carbon fibers
	Toho Tenax America, Inc. (U.S.A.)	US\$12.5 million	※100.00	Production and sales of carbon fibers and Oxidized PAN fibers
	Teijin Aramid B.V. (the Netherlands)	0.02 million euro	※100.00	Production and sales of para-aramid fibers
	Teijin (Thailand) Limited (Thailand)	800 million baht	※100.00	Production and sales of polyester fibers
	Teijin Polyester (Thailand) Limited (Thailand)	548 million baht	66.87	Production and sales of polyester fibers
	Continental Structural Plastics Holdings Corporation(U.S.A.)	US\$829 million	※100.00	Production and sales of Composite products
Electric Materials & Performance	Teijin Films Solutions Limited (Tokyo)	¥10,010 million	100.00	Production and sales of polyester films
Polymer Products	Teijin Polycarbonate China Ltd.(China)	720 million RMB	100.00	Production and sales of polycarbonate resin
	Teijin Chemicals Plastic Compounds Shanghai Ltd. ( China)	143 million RMB	100.00	Coloration, processing and sales of polycarbonate resins
Health Care	Teijin Pharma Limited (Tokyo)	¥10,000 million	100.00	Production and sales of medicinal drugs and medical equipment
	Teijin Home Health Care Ltd (Tokyo)	¥100 million	※100.00	Home health care services provider
	Braden Partners L.P. (U.S.A.)	US\$134 million	※100.00	Home health care services provider
Trading & Retail	Teijin Frontier Co., Ltd (Osaka)	¥2,000 million	100.00	Sales of textiles and others
	Nantong Teijin Co., Ltd. (China)	¥4,000 million	100.00	Production and sales of polyester textile goods

Business segments	Subsidiary (Location of The Head Office)	Capital	Investment ratio (%)	Principal business
Others	Infocom Corporation (Tokyo)	¥1,590 million	58.08	Development and sales of computer software, etc.
	Teijin Engineering Ltd. (Osaka)	¥475 million	100.00	Engineering services, design and sales of plants and equipment
	Teijin Logistics Co., Ltd. (Osaka)	¥80 million	100.00	Transportation and custody of goods

- Notes: 1. The Teijin Group has 89 consolidated companies including the aforementioned 18 significant subsidiaries; 75 companies are accounted for via the equity method.
2. ※ indicates the investment ratio including investment by subsidiaries.
3. Teijin Polycarbonate Singapore Pte Ltd. is in the process of withdrawal from its business, and the Company decided to exclude it from the list of Significant Subsidiaries from FY 2016.
4. The Teijin Group's shareholding of Braden Partners L.P. was completely sold on April 27, 2017(U.S Time).

## (10) Primary Lenders and Amount of Borrowings

(As of March 31, 2017)

Primary Lenders	Balance of borrowings
	Millions of yen
The Bank of Tokyo-Mitsubishi UFJ, Ltd.*	102,683
Development Bank of Japan Inc	35,000
Mizuho Bank, Ltd. *	21,836
Mitsubishi UFJ Trust & Banking Corporation*	10,685
Sumitomo Mitsui Banking Corporation	5,048

- Notes 1. \* indicates that the balance of borrowings includes loans from overseas affiliate banks.
2. In addition to loans indicated in the balance of borrowings above, the Company borrows ¥129,537 million under syndicated loans.

## (11) Acquisition or disposal of the stocks and other shares of other companies, or a share stock option

- 1) On August 1, 2016, the Company decided that its wholly owned subsidiary Teijin Holdings USA, Inc. would acquire all shares of CSP, which is a leading automotive composite supplier in North America. On September 13, 2016, a share transfer agreement was concluded, and the acquisition was completed on January 3, 2017 (U.S. Time).
- 2) The Teijin Group's shareholding of Braden Partners L.P. was completely sold to a company which is affiliated with Quadrant Management, Inc. on April 27, 2017(U.S Time) , making the Group's withdrawal from the home health care business in U.S.A.

## (12) Other important items concerning the current status of the Teijin Group

The Company moved the Osaka Head Office to 2-4 Nakanoshima 3-Chome, Kitaku Osaka on May 8, 2017.

## 2. Matters Regarding the Shares of the Company (as of March 31, 2017)

(1) Authorized shares	600,000,000 shares
(2) Issued shares	196,951,733 shares
(3) Number of shareholders	85,195
(4) Top 10 shareholders of the Company	

Shareholders		Investment in the Company	
		Number of shares held	Shareholding ratio (%)
1	Japan Trustee Service Bank, Ltd.(Trust account )	18,439,200	9.37
2	The Master Trust Bank of Japan, Ltd. (Trust account)	12,497,400	6.35
3	Nippon Life Insurance Company	7,045,501	3.58
4	The Employee Stock Ownership Association of Teijin	4,667,078	2.37
5	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	4,138,987	2.10
6	Japan Trustee Service Bank, Ltd.(Trust account 5)	3,144,700	1.60
7	Japan Trustee Service Bank, Ltd.(Trust account 9 )	2,931,400	1.49
8	STATE STREET BANK WEST CLIENT – TREATY 505234	2,882,171	1.47
9	STATE STREET BANK AND TRUST COMPANY 505225	2,416,456	1.23
10	Japan Trustee Service Bank, Ltd.(Trust account 2 )	2,299,100	1.17

Note: The shareholding ratio has been calculated after excluding Treasury stocks (231,413 shares) from the Issued shares.

### (4) Other important items concerning shares

The Company's common shares were consolidated at the ratio of 5 shares to 1 share and the number of shares to constitute one unit was changed from 1,000 shares to 100 shares, on October 1, 2016. As a result, the total number of authorized shares changed from 3,000,000,000 shares to 600,000,000 shares on the effective date. The total number of issued shares changed from 984,758,665 shares to 196,951,733 shares after consolidation.

### 3. Stock Option

#### (1) Status of Stock Option as of the last day of the subject Fiscal Year

Time of Issue (Issue date)	5 <sup>th</sup> (July 10, 2006)	6 <sup>th</sup> (July 5, 2007)	7 <sup>th</sup> (July 7, 2008)	8 <sup>th</sup> (July 9, 2009)	9 <sup>th</sup> (July 9, 2010)	10 <sup>th</sup> (Mar 12, 2012)	11 <sup>th</sup> (Mar 15, 2013)	12 <sup>th</sup> (Mar 14, 2014)	13 <sup>th</sup> (Mar 18, 2015)	14 <sup>th</sup> (Mar 16, 2016)	15 <sup>th</sup> (Mar 17, 2017)
Number of Issued Stock Option (unit)	146	207	328	420	349	737	698	618	379	274	287
Class and Number of Shares (Common Stock) to be acquired by the Stock Option	29,200	41,400	65,600	84,000	69,800	147,400	139,600	123,600	75,800	54,800	57,400
Issue Price of Stock Option (per share)	¥3,315	¥3,050	¥1,535	¥1,265	¥1,305	¥1,225	¥980	¥1,140	¥1,925	¥1,800	¥1,955
Exercise Price of Stock Option (per share)	¥1	¥1	¥1	¥1	¥1	¥1	¥1	¥1	¥1	¥1	¥1
Period during which the Stock Option may be exercised	July 10, 2006 ~ July 9, 2026	July 5, 2007 ~ July 4, 2027	July 7, 2008 ~ July 6, 2028	July 9, 2009 ~ July 8, 2029	July 9, 2010 ~ July 8, 2030	Mar 12, 2012 ~ Mar 11, 2032	Mar 15, 2013 ~ Mar 14, 2033	Mar 14, 2014 ~ Mar 13, 2034	Mar 18, 2015 ~ Mar 17, 2035	Mar 16, 2016 ~ Mar 15, 2036	Mar 17, 2017 ~ Mar 16, 2037

