

Revised Medium-Term Management Plan

**Dramatic Restructuring Initiatives and
Forward-Looking Transformation and Growth Strategies**

Teijin Limited
November 5, 2014

0. Cornerstones of revised plan

Targets the Teijin Group will achieve by fiscal 2016

Restructuring initiatives: Dramatically restructure loss-making businesses

Annual positive impact (fully realized): ¥17.5 billion (compared with the fiscal 2014 level)

One-time loss: ¥44.0 billion (extraordinary loss in fiscal 2014)

Operating results targets:

Consolidated operating income of ¥50.0 billion and ROE of 8%

We expect results to be bolstered by the growth of core strategic businesses and the positive impact of restructuring initiatives

Transformation and growth strategies: Promote the targeted allocation of corporate resources with the aim of realizing solutions that integrate key capabilities from diverse businesses

Investment : ¥100.0 billion in fiscal 2015–fiscal 2016

Projects: Projects currently under way—including thermoplastic CFRP and advanced medical materials—and multiple innovative projects in areas that overlap our core business domains*

* Businesses that overlap our materials, healthcare and IT business domains

1. Outline of revised plan

■ Medium- to long-term management vision (CHANGE for 2016) (formulated in 2012)

- Our long-term vision, which is to evolve toward a solutions-oriented business model, remains unchanged

■ Changes in our operating environment

- Market needs have become increasingly complex and diverse; product life cycles have shortened
- Heightened global competition has upset the supply–demand balance for the majority of materials
- Pressure to contain healthcare costs has intensified (expanded use of generic drugs in Japan, healthcare reform in the United States)

⇒ **Efforts to shift away from our traditional business model have lagged, a situation that continues to weaken earnings**

■ Revisions to our medium-term management plan

- In addition to implementing dramatic restructuring initiatives with the aim of improving the health of loss-making businesses and building a foundation for future growth, we will create a new framework for promoting transformation and growth strategies
- We have revised our operating results targets for fiscal 2016 to reflect changes in our operating environment and the implementation of restructuring initiatives

1. Outline of revised plan

Growing together with society: Teijin's strategic directions

- Provide solutions that leverage the properties of high-performance materials and create new value
The integration of diverse materials and the development of new technologies facilitate previously unfeasible performance features
Examples: Materials that combine lightness and durability, thinness and strength, compact size with exceptional functionality; materials that accommodate complex design needs
- Respond to increasing needs in the area of preventative healthcare, health maintenance and longevity extension
Go beyond the traditional boundaries of the healthcare domain to contribute to better health
Examples: Reinforce our home healthcare infrastructure, expand the use of IT in healthcare
- Create value for customers
Provide solutions that combine materials and services, rather than materials alone
Examples: Combine healthcare devices and maintenance services, materials and engineering services, products and rental services



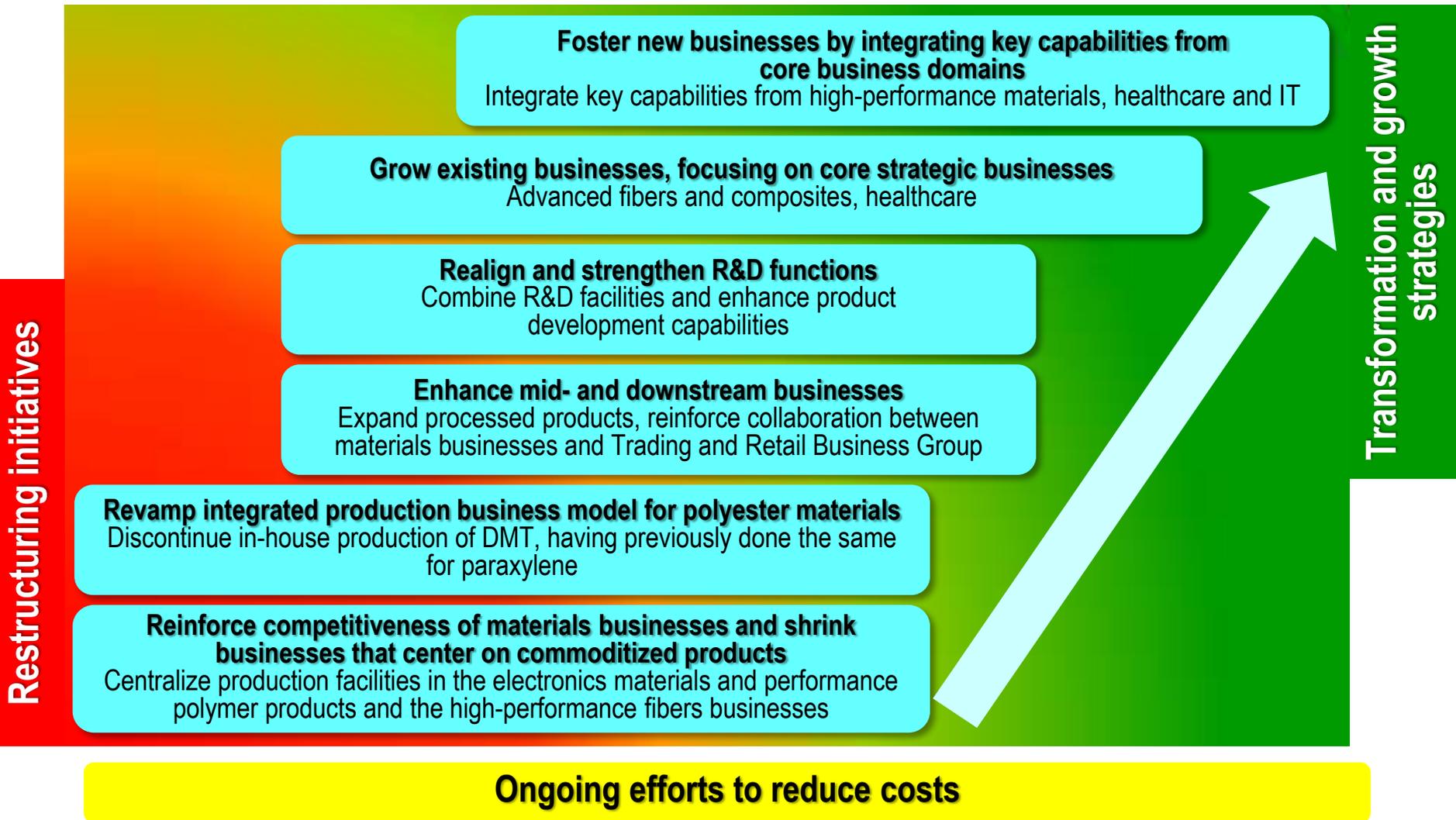
Evolve toward a solutions-oriented business model that is more than simply an extension of our traditional business model

Implement restructuring initiatives to shrink businesses that center on basic materials—with the exception of those focused on high-value-added offerings—and facilitate business expansion driven by composite materials

Promote transformation and growth strategies aimed at building a new business model that integrates key capabilities from diverse businesses with the goal of fostering highly profitable new businesses