Of the above, total number of unexercised Stock Option held by Directors and Statutory Auditors of the Company (breakdown by each issue of the Stock Option)

(As of March 31, 2017)

Issue	Directors		Statutory Auditors	
	Number of Units	Number of Directors Holding Rights	Number of Units	Number of Statutory Auditors Holding Rights
The 5 <sup>th</sup> Issue of the Stock Option	4	1	-	-
The 6 <sup>th</sup> Issue of the Stock Option	6	1	-	-
The 7 <sup>th</sup> Issue of the Stock Option	16	1	-	-
The 8 <sup>th</sup> Issue of the Stock Option	36	4	5	1
The 9 <sup>th</sup> Issue of the Stock Option	34	4	5	1
The 10 <sup>th</sup> Issue of the Stock Option	91	5	12	1
The 11 <sup>th</sup> Issue of the Stock Option	123	6	14	1
The 12 <sup>th</sup> Issue of the Stock Option	116	6	12	1
The 13 <sup>th</sup> Issue of the Stock Option	103	6	9	1
The 14 <sup>th</sup> Issue of the Stock Option	86	6	8	1
The 15 <sup>th</sup> Issue of the Stock Option	96	6	-	-

Note:

1. No Stock Option is granted to any Outside Directors and Statutory Auditors.
2. The Stock Option held by the Statutory Auditor was distributed as a consideration of performance of duties as Director or Corporate Officer prior to assuming the position of Statutory Auditor.

#### (2) Stock Option distributed during the subject Fiscal Year

Stock Option distributed during the subject Fiscal Year is stated in the 15<sup>th</sup> Issue of the Stock Option noted in (1) above.

Status of Stock Option distributed to employees of the Company in the 15<sup>th</sup> Issue of Stock Option.

No. of Unites	No. of Recipients
191	25

### (3) Other important matters concerning Stock Acquisition Rights

Outlines of the Zero Coupon Convertible Bonds due to 2018 (bonds with stock acquisition rights) and the Zero Coupon Convertible Bonds due to 2021 (bonds with stock acquisition rights), that were issued based on the resolution of the meeting of the Board of Directors held on November 26, 2014 are stated below.

Title	Zero Coupon Convertible Bonds due to 2018	Zero Coupon Convertible Bonds due to 2021
The total amount of debenture	20 billion yen	20 billion yen
Issue date	December 12, 2014	December 12, 2014
Redemption fixed date	December 12, 2018	December 10, 2021
Number of stock acquisition rights	2,000 units	2,000 units
Type of shares to be issued upon exercise of stock acquisition rights	Common shares of the Company	Common shares of the Company
Number of shares to be issued upon exercise of stock acquisition rights	The number is determined by dividing the aggregate principal amount of the bonds upon exercise of the stock acquisition rights by the conversion price	The number is determined by dividing the aggregate principal amount of the bonds upon exercise of the stock acquisition rights by the conversion price
Conversion price*	¥2,035.70 per share (subject to adjustment in certain circumstances)	¥2,001.30 per share (subject to adjustment in certain circumstances)
The contents and the value of the assets invested on the occasion of use of the stock acquisition rights	In case of the use of the stock acquisition rights, the Bond holder will invest the bonds upon exercise of the stock acquisition rights and the Bonds price will equal to the face value price.	In case of the use of the stock acquisition rights, the Bond holder will invest the bonds upon exercise of the stock acquisition rights and the Bonds price will equal to the face value price.
Exercise period of stock acquisition rights	Between December 26, 2014 and November 28, 2018	Between December 26, 2014 and November 26, 2021

Note: Adjustment of Conversion Price pursuant to Condition 5.2.4 of the terms and conditions of the Bonds due to the Extraordinary Dividend (as defined in such Condition 5.2.4) resulting from payment of a dividend of ¥55 per Share. The payment of such dividend was approved at the board of directors of the Company on 9 May 2017.

(Effective date: As of April 1, 2017)



## 4. Directors and Statutory Auditors

### (1) Directors and Statutory Auditors

(As of March 31, 2017)

Post	Name	Duty, state of significant positions concurrently held at other companies
Chairman of the Board	Shigeo Ohyagi	Permanent Officer, Keidanren(Japan Business Federation) Vice Chairman, Japan Association of Corporate Executives (Keizai Doyukai) Outside Director, Recruit Holdings Co., Ltd Outside Statutory Auditor, JFE Holdings, Inc.
President, Representative Director	Jun Suzuki	CEO (Chief Executive Officer) Officer, Japan Association of Corporate Executives (Keizai Doyukai)
Senior Executive Officer, Representative Director	Yo Goto	General Manager, Technology Center Supervisor of Raw Materials & Polymers Division Supervisor of Iwakuni, Matsuyama and Mihara factory
Senior Executive Officer, Director	Hiroshi Uno	General Manager, Healthcare Business Group President & Representative Director, Teijin Pharma Limited
Senior Executive Officer, Director	Kazuhiro Yamamoto	CFO General Manager, Accounting, Finance & Procurement Division
Executive Officer, Director	Yoshihisa Sonobe	Corporate Strategy Officer Supervisor of IT, Healthcare Project
Director	Yutaka Iimura	Councilor, Ministry of Foreign Affairs, Japan Vice-Chairman, Japan-Indonesia Association, Inc. Adviser, Taisei Corporation Special Participation, INPEX Corporation Committee, Management Consultation, Tokyo University Senior Fellow, National Graduate Institute For Policy Studies
Director	Nobuo Seki	Outside Director, KAMEDA SEIKA Co., Ltd. Outside Director, Weathernews Inc. Outside Director, Yokogawa Electric Corporation
Director	Kenichiro Senoh	President & Chairperson, The Industry-Academia Collaboration Initiative (NPO) Outside Director, Mitsubishi Pencil Co., Ltd Visiting Professor, Hitotsubashi University Graduate School of Commerce and Management (MBA program) Participation, The Japan Society for Research Policy and Innovation Management Director, Intellectual Property Association of Japan
*Director	Fumio Ohtsubo	Trustee, Nippon Life Ins. Director, Kansai University Trustee, Japan-Indonesia Association, Inc. Partner Chairman , Monozukuri, Nippon,Conference Nikkan Kogyo Shimbun, Ltd.
Full-time Statutory Auditor	Atsushi Mugitani	
*Full-time Statutory Auditor	Noriaki Endo	
Statutory Auditor	Noriko Hayashi	Representative, Hayashi Legal Office Lawyer The Chairperson of Committee on Labor Law Legislation, Japan Federation of Bar Associations Certified
Statutory Auditor	Nobuo Tanaka	Chairman, The Sasakawa Peaceful Fund Outside Director, Chiyoda Corporation Outside Statutory Auditor, Innotech Corporation

Post	Name	Duty, state of significant positions concurrently held at other companies
Statutory Auditor	Gen Ikegami	Representative, Gen Ikegami Certified Public Accountant Office, Certified Public Accountant Counsel, Certified Public Accountant Association Outside Director, TAC Co.,Ltd.