1. Outline of revised plan

Framework for evolving toward a solutions-oriented business model



1. Outline of revised plan

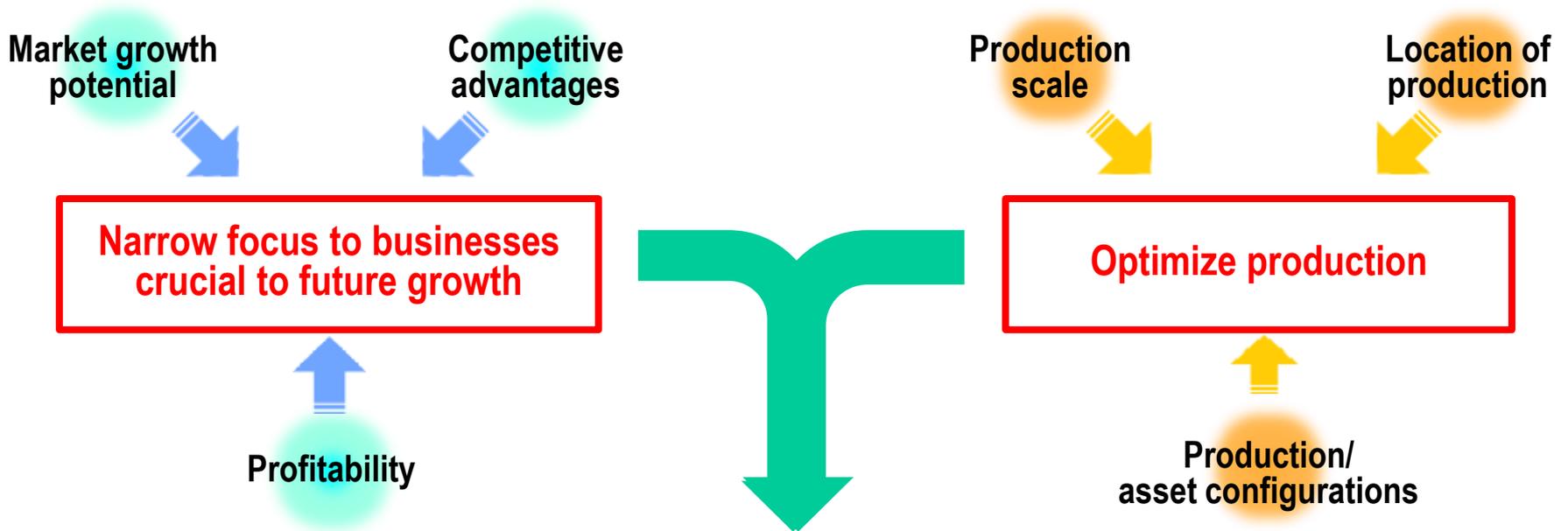
◆ Positioning of existing businesses

Businesses	Positioning and key growth drivers (fiscal 2014–fiscal 2016)
Core strategic businesses	Focus allocation of corporate resources to these businesses to shore up earnings and set the stage for dramatic growth
Advanced fibers and composite materials	Expand high-value-added business areas (products for use in aircraft and automobiles, pressure vessels, others); cultivate markets in Asian markets (ASEAN region, PRC); implement restructuring initiatives (polyester fibers)
Healthcare	Maximize profitability of key strategic products and services (pharmaceuticals: Febuxostat; home healthcare: CPAP ventilators, adaptive support ventilator (ASV) devices)
Stable-profit businesses	Capitalize on strengths to ensure stable growth and leverage synergies with core strategic businesses to support the expansion and growth of these businesses
IT	Expand net services, healthcare support services and packaged ERP support services
Trading and retail	Reinforce integrated production configuration (raw materials through finished products); fortify overseas converting capabilities
Businesses to be restructured	Implement dramatic restructuring initiatives with the aim of swiftly restoring the earnings bases of these businesses and ensuring stable profitability for businesses centered on high-performance products
Electronics materials and performance polymer products	Restructuring initiatives: Withdraw from the business of a subsidiary in Singapore (plastics)
Raw materials and polymerization	Restructuring initiatives: Cease production of DMT, centralize domestic polymerization facilities

2. Restructuring initiatives

■ Goals of restructuring initiatives

- Complete decisive restructuring of loss-making businesses by the end of fiscal 2016
- Create a new business structure that is conducive to sustainable growth



Create a new structure for promoting transformation and growth strategies

2. Restructuring initiatives

(1) Shift focus to high-value-added products in the Electronics Materials and Performance Polymer Products segment

Plastics

➤ **Withdraw from the business of our polycarbonate resin subsidiary in Singapore (by December 2015)**

Withdraw from subsidiary, which lacks competitiveness in terms of energy costs, in line with our goal of scaling back production of commoditized products

Production of polycarbonate resin will focus on our highly competitive subsidiary in the PRC and our Matsuyama Plant in Japan, which is especially suited to the development of high-performance products

➤ **Shift our emphasis to high-value-added products that leverage our compounding and processing technologies**

Reduce overdependence on the electronics sector; expand products for automotive, housing equipment, infrastructure-related and high-performance optical applications

- Develop innovative composite materials by capitalizing on copolymerized polycarbonate resin and PPS produced using a new process and by combining polycarbonate resin with high-performance fibers
- Capitalize on large-shape molding and coating technologies to expand plastic glazing business

Films

➤ **Strengthen our competitive edge by overhauling production configurations**

Realign our domestic production configuration and transfer production to bases in Asia

➤ **Expand new applications for high-performance products**

Expedite efforts to market products for new applications, including high-performance glass, batteries and sensors

- Maximize our ultra-multilayered, heat-resistant, high-barrier and piezoelectric films

■ **Shrink businesses that center on commoditized products**

■ **Expand sales of high-performance plastics and films for high-value-added new applications**

■ **Reinforce cost competitiveness by promoting the optimization of production configurations**

2. Restructuring initiatives

(2) Reinforce competitiveness of our high-performance fibers business

Expand our production base in Thailand (by mid-2015)

- **Meta-aramid fibers**
 - Commence operations at a new production facility (expand sales in Asian markets, particularly for use in protective clothing)
- **Polyester fibers (rubber materials)**
 - Establish a new tire cord production and sales subsidiary in Thailand (establish and later expand supply chain in collaboration with the trading and retail business)
 - Enhance the production capacity of existing Thai facilities for technologically advanced products

Realign our domestic production configuration

(by 2016; some initiatives will continue until fiscal 2017)

- **Polyester staple fibers, polyester fibers for industrial applications, dip processing**
 - Shift production from our Tokuyama, Iwakuni and Mihara plants to our Matsuyama Plant and to subsidiaries in Thailand (close the Tokuyama Plant; cease production of polyester fibers for industrial applications and processing operations at the Iwakuni and Mihara plants)
- **Synthetic leather (Cordley)**
 - Move nonwoven fabrics production facility from subsidiary Teijin Cordley Limited's Mihara Factory to its Shimane Factory, thereby establishing an integrated domestic production configuration

Promote the targeted allocation of development resources to solutions-oriented businesses

- Identify key fields: Safety, infrastructure and energy, high-performance paper and filters, sustainable transportation
- Integrate core technologies and materials technologies with new technologies to provide innovative components and create new service-based businesses

- **Accelerate shift to promising markets in the ASEAN region and fortify cost competitiveness**
- **Promote the creation of solutions-oriented businesses that feature highly competitive materials**

2. Restructuring initiatives

(3) Dramatically revamp our raw materials and polymerization business (by the end of fiscal 2015)

Cease production at DMT plant

- Cease in-house production of DMT, having previously done the same for paraxylene, a move to improve cost competitiveness

Realign domestic polymerization facilities

- Centralize polymer production at our Matsuyama Plant, currently divided between the facility's northern and southern sectors, in the northern sector

- **Revamp integrated production business model, which encompasses all stages from raw materials through to polyester finished products**

(4) Strengthen collaboration between our trading and retail business and our materials businesses, notably high-performance fibers

Enhance our ability to provide integrated solutions across the value chain, from upstream to downstream

- Promote customer-first mentality and enhance our ability to provide solutions
- Reinforce comprehensive development, production and sales capabilities across our global network with a view to partially streamlining our corporate structure

- **Maximize synergies between our trading and retail business and our materials businesses**

2. Restructuring initiatives

■ Projected impact of restructuring initiatives (improvement from fiscal 2014)

(¥ billion)

Businesses	Impact (Operating income)		One-time loss (Extraordinary loss)	Principal initiatives
	Fiscal 2016	Fully realized		
Electronics materials and performance polymer products	¥ 7.5	¥10.5	¥(31.0)	Withdraw from Singapore subsidiary; Implement decisive restructuring initiatives in film business
Healthcare	4.0	4.0	(4.2)	Reorganize U.S. home healthcare business
Advanced fibers and composites	0.5	1.5	(2.8)	Partially suspend production at the Iwakuni and Mihara plants; Discontinue production at Tokuyama Plant
Raw materials and polymerization	1.0	1.5	(6.0)	Cease production at DMT plant; Centralize polymerization facilities at Matsuyama Plant
Total impact	¥13.0	¥17.5	¥(44.0)	Cash costs = ¥10.0 of total one-time loss

(¥41.6 billion of total impact reported in the first half of fiscal 2014)

- **Assisting displaced workers:** Absorb as many of the workers displaced by plant closures as possible by filling vacancies created by mandatory retirement and reassigning individuals to various project teams, among others
- **Shifting production:** Over the next several years, promote the phased shift of production of pertinent products, maintaining an unwavering commitment to fulfilling our responsibility to supply customers with the highest quality

2. Restructuring initiatives

■ Cost reductions

Decisive Companywide efforts under way since fiscal 2012

Program of measures designed to have an immediate impact, including those targeting raw materials and fuel, logistics, and sales and administrative costs

⇒ With the inclusion of cost reductions attributable to restructuring initiatives—estimated at ¥17.0 billion in fiscal 2014—we expect to essentially meet our cost reduction target of ¥40.0 billion from the fiscal 2011 level by fiscal 2016, in the current fiscal year



➤ Implement additional, dramatic measures to further reduce costs

- Reassess the utility structure at each plant with the aim of modifying as necessary to reflect facility size and operations
- Develop innovative production processes
- Merge product families and improve yields of existing equipment

Increase investment in energy- and resource-saving efforts

➤ Accelerate efforts to enhance the efficiency of head-office support staff

- Optimize staff levels and boost efficiency based on projections for facilities after the implementation of restructuring initiatives