Notes:

1. The director and statutory auditor marked with \* were newly elected at the 150th Ordinary General Meeting of Shareholders held on June 22, 2016.
2. Four (4) Directors— Yutaka Imura, Nobuo Seki, Kenichiro Senoh and Fumio Ohtsubo—are outside directors. The Company requires the candidate for outside director to satisfy the requirements of “Independent Director” stipulated by the Company. These four (4) Directors satisfied all such requirements and maintained their independence throughout the relevant fiscal year. Because they also satisfy the requirements of independence as stipulated by Tokyo Stock Exchange Group, Inc., they were registered by the Company as “Independent Director/Auditor” at the stock exchanges. Refer to pages 12-13 for the requirements of “Independent Director” which Company defines.
3. There are no important interests between the Company and any of the entities at which the abovementioned outside directors hold positions as director/statutory auditor etc.
4. Three (3) Statutory Auditors— Noriko Hayashi, Nobuo Tanaka and Gen Ikegami—are outside statutory auditors. The Company requires the candidate for outside statutory auditor to satisfy the requirements of “Independent Statutory Auditor” stipulated by the Company. These three (3) Statutory Auditors satisfied the all said requirements and maintained their independence throughout the relevant fiscal year. Because they also satisfy the requirements of independence as stipulated by Tokyo Stock Exchange Group, Inc., they were registered by the Company as “Independent Director/Auditor” at the stock exchanges. Refer to pages 12-13 for the requirements of “Independent Statutory Auditor” which Company defines.
5. There are no important interests between the Company and any of the companies at which the abovementioned outside statutory auditors hold positions as director/ statutory auditor etc.
6. Statutory Auditor Gen Ikegami is a Certified Public Accountant and has ample knowledge of finance and accounting.
7. The following Director and Statutory Auditor retired as of June 22, 2016.

Director Hajime Sawabe  
Statutory Auditor Toshiaki Yatabe

8. Changes in posts and duties of Directors during the subject fiscal year are as follows.

Name	New Post	Former Post	Date of Change
Yo Goto	Senior Executive Officer, Representative Director General Manager, Technology Center Supervisor of Raw Materials & Polymers Division Supervisor of Iwakuni, Matsuyama and Mihara factory	Senior Executive Officer, Representative Director General Manager, Technology Center Supervisor of Iwakuni, Matsuyama and Mihara factory	April 1, 2016
Kazuhiro Yamamoto	Senior Executive Officer, Director CFO General Manager, Accounting, Finance & Procurement Division	Executive Officer, Director CFO General Manager, Accounting, Finance & Procurement Division	April 1, 2016
Yoshihisa Sonobe	Executive Officer, Director Corporate Strategy Officer Supervisor of IT, Healthcare Project	Officer, Director Corporate Strategy Officer Supervisor of Raw Materials & Polymers Division Supervisor of IT, Healthcare Project	April 1, 2016

9. Changes in posts and duties of Directors following the subject fiscal year are as follows.

Name	New Post	Former Post	Date of Change
Yo Goto	Director	Senior Executive Officer, Representative Director General Manager, Technology Center Supervisor of Raw Materials & Polymers Division Supervisor of Iwakuni, Matsuyama and Mihara factory	April 1, 2017

Kazuhiro Yamamoto	Representative Director, Vice President CFO CIO	Senior Executive Officer, Director CFO General Manager, Accounting, Finance & Procurement Division	April 1, 2017
Hiroshi Uno	Senior Executive Officer, Director Responsible for Healthcare Business of Teijin Group	Senior Executive Officer, Director General Manager, Healthcare Business Group Representative Director, President, Teijin Pharma Limited	April 1, 2017
Yoshihisa Sonobe	Executive Officer, Director Responsible for Corporate Strategy Officer Responsible for Legal and Intellectual Property Responsible for Global Strategy	Executive Officer, Director Corporate Strategy Officer Supervisor of IT, Healthcare Project	April 1, 2017

## (2) Liabilities Limitation Agreements

### 1) Liabilities Limitation Agreement with Directors (excluding Executive Director)

The Company has executed a Liabilities Limitation Agreement with each of five (5) directors (excluding Executive Directors), Shigeo Ohyagi, Yutaka Imura, Nobuo Seki, Kenichiro Senoh and Fumio Ohtsubo which limits the respective liabilities of each director to the higher amount of ¥20 million or the minimum liability amount stipulated in Article 425, Paragraph 1, of the Companies Act.

### 2) Liabilities Limitation Agreement with Statutory Auditors

The Company has executed a Liabilities Limitation Agreement with each of five (5) statutory auditors, Atsushi Mugitani, Noriaki Endo, Noriko Hayashi, Nobuo Tanaka, and Gen Ikegami which limits the respective liabilities of each statutory auditor to the higher amount of ¥20 million or the minimum liability amount stipulated in Article 425, Paragraph 1, of the Companies Act.

### (3) Remuneration for Directors and Statutory Auditors

#### 1) Remuneration for Directors during the subject fiscal year

(millions of yen)

Inside Directors		Outside Directors		Total	
Number of Directors	Amount of Remuneration	Number of Directors	Amount of Remuneration	Number of Directors	Amount of Remuneration
6	408	5	57	11	465

Notes:

1. Inside directors means directors other than outside directors.
2. The Company has no director who is also an employee of the Company.
3. The amounts of above remuneration include ¥112 million, an expected amount of performance-based remuneration to be paid to the six (6) inside directors appointed at the 150th Ordinary General Meeting of Shareholders held on June 22, 2016. Performance-based remuneration was not paid to outside directors. The amounts of above remuneration include ¥32 million as compensation-type stock options granted to inside directors for their duties performed during the subject fiscal year. Stock options were not granted to outside directors.

#### 2) The calculation standard for Directors' Remuneration

<Amount of remunerations>

The maximum annual remuneration for directors of the Company has been ¥700 million, as resolved by the 140th Ordinary General Meeting of Shareholders, held on June 23, 2006 and the 149th Ordinary General Meeting of Shareholders, held on June 24, 2015\*. The amount of the above remuneration includes (1) ¥630 million of annual salary, and (2) ¥70 million for the fair value of compensation-type stock options. The remuneration for outside directors is only annual salary. In addition, the amount of remunerations for directors does not include the portion of employee salaries for directors concurrently serving as employees.

The standard for calculating the annual remuneration for inside directors and outside directors is as follows.

<Inside directors>

The amount is determined based on results for each fiscal year such as the Company's ROA (Return on Assets; ratio of consolidated operating income to total assets, ROE (Return on Equity; ratio of consolidated net income to equity), the degree of improvement in its operating income, and the degree to which budget targets are achieved, in addition to evaluations of the duties of individual directors. Reference is also made to the average remuneration level of inside directors at other companies in the same industry in Japan.

<Outside directors>

The amount is a fixed amount that is not linked with the performance of the Company, and is determined with reference to the average remuneration level of outside directors at other companies in the same industry in Japan.

\*The Company abolished the remuneration frame (¥60 million) for outside directors at the 149th Ordinary General Meeting of Shareholders, held on June 24, 2015.

#### 3) Remuneration for Statutory Auditors during the subject fiscal year

(millions of yen)

Inside Statutory Auditors		Outside Statutory Auditors		Total	
Number of Statutory Auditors	Amount of Remuneration	Number of Statutory Auditors	Amount of Remuneration	Number of Statutory Auditors	Amount of Remuneration
3	57	3	32	6	89

Notes:

1. Inside statutory auditors means statutory auditors other than outside statutory auditors.
2. The maximum monthly remuneration for statutory auditors is ¥12 million (as resolved by the 133rd Ordinary General Meeting of Shareholders held on June 25, 1999).

#### (4) Outside Directors and Outside Statutory Auditors

##### 1) Significant Concurrent Positions and the relation between the Company and the entities at which Outside Directors and Outside Statutory Auditors hold such positions.

They are shown in the above-mentioned 「(1) Directors and Statutory Auditors」.

##### 2) Main Activities of Outside Directors and Outside Statutory Auditors

Category	Name	Main Activities
Outside Directors	Yutaka Iimura	Attended 11 of the 12 meetings of the Board of Directors held during the relevant fiscal year and offered valuable comments from his expertise and knowledge cultivated over many years as a diplomat.
	Nobuo Seki	Attended 12 of the 12 meetings of the Board of Directors held during the relevant fiscal year and offered valuable comments from his extensive management experience and knowledge.
	Kenichiro Senoh	Attended 12 of the 12 meetings of the Board of Directors held during the relevant fiscal year and offered valuable comments from his specialist viewpoint of business model field.
	Fumio Ohtsubo	After his appointment on June 22, 2016, he attended 8 of the 9 meetings of the Board of Directors held during the relevant fiscal year and offered valuable comments from his extensive management experience and knowledge.
Outside Statutory Auditors	Noriko Hayashi	Attended 12 of 12 meetings of the Board of Directors and 12 of 12 meetings of the Board of Statutory Auditors held during the relevant fiscal year and offered valuable comments from her professional knowledge as lawyer, and offered, in particular, advice and suggestions concerning compliance
	Nobuo Tanaka	Attended 12 of 12 meetings of the Board of Directors and 12 of 12 meetings of the Board of Statutory Auditors held during the relevant fiscal year and offered valuable comments from his experience at the government agencies and international organization and offered, in particular, advice and suggestions concerning corporate governance.
	Gen Ikegami	Attended 12 of 12 meetings of the Board of Directors and 12 of 12 meetings of the Board of Statutory Auditors held during the relevant fiscal year and offered valuable comments from his professional knowledge as a Certified Public Accountant.

## 5. Accounting Auditor

### (1) Name of Accounting Auditor

KPMG AZSA LLC.

### (2) Amount of Remuneration

(Millions of yen)

Details	Amount
1) The amount of remuneration, etc., to be paid by the Company to the accounting auditor	149
2) The total amount of cash or other proprietary interest to be paid by the Company and its subsidiaries to the accounting auditor	301

Notes:

1. The amount described in Item1) of the above table is the total sum of the remunerations for audits under the Companies Act and the remuneration for the audits under Financial Products & Exchange Act in Japan because these are not clearly distinguished from each other in the contract between the Company and the accounting auditor.
2. Of the major subsidiaries of the Company, 11 companies, including Teijin Aramid B.V. , undergo auditing by accounting firm other than the accounting auditor.
3. Based on the Company's scale and characteristics, the Board of Statutory Auditors has given consent to the remuneration, etc., to be paid the Accounting Auditor as stipulated in Article 399, Paragraph 1 of the Companies Act, as a result of the confirmation of the audit contents, total audit work done, audit plans of Accounting Auditor and its rewards estimation.

### (3) Policy for Dismissal or Non-Reappointment of Accounting Auditor

The Company has a policy that the Board of Statutory Auditors may dismiss the accounting auditor based on the unanimous approval by the statutory auditors in cases where Article 340, Paragraph 1 of the Companies Act is judged to apply. Furthermore, the Company has a policy of submitting a proposal regarding dismissal of the accounting auditor to a shareholder's meeting in the event that it is deemed that a grave obstacle to the Company's audit operation involving the accounting auditor has occurred, and similarly submitting a proposal regarding the non-reappointment of the accounting auditor in the event that it is deemed necessary to change the accounting auditor in light of the accounting auditors' independence and reliability, or the status of its performance of duties. In both cases, the submission of the proposals is based on a decision of the Board of Statutory Auditors.

## **6. Corporate Governance System**

### **(1) Reasons for Choosing the Current Corporate Governance System**

The Company's Group has adopted and will adopt from time to time mechanisms for corporate governance which is appropriate for achieving the purposes of the Company. Accordingly, the Company will timely review the mechanisms and such changes may be made in accordance with changes in the social and legal environments.

The current Companies Act requires the Board of Directors to appropriately carry out two functions: important business decision and management oversight and supervision. The governance system deemed appropriate is therefore based on these two core functions, with execution of business led by the Company's inside directors (limited to Executive Directors) on the one hand, and management oversight and supervision focused on by outside directors and carried out by statutory auditors and the Board of Statutory Auditors on the other hand.

Therefore the Company intends to continue to be a company with Board of Statutory Auditors for the time being. At the Company, the strengthening of the management oversight and supervisory functions and similar corporate governance that are the aim of a "company with nominating committees" are effectively achieved via an "Advisory Board", a "Board of Directors and executive officer system that includes independent outside directors," and a "Board of Statutory Auditors system that includes independent outside statutory auditors."

### **(2) Outline of Current System**

#### **1) Decision-Making Bodies**

Within the Teijin Group, matters for which the Board of Directors retains authority in accordance with the provisions of the law are decided by the "Board of Directors," which meets once a month in principle. Important matters related to execution of business of the Company or the Teijin Group for which authority has been delegated from the Board of Directors (individual medium- or short-term plans relating to each business group or function operations, and individual important matters) are decided by the President and CEO through deliberation in the "Group Strategy Committee," which meets once a week in principle, and the "Group Management Committee," which meets once a month in principle.

The "Group Strategy Committee" members consist of the CEO, chief officers, and people designated by the CEO, while the "Group Management Committee" members consist of the CEO, chief officers, business group general managers, and people designated by the CEO. The CEO convenes and chairs both committees. In addition to the members, the committees are also attended by the full-time statutory auditors.

#### **2) Board of Directors and Corporate Officer System**

To expedite decision making and clarify accountability of execution of business, the Company's Articles of Incorporation set the maximum members of the Board of Directors to 10 directors, and the Company has introduced a corporate officer system that delegates broad authority to corporate officers. Four members of the Board of Directors are outside directors who are independent from the company. In addition, the Articles of Incorporation sets the term of office for directors at one year. The Board of Directors is chaired by the chairman of the Company (in the case of vacant of the chairman of the Board, the director of senior advisor or the outside director will take the chairmanship of the Board), as a means of separating oversight and supervision from execution of business.

#### **3) Selection of Director Candidates**

Director candidates are decided by the Board of Directors as personnel that are suitable to be top management of the Company, with outstanding personality and insight, in consideration of their personal capabilities, past performance record, and so forth. The candidates are recommended at the General Meeting of Shareholders.

#### **4) Advisory Board (Management Consultative Committee)**

The Advisory Board, comprising both Japanese and non-Japanese experts, has been established to provide advice to management in general and to evaluate the top managements, and operates as a consultative body to the Board of Directors. The Advisory Board is made up of five to seven outside advisors consisting of two or three non-Japanese advisors as well as the Chairman of the Board (in the case of vacant of the chairman of the Board, the senior advisor), and the President & CEO, and the Chairman of the Board chairs the Advisory Board. The Advisory Board also functions as a nominations and remuneration committee, making recommendations regarding the alternation of the CEO and nomination of a successor, deliberating the selection of Chairman, deliberating the system and levels of compensation for Teijin Group directors, and evaluating the performance of the CEO and representative directors.

#### **5) Nomination Consultative Committee and Compensation Consultative Committee as consultative bodies**

In addition to the above Advisory Board, the Company shall establish and manage the Nomination Consultative Committee and the Compensation Consultative Committee, as consultative bodies of the Board of Directors to further enhance the transparency concerning the appointment of directors and officers. Both committees are made up of two

outside directors, the Chairman of the Board and the President & CEO. Outside Director chairs both committees. Both committees shall have a function to make proposals and recommendations to the Board of Directors with respect to the nomination, evaluation and amount of compensation of Directors and the Senior Management other than the Chairman and CEO and the nomination of Statutory Auditors.