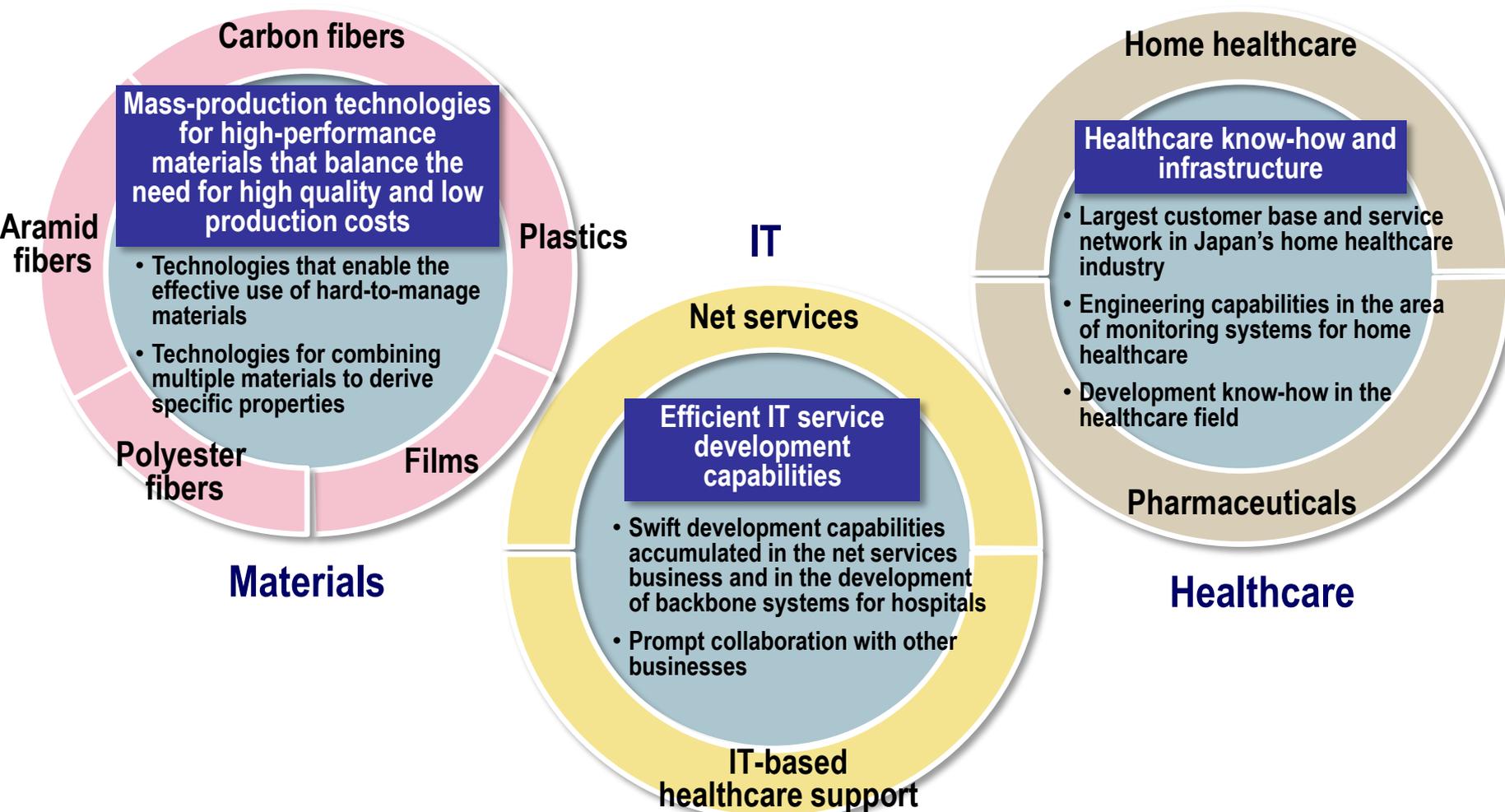
➤ Carry on with past/current initiatives

Target: Achieve total cost reduction of ¥18.0 billion from the fiscal 2014 level by fiscal 2016

3. Transformation and growth strategies

■ The Teijin Group's competitive advantages

The Teijin Group is a unique corporate entity with three core business domains: Materials, healthcare and IT



3. Transformation and growth strategies

■ Business opportunities arising from macroeconomic trends

Environment and energy conservation

In light of rising concerns over global warming and the impact of CO₂ emissions, countries around the world are tightening vehicle emissions and fuel efficiency regulations

- ⇒ Lightweight materials that enhance vehicle fuel efficiency
- ⇒ Components for environment-friendly secondary batteries used in hybrid electric and electric vehicles

Safety, security and disaster mitigation

Frequent natural disasters, including earthquakes and severe floods, and the deterioration of civil structures are heightening the need for safety- and security-related services

- ⇒ Risk prediction services that leverage our technological innovations in sensing and networks
- ⇒ Materials that enhance structural strength; structural degradation diagnostics and monitoring services