#### **6) Status of Initiatives to Enhance the Function of Statutory Auditors (Corporate Audits)**

The Company's Board of Statutory Auditors consists of five members, of who, three—a majority—are independent outside directors who are independent from the company, and one of those three is female. In addition, Gen Ikegami possesses certified public accountant's qualification and possesses considerable knowledge of finance and accounting. Moreover, as a system provided for group consolidated management, the Committee of Teijin Group Statutory Auditors, comprising statutory auditors of Group companies, serves to enhance the effectiveness of group-wide oversight and audit and ensure impartial auditing.

#### **7) Internal Audit System**

The Corporate Audit Department, reporting directly to CEO, has been established as an internal audit organization, and carries out Group-wide and global audits to evaluate efficiency and validity of internal control functions. Furthermore, at certain listed subsidiaries and so forth, individual internal audit organizations have been established. As of March 31, 2017, the number of internal auditors in the Teijin Group is 19 (excluding internal auditors at listed subsidiaries and so forth).

#### **8) Status of Accounting Audits**

The status of certified public accountants who executed business is as follows (items in brackets are the affiliated auditing firm and number of consecutive years performing audits).

Iwao Hirano (KPMG AZSA LLC, 4 years), Kiyoshi Hirai (KPMG AZSA LLC, 3 year), Takeharu Kirikae (KPMG AZSA LLC, 2 years).

The status of assistants who executed auditing is as follows.

Certified public accountants 17, others 31, total 48.

#### **9) Total Risk Management**

In April 2003, the Company established the "Total Risk Management (TRM) Committee" beneath the Board of Directors, as a preventive measure to handle any risks the Company may face. The TRM Committee categorizes the risks into management strategy or business operating risks and conducts comprehensive management against the risks. The Board of Directors deliberates and determines basic policies and annual plans related to TRM that are proposed by the TRM Committee. The CEO is in charge of management strategy risk assessment, and provides important judgment materials for the Board of Directors and so forth. The statutory auditors conduct audits to check whether the Board of Directors is conducting appropriate policy determination, oversight and supervision regarding TRM.

\* The details of Teijin Group "Corporate Governance Guide" (the Company's Corporate Governance System) can be viewed at the Company's Web site: (<https://www.teijin.com/ir/governance/guide/>).



## **7. Systems to Ensure Appropriate Business Operations and the Status of its Implementation**

### **(1) Resolutions on Basic Policies for Establishment of Internal Control Systems**

The Company passed a resolution regarding the “Basic Policy for Establishment of Internal Control Systems” at a Board of Directors meeting held on March 31, 2017.

Below is a summary of this resolution, the details of which can be viewed at the Company’s Web site:

(<https://www.teijin.com/ir/governance/resolution/>).

#### **1) System for Ensuring Compliance with Laws, Regulations and the Articles of Incorporation in the Performance of Duties by Directors and Employees of the Company and Its Subsidiaries**

The Company has declared the basic principles of compliance in its Teijin Group “Corporate Governance Guide” .

To practice these basic principles, the Company shall establish systems and organizational structures that ensure practical operation and thorough observation of the Company’s Corporate Philosophy, Corporate Code of Conduct, Corporate Standards of Conduct, Group Ethics Regulations and other related internal regulations.

The Company’s representative directors and other executives shall take the initiative and set good examples in observing laws, regulations and the Articles of Incorporation, social rules and ethics, and shall promote compliance education and awareness among directors, officers and employees of the Company and its subsidiaries. In order to establish a compliance system across the entire Teijin Group, the Company appoints Chief Social Responsibility Officer as the officer in charge of compliance.

All directors, officers and employees of the Company and its subsidiaries are required to report to the Teijin entity to which they belong or to Teijin Limited which is the holding company of the Teijin Group, whether they detect any violations of laws and regulations or other serious information concerning compliance, in accordance with Group Ethics Regulations and other internal regulations. Chief Social Responsibility Officer shall direct and supervise investigations to confirm such reported facts and, upon consultation with CEO (President), determine appropriate measures.

The Company shall provide necessary means for directors, officers, employees and business partners to directly report any violation or doubtful activities of non-compliance in the Company or its subsidiaries. Such measures shall ensure that anonymity of the caller is protected and that the caller does not get any disadvantageous treatment. Important reports as well as measures taken by the relevant Teijin entity and their results shall be announced as appropriate to, and shall be recognized by, all directors, officers and employees of the Company and its subsidiaries.

The directors of the Company and its subsidiaries shall have their performance of duties audited by the statutory auditors, and will respect any advice or recommendations received from the statutory auditors.

The Company places Corporate Audit Department directly supervised by CEO, which performs internal auditing of the Teijin Group’s execution of business and conducts the evaluation of the internal control system and proposes its improvement.

The Company shall maintain a resolute attitude toward pressure from antisocial forces, including demands for payoffs from specific shareholders or interference by crime syndicates, and shall not allow such interference. Chief Social Responsibility Officer shall be appointed as the person in charge of actions against antisocial forces. Chief Social Responsibility Officer shall establish action policies and other rules in consort with general manager, Human Resources Division and shall ensure observance of such policies and rules by directors, officers and employees within the Company and its subsidiaries.

To intensify the validity of the decision to be made by the Board of Directors, more than one of the directors shall be outside directors satisfying the requirements for independence stipulated by the company.

#### **2) Rules and Other Systems for Management of Risk of Loss in the Company and its Subsidiaries**

The Board of Directors of the Company shall operate a total risk management system to deal with any kind of risks that might threaten sustainable business development.

Total Risk Management (TRM) Committee, shall mainly deal with the business operational risks and strategic risks to Teijin Group, and shall propose basic policies and annual plans related to TRM to the Board of Directors of the Company. Chief Social Responsibility Officer is in charge of establishing a system across the Teijin Group to manage business operation risk, and shall identify problems and deal with such risks upon occurrence thereof. CEO shall assess strategic risks and present his/her assessment to the Board of Directors of the Company as an important element upon which managerial decisions are made.

The Company shall establish a system for the Teijin Group to ensure the continuation of businesses when faced with risk events including disasters, the inappropriate performance of duties by directors, officers or employees, and damage to critical IT systems.

### **3) Systems for Ensuring that Duties by Directors and Employees of the Company and Its Subsidiaries Are Performed Efficiently**

The Company shall establish Group regulations to provide the necessary rules and guidelines for the Group to ensure efficient business operations throughout the Teijin Group.

The Board of Directors of the Company shall have the representative directors and other executives conduct the operation of the Company and decisions for the items on which the representative directors and other executives have been delegated decision-making powers shall be made by the organization and procedures in accordance with the internal regulations. These regulations shall be revised as may be necessary to reflect any revision and/or abolition of laws and regulations and/or to increase the efficiency of the representative directors and other executives in executing their duties.

The Board of Directors of the Company shall organize the basic structure of Teijin Group, and shall establish efficient management, oversight and supervision system.

The Company shall formulate the Group medium-term management plan, and each fiscal year it shall formulate short-term plans, key management targets, and budgets, as well as carrying out progress checks, in order to realize the medium-term management plan.

### **4) Systems for Ensuring that Proper Business Operations Are Conducted within Teijin Group**

The Company shall establish Group Regulations to provide the necessary rules and guidelines for the Group to ensure appropriate business operations throughout the Teijin Group. Based on the Group regulations, each company shall establish its own regulations, and use appropriate processes for deciding on important matters.

The Company shall discuss important matters concerning Teijin Group companies at its Group meetings and so forth, and to require Teijin Group companies to make reports.

The representative directors and other executives shall provide necessary instructions to ensure that the Teijin Group entities have appropriate internal control systems.

Corporate Audit Department of the Company shall operate or supervise internal audits of the Teijin Group's business operations and ensure the efficiency and validity of internal control functions over the entire business of the Teijin Group.

Statutory Auditors of the Company shall establish appropriate systems, such as those for close coordination with the accounting auditors and Corporate Audit Department, to ensure effective and appropriate supervision and auditing of the Group's entire business operations.

To ensure the reliability of its financial reporting, the Company shall establish a group-wide internal control system for the financial reporting and the operation of the Teijin Group individual operational processes, and shall properly and efficiently operate and assess such systems.

### **5) Systems for the Preservation and Management of Information in Relation with the Directors' Performance of Their Duties**

Directors shall appropriately preserve and manage minutes of shareholders' general meetings, minutes of Board of Directors' meetings, and other documents and important information concerning the performance of their duties in accordance with relevant company regulations. Chairman of the Board\*, who chairs the Board of Directors, is responsible for the supervision and oversight of the preservation and management of such documents and important information. Documents concerning directors' performance of their duties shall be preserved for at least ten (10) years and shall be accessible when necessary.

\* The case of vacant of the Chairman of the Board, CEO will perform the office of the Chairman.

### **6) Provisions Concerning Employees Assigned to Assist the Statutory Auditors in Performing Their Duties, the Independence from Directors of Such Employees, and the Validity of Instructions Given to Such Employees**

The Company shall establish Teijin Group Auditors Office under the direct control of full-time statutory auditors and appoint two or more employees, in principle, to assist Statutory Auditors in performing their duties. The members of Teijin Group Auditors Office may concurrently become statutory auditors of Teijin Group companies; however it shall not concurrently become corporate officers connected with performance of duties at Teijin Group companies.

To secure the independence of members of Teijin Group Auditors Office above, all decisions concerning personnel measures regarding the members of Teijin Group Auditors require the prior consent of the full-time Statutory Auditors. The full-time Statutory Auditors shall assess the performance of the members of Teijin Group Auditors Office.

## **7) System for Reporting to Statutory Auditors by Directors, Corporate Officers and Employees of the Company and its Subsidiaries, and System for Other Reports to Statutory Auditors**

The full-time statutory auditors shall attend the meetings of the Board of Directors and other important meeting bodies of the Company, as well as those of the important meeting bodies of the main subsidiaries.

Representative directors and other executives shall report at the meetings of the Board of Directors and other important meetings on their performance of duties with regard to the business operations, functions and subsidiaries under their charge.

The directors, officers and employees of the Company and its subsidiaries shall immediately report to the statutory auditors when they discover incidents that causes or may cause significant erosion of public trust of the Company, adverse effects on the performance of the Company, significant damage to the internal or external environment, safety and health (ESH); or related to product liability, significant violations of internal regulations, or other similar incidents.

The directors, officers and employees of the Company and its subsidiaries shall report on the business operations, functions, and subsidiaries under their charge, when they deem it necessary to do so, or at the request of the statutory auditors of the Company, and shall cooperate with the investigations of the statutory auditors of the Company.

## **8) System for Ensuring that Persons Reporting to the Statutory Auditors Are Not Subject to Unfair Treatment Because of Such Reporting**

The Teijin Group's Corporate Code of Conduct and other regulations stipulate that no person shall be treated unfairly because of reporting or giving notice of illegal conduct and so forth.

## **9) Policy Concerning Processing of Expenses and Obligations Arising with Respect to the Statutory Auditors' Performance of Duties, Prepayment of Expenses, and Reimbursement Procedures**

The Company shall bear the expenses and obligations required for the statutory auditors' performance of duties, and shall promptly respond to requests for pre-payment of expenses in accordance with laws and regulations after checking the requests.

## **10) Other System for Ensuring that the Audits of Statutory Auditors Are Conducted Effectively**

To ensure transparency, the majority of statutory auditors consists of independent outside statutory auditors that satisfy the requirements for independence that the Company specifies.

The statutory auditors shall enter into advisory agreements with outside law firms in order for themselves and statutory auditors of the Company and its subsidiaries to form independent opinions. When they consider it necessary in the course of conducting audits, the statutory auditors can, at their own discretion, retain outside advisers, including Certified Public Accountants and other consultants.

## **(2) Summary of the "Internal Control System Operating Status"**

In accordance with the "Basic Policy for the Establishment of Internal Control Systems," the operating status of the Company's internal control system for the relevant year is as follows.

### **1) Operating Status Regarding Compliance with Laws and Regulations**

The Company has published the Teijin Group "Corporate Governance Guide" and the related regulations necessary to carry out its basic policy on the Company intranet, and has designated each October as Corporate Ethics Month in which internal training is held, promoting compliance education and awareness. Furthermore, for important decision making, the related divisions and departments perform verifications, working to prevent any violations of laws and regulations.

The Company has established a framework to promote compliance under the direction of the Chief Social Responsibility Officer, which works to identify and respond to problems across the Teijin Group. The Chief Social Responsibility Officer also responds appropriately to important compliance issues reported by the directors, officers and employees of the Company and its subsidiaries based on the Group Ethics Regulations, which establish rules for reporting illegal conduct and other responses, and make regular reports to the TRM Committee.

The Company has established an internal reporting system including an anonymous compliance hotline, responding appropriately to hotline inquiries from group companies in Japan and overseas, protecting the reporter, and publishing the status of the response biannually on the intranet, promoting education and awareness.

The Company respects and responds appropriately to points made by Statutory Auditors in audits and in evaluations of the condition and operational status of internal control systems.

The Company's Corporate Audit Department performs internal auditing across the Teijin Group based on the annual plan, and reports the audit results to the Directors and Statutory Auditors as necessary.

The Company maintains an action policy against anti-social forces in its Corporate Code of Conduct, and promotes education and awareness at its Corporate Ethics Month.

## **2) Operating Status Regarding Management of Risk of Loss**

The Board of Directors of the Company receives reports from the TRM Committee on proposals for basic policies and annual plans related to TRM, as well as the status of the occurrence and response to risks, putting in place a system to manage important risks and ensure the continuation of the business.

The Chief Social Responsibility Officer implements regular evaluation and monitoring of operational risks, continually identifying risks and evaluating the validity of countermeasures.

At meetings of the Board of Directors and other important meetings of the company, deliberation items are evaluated based on the results of strategic risk assessment implemented based on the Regulations for Group Profit Management.

To ensure the continuation of business, the Company will prepare the required manuals and hold regular drills to be prepared in the event of an emergency.

While preparing individual policies on personal information protection and information security, the Company has implemented various internal education programs and security enhancement policies, as well as enhancing countermeasures against the risk of information leaks.

## **3) Operating Status Regarding Securing Efficiency**

The Company publishes the Group regulations on the Company intranet, promoting education and awareness.

The Company assigns management systems and job duties as well as clarifying responsibilities and authorities based on Group organizational regulations and Group responsibility and authority regulations, working to ensure efficient management execution and effective management.

## **4) Operating Status Regarding the Internal Control System within the Corporate Group**

The Company performs regular self-evaluations of the creation and operating status of its internal control system, continually guiding the creation of the internal control system including both the regulations and meetings of the various Teijin Group companies and a reporting system.

The Company's Statutory Auditors, to promote fair and efficient auditing activities within the Teijin Group, by holding regular meetings of the Group Board of Statutory Auditors and attending meetings in which accounting audit reports are given, maintains close cooperation among the Accounting Auditors and Internal Audit Departments.

## **5) Operating Status Regarding the Preservation and Management of Information**

The Company's Board of Directors appropriately preserves documents and important information concerning the performance of their duties in accordance with regulations regarding information related to the duties of the Group's directors.