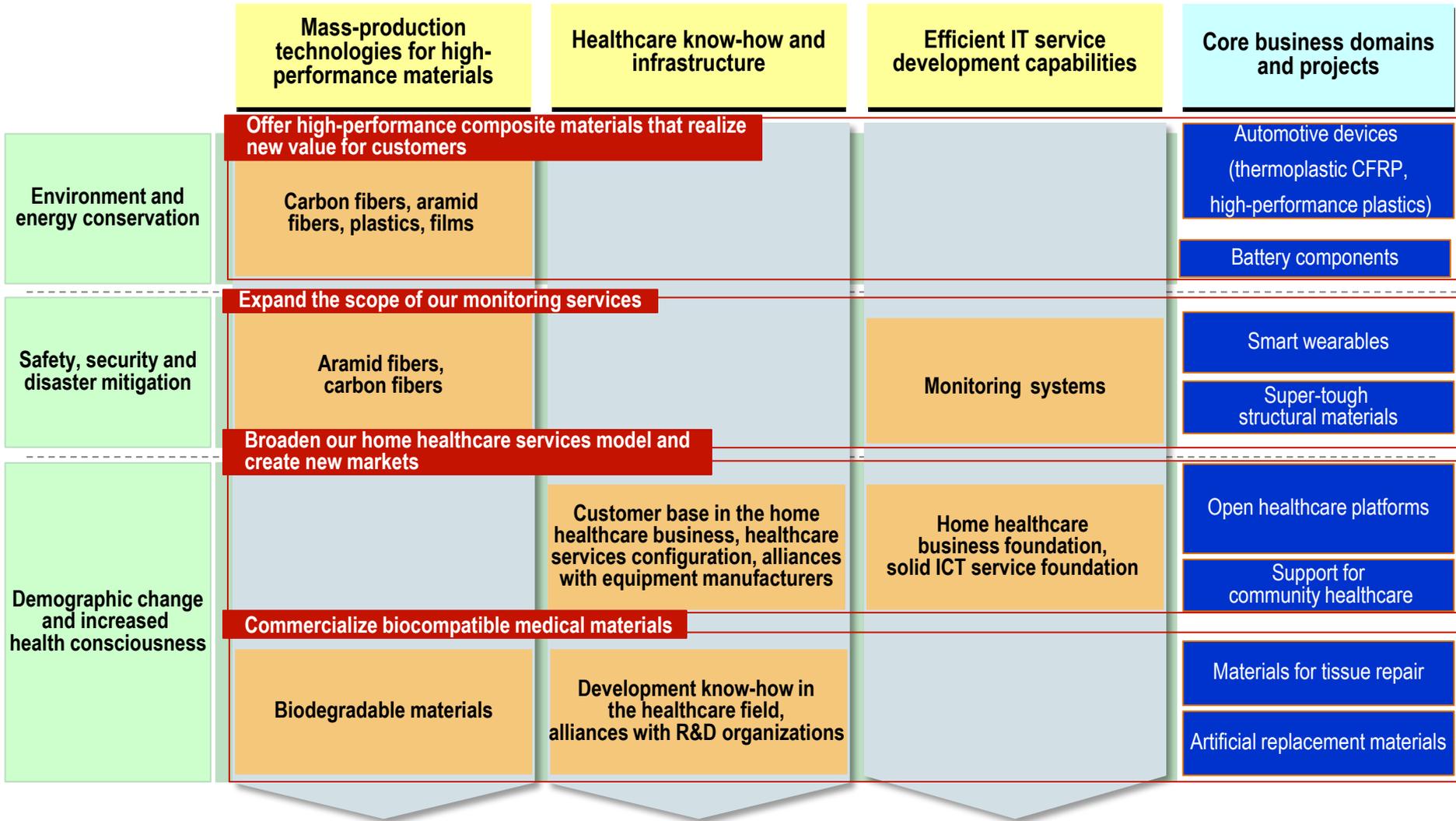
Demographic change and increased health consciousness

The aging of society and persistently low birthrates, together with the increasing prevalence of lifestyle-related illnesses, are encouraging greater awareness of proper health and preventative healthcare

- ⇒ Home healthcare and nursing care support services and solutions
- ⇒ Advanced medical materials that enhance the therapeutic value of treatment and reduce the frequency of surgery
- ⇒ Provision of web content related to maintaining and improving health