## **6) Operating Status Regarding Ensuring the Effectiveness of the Auditing of the Statutory Auditors**

The Company has established the Teijin Group Auditor Office, with the Teijin Group Auditor Office members under the direct control of the Statutory Auditors to assist the Statutory Auditors in performing their duties.

The Company's full-time Statutory Auditors attend important meeting bodies of the Company and of the main subsidiaries, receiving reports at the meeting bodies from the representative directors, other directors, and corporate officers on the status of the performance of duties.

The Chief Social Responsibility Officer reports on important stipulated items, including internal reporting by the hotline, promptly following their discovery, both individually and in detail, to the members of the meeting bodies including the Statutory Auditors, through the important meeting bodies.

Officers and employees of the Company properly respond to items requested by the Statutory Auditors, working to ensure the effectiveness of the auditing of the Statutory Auditors.

# **8. Basic Policy Regarding the Control of the Company (Excluding Takeover Defense Measures)**

## **(1) Basic Policy Regarding the Company's Shareholders**

### **(Basic policy regarding those who control the decision of the company's financial and business policy)**

The Company believes the existence of its shareholders is based on free transactions in the market and therefore the Company's shareholders should make the final decisions as to whether to accept a proposal of a large-scale acquisition that would result in a transfer of the Company's control.

However, it is envisioned that some large-scale acquisition of the Company's shares or such proposals might entail, among others, the followings:

- ① The likelihood of causing obvious harm to the corporate value of the Company and the common interests of the shareholders.

② The threat of compelling the shareholders to sell their shares.

③ In case the compensation of the Acquisition is insufficient in view of the corporate value of the Company.

The Company believes such a large-scale acquirer of the Company's shares or a person or company who proposes such an action is exceptionally inappropriate to control the decision of the Company's financial and business policies.

## **(2) Measures to Realize the Basic Policy**

The Company has already launched the following measures to improve the corporate value of the Company and the common interests of the shareholders to ensure that investors can continue to invest in the Company over the long term. The Company believes such measures will contribute to the realization of the basic policy described in (1) above.

### **1) Medium-Term Efforts**

In February 2017, the Teijin Group formulated and announced its new medium-term management plan for 2017-2019, "ALWAYS EVOLVING," as a three-year action plan to realize its long-term vision. Guided by the medium-term management plan, the Teijin Group will improve core earnings through growth strategies, establish new core businesses through transformation strategies and strengthen its basic management systems to support those strategies. Refer to pages 22 - 24 for the contents of Tasks Ahead and Medium & Long-Term strategies.

### **2) Measures to Improve Corporate Value through Strengthening Corporate Governance**

As an essential system to achieve steady growth of the corporate value of the Company and the common interests of the shareholders, the Company has strived to strengthen corporate governance. Refer to pages 39-40 for the contents of the Corporate Governance System.

\* A Summary of the Company's Takeover Defense Measures can be viewed at the Company's Web site:  
(<https://www.teijin.com/ir/governance/defense/>)

## **9. Policy Regarding the Determination of Dividends from Retained Earnings**

Our basic policy for profit sharing is to ensure dividends are in line with consolidated operating results. We also give consideration to the need to ensure financial soundness, to our ability to maintain stable dividend payments over the medium to long term and to securing sufficient internal reserves to fund strategic investments aimed at ensuring future growth.

Note: Italicized product names and service names in this report are trademarks or registered trademarks of the Teijin Group in Japan and/or other countries. Where noted, other italicized product names and service names used in this document are protected as the trademarks and/or trade names of other companies.

# Consolidated Balance Sheets

(Millions of yen)

	FY2015 (As of Mar. 31, 2016)	FY2016 (As of Mar. 31, 2017)
<b>&lt; Assets &gt;</b>		
<b>Current assets</b>		
Cash and deposits	72,122	97,750
Notes and accounts receivable-trade	164,536	166,803
Securities	29,000	20,000
Merchandise and finished goods	85,965	84,272
Work in process	7,738	8,980
Raw materials and supplies	26,738	29,059
Short-term loans receivable	15,811	13,677
Deferred tax assets	8,256	15,063
Other current assets	21,351	32,058
Allowance for doubtful accounts	(1,015)	(909)
<b>Total</b>	<b>430,504</b>	<b>466,754</b>
<b>Fixed assets</b>		
<b>Tangible assets</b>		
Buildings and structures, net	58,631	61,178
Machinery and equipment, net	70,751	98,322
Land	43,080	44,493
Construction in progress	8,475	15,471
Other, net	22,327	21,823
<b>Total</b>	<b>203,267</b>	<b>241,289</b>
<b>Intangible assets</b>		
Goodwill	7,296	32,737
Other	9,356	36,302
<b>Total</b>	<b>16,653</b>	<b>69,040</b>
<b>Investments and other assets</b>		
Investment securities	109,053	115,104
Long-term loans receivable	2,271	1,846
Net defined benefit asset	32,552	37,988
Deferred tax assets	4,278	10,965
Other	27,013	23,155
Allowance for doubtful accounts	(2,166)	(2,092)
<b>Total</b>	<b>173,004</b>	<b>186,967</b>
<b>Total fixed assets</b>	<b>392,924</b>	<b>497,298</b>
<b>Total assets</b>	<b>823,429</b>	<b>964,053</b>

# Consolidated Balance Sheets

(Millions of yen)

	FY2015 (As of Mar. 31, 2016)	FY2016 (As of Mar. 31, 2017)
<b>&lt; Liabilities &gt;</b>		
<b>Current liabilities</b>		
Notes and accounts payable-trade	71,394	79,117
Short-term loans payable	55,527	57,585
Current portion of long-term loans payable	27,493	51,326
Income taxes payable	6,238	5,021
Provision for business structure improvement	3,038	15,112
Deferred tax liabilities	52	54
Accrued expenses	24,996	26,261
Other	39,454	45,094
<b>Total</b>	<b>228,196</b>	<b>279,572</b>
<b>Noncurrent liabilities</b>		
Bonds payable	55,148	55,109
Long-term loans payable	163,645	210,431
Provision for business structure improvement	12,555	10,944
Net defined benefit liability	30,440	35,427
Asset retirement obligations	2,405	1,322
Deferred tax liabilities	5,640	8,370
Other	10,984	11,044
<b>Total</b>	<b>280,820</b>	<b>332,650</b>
<b>Total liabilities</b>	<b>509,017</b>	<b>612,223</b>
<b>&lt;Net assets&gt;</b>		
<b>Shareholders' equity</b>		
Capital stock	70,816	70,816
Capital surplus	101,473	103,664
Retained earnings	127,377	168,661
Treasury stock	(354)	(274)
<b>Total</b>	<b>299,312</b>	<b>342,867</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	17,754	21,842
Deferred gains or losses on hedges	(1,303)	(276)
Foreign currency translation adjustment	(15,073)	(24,889)
Remeasurements of defined benefit plans	(578)	(1,159)
<b>Total</b>	<b>799</b>	<b>(4,483)</b>
<b>Subscription rights to shares</b>	<b>837</b>	<b>861</b>
<b>Non-controlling interests</b>	<b>13,462</b>	<b>12,583</b>
<b>Total net assets</b>	<b>314,412</b>	<b>351,829</b>
<b>Total liabilities and net assets</b>	<b>823,429</b>	<b>964,053</b>

**Consolidated Statements of Income**

(Millions of yen)

	FY2015 (Apr. 2015-Mar. 2016)	FY2016 (Apr. 2016-Mar. 2017)
<b>Net sales</b>	<b>790,748</b>	<b>741,291</b>
Cost of sales	536,309	492,862
<b>Gross profit</b>	<b>254,439</b>	<b>248,429</b>
Selling, general and administrative expenses	187,309	191,917
<b>Operating income</b>	<b>67,130</b>	<b>56,512</b>
Non-operating revenues		
Interest income	654	648
Dividends income	1,656	1,862
Equity in earnings of affiliates	—	2,078
Gain on investments in partnership	324	1,099
Miscellaneous income	1,118	769
Total	3,753	6,458
Non-operating expenses		
Interest expenses	2,419	2,223
Equity in losses of affiliates	2,943	—
Foreign exchange losses	889	1,726
Contribution	851	704
Loss on valuation of derivatives	1,276	541
Miscellaneous loss	2,185	1,840
Total	10,567	7,036
<b>Ordinary income</b>	<b>60,316</b>	<b>55,933</b>
Extraordinary income		
Gain on sales of noncurrent assets	305	318
Gain on sales of investment securities	70	119
Reversal of provision for business structure improvement	—	788
Gain on revision of retirement benefit plan	—	193
Reversal of impairment losses	3,265	52
Insurance income	—	392
Other	879	358
Total	4,521	2,223
Extraordinary loss		
Loss on sales and retirement of noncurrent assets	2,865	4,772
Loss on valuation of investment securities	567	27
Impairment loss	7,565	1,378
Business structure improvement expenses	5,506	16,314
Other	2,752	1,736
Total	19,257	24,229
<b>Income before income taxes</b>	<b>45,580</b>	<b>33,928</b>
Income taxes - current	13,069	12,026
Income taxes - deferred	3,289	(29,487)
Total	16,358	(17,460)
<b>Profit</b>	<b>29,222</b>	<b>51,388</b>
Profit (loss) attributable to non-controlling interests	(1,867)	1,255
<b>Profit attributable to owners of parent</b>	<b>31,090</b>	<b>50,133</b>



## Consolidated Statement of Changes in Net Assets

FY2016 (Apr. 2016 - Mar. 2017)

(Millions of yen : amounts less than one million yen are omitted)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of March 31, 2016	70,816	101,473	127,377	(354)	299,312
Changes of items during the period					
Dividends from surplus			(8,849)		(8,849)
Profit attributable to owners of parent			50,133		50,133
Purchase of treasury stock				(23)	(23)
Disposal of treasury stock		12		103	115
Change in treasury shares of parent arising from transactions with non-controlling shareholders		2,178			2,178
Net changes of items other than shareholders' equity					
Total	—	2,190	41,284	79	43,554
Balance at March 31, 2017	70,816	103,664	168,661	(274)	342,867

	Accumulated other comprehensive income					Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total			
Balance as of March 31, 2016	17,754	(1,303)	(15,073)	-578	799	837	13,462	314,412
Changes of items during the period								
Dividends from surplus								(8,849)
Profit attributable to owners of parent								50,133
Purchase of treasury stock								(23)
Disposal of treasury stock								115
Change in treasury shares of parent arising from transactions with non-controlling shareholders								2,178
Net changes of items other than shareholders' equity	4,087	1,027	(9,816)	(581)	(5,283)	24	(878)	(6,136)
Total	4,087	1,027	(9,816)	(581)	(5,283)	24	(878)	37,417
Balance at March 31, 2017	21,842	(276)	(24,889)	(1,159)	(4,483)	861	12,583	351,829

# Consolidated Statements of Comprehensive Income (Reference)

(Millions of yen)

	FY2015 (Apr. 2015-Mar. 2016)	FY2016 (Apr. 2016-Mar. 2017)
<b>Profit</b>	<b>29,222</b>	<b>51,388</b>
<b>Other comprehensive income</b>		
Valuation difference on available-for-sale securities	(6,483)	4,180
Deferred gains (losses) on hedges	1,266	1,026
Foreign currency translation adjustment	(6,056)	(7,701)
Remeasurements of defined benefit plans, net of tax	(2,074)	(305)
Share of other comprehensive income of associates accounted for using equity method	(74)	(2,305)
<b>Total</b>	<b>(13,422)</b>	<b>(5,105)</b>
<b>Comprehensive income</b>	<b>15,799</b>	<b>46,282</b>
Comprehensive income attributable to :		
Owners of the parent	17,855	44,850
Non-controlling interests	(2,055)	1,432

**Consolidated Statements of Cash Flows (Reference)**

(Millions of yen)

	FY2015 (Apr. 2015-Mar. 2016)	FY2016 (Apr. 2016-Mar. 2017)
<b>Cash flows from operating activities</b>		
Income (loss) before income taxes	45,580	33,928
Depreciation and amortization of others	38,893	39,331
Impairment loss	7,565	1,378
Reversal of impairment losses	(3,265)	(52)
Increase (decrease) in net defined benefit liability	603	3,236
Decrease (increase) in net defined benefit asset	(1,776)	(5,586)
Increase (decrease) in allowance for doubtful receivables	(753)	(224)
Increase (decrease) in provision for business structure improvement	974	10,462
Interest and dividend income	(2,310)	(2,510)
Interest expense	2,419	2,223
Equity in losses (earnings) of affiliates	2,943	(2,078)
Loss (gain) on valuation of derivatives	1,276	541
Loss (gain) on sales and retirement of noncurrent assets	2,559	4,454
Loss (gain) on sales of investment securities	9	(119)
Loss (gain) on valuation of investment securities	567	27
Decrease (increase) in notes and accounts receivable-trade	2,998	5,253
Decrease (increase) in inventories	(6,933)	989
Increase (decrease) in notes and accounts payable-trade	(550)	2,191
Increase (decrease) in accrued payments due to change in retirement benefit plan	(2,015)	—
Other, net	1,366	(4,009)
<b>Subtotal</b>	<b>90,153</b>	<b>89,437</b>
Interest and dividends income received	6,588	6,021
Interest expenses paid	(2,481)	(2,166)
Income taxes paid	(13,619)	(14,251)
<b>Net cash and cash equivalents provided by operating activities</b>	<b>80,640</b>	<b>79,040</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(31,895)	(37,662)
Proceeds from sales of property, plant and equipment	668	2,414
Purchase of intangible assets	(2,801)	(2,940)
Purchase of investment securities	(2,406)	(2,641)
Proceeds from sales of investment securities	848	2,026
Purchase of shares of subsidiaries resulting in change in scope of consolidation		(82,890)
Decrease (increase) in short-term loans receivable	(2,643)	(2,379)
Payments of long-term loans receivable	(59)	(21)
Collections of long-term loans receivable	188	90
Other, net	(2,223)	(3,644)
<b>Net cash and cash equivalents used in investing activities</b>	<b>(40,322)</b>	<b>(127,650)</b>
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term loans payable	3,146	1,604
Redemption of bonds	(20,770)	—
Proceeds from long-term loans payable	36,707	98,761
Repayment of long-term loans payable	(21,820)	(27,309)
Cash dividends paid	(4,914)	(8,849)
Cash dividends paid to non-controlling interests	(284)	(372)
Proceeds from share issuance to non-controlling shareholders		1,817
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation		(1,584)
Other, net	(380)	(301)
<b>Net cash and cash equivalents provided by financing activities</b>	<b>(8,316)</b>	<b>63,765</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>(1,970)</b>	<b>822</b>
Net increase in cash and cash equivalents	30,030	15,978
<b>Cash and cash equivalents at beginning of period</b>	<b>70,561</b>	<b>100,955</b>
Increase in cash and cash equivalents resulting from change of scope of consolidation	363	615
<b>Cash and cash equivalents at end of period</b>	<b>100,955</b>	<b>117,549</b>