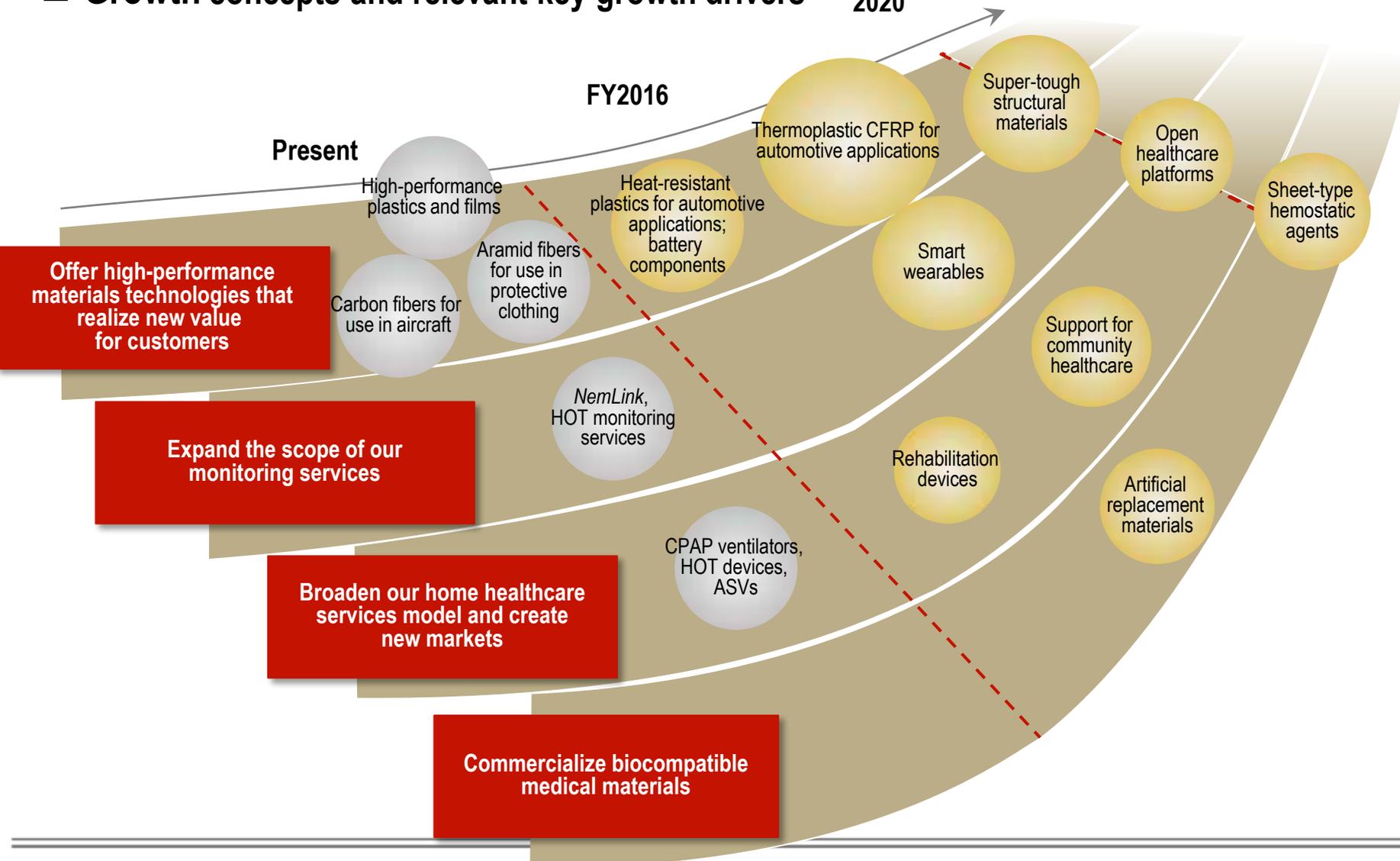
3. Transformation and growth strategies

- New businesses realized through the integration of key capabilities from core business domains



3. Transformation and growth strategies

■ Growth concepts and relevant key growth drivers 2020



3. Transformation and growth strategies

■ Principal measures

(1) Realign and strengthen our R&D configuration

Position our Matsuyama Plant as our core R&D facility

- **Integrate the functions of our Osaka Research Center into the Matsuyama Plant and shut down the Osaka facility**
 - Strengthen collaboration with fiber materials development and engineering functions with the aim of fortifying solutions development capabilities in the high-performance fibers business
- **Establish a new product development center**
 - Promote the development of composite materials and of solutions combining products and services
 - Position facility as cross-business solutions development hub with a view to eventually combining functions with those of Teijin Composite Innovation Center, an existing facility that conducts R&D in carbon fibers and composites

Enhance product development capabilities

- **Expand the focus of Teijin Product Development China Co., Ltd., in the PRC, which currently focuses on apparel, by reinforcing its industrial materials development capabilities**

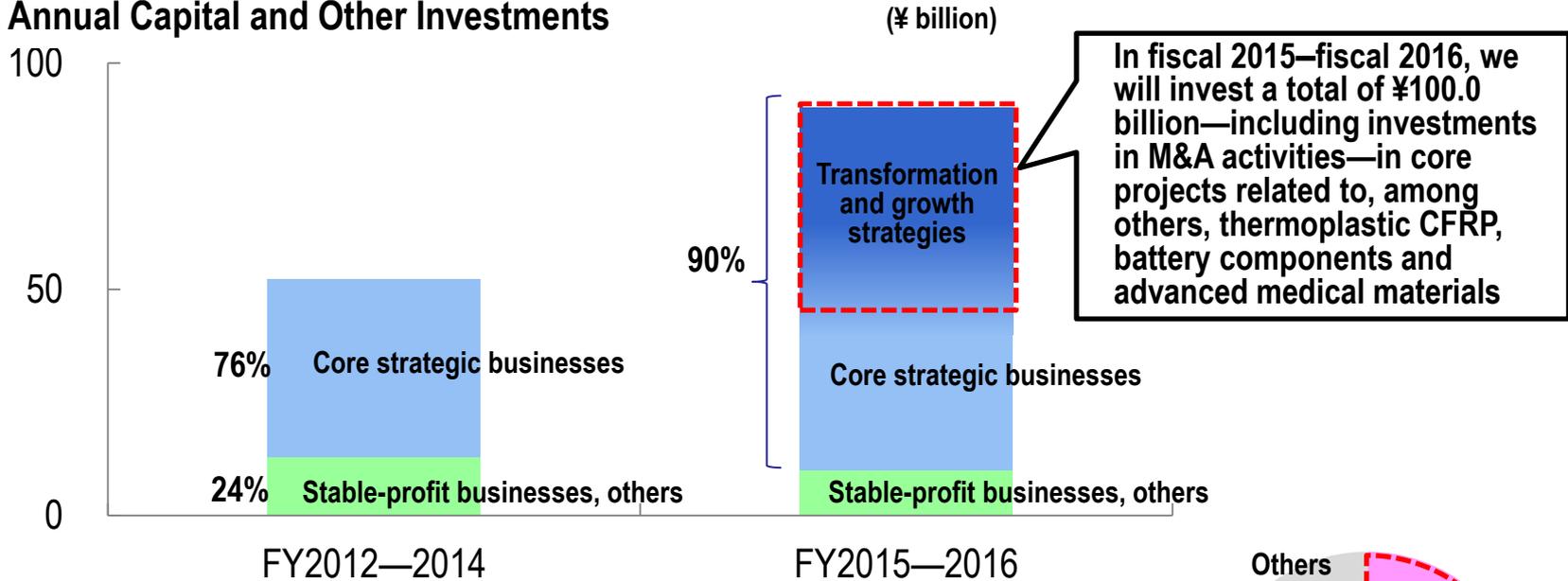
- **Advance the production of composite materials and the integration of technologies**
- **Strengthen and enhance platform technologies (i.e., basic and backbone technologies)**
- **Reinforce solutions development predicated on the idea of practical application**

3. Transformation and growth strategies

(2) Promote the targeted allocation of resources

Promote the focused allocation of corporate resources to expand core strategic businesses and new businesses

Average Annual Capital and Other Investments

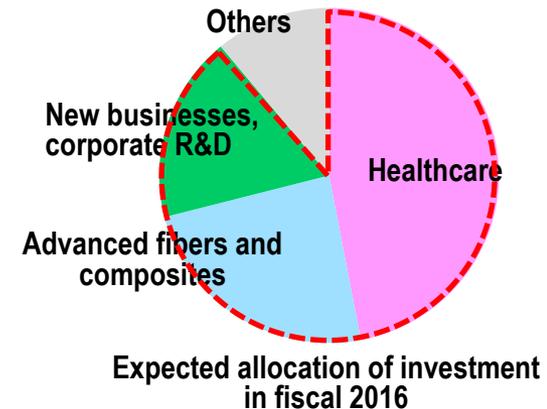


Investment in R&D

Maintain annual investment in R&D at an amount equivalent to 4–5% of consolidated net sales, focusing on core strategic businesses and new businesses

- Increase due to investment in transformation and growth strategies
- Decrease due to scaling back of businesses that center on commoditized products

Total investment in R&D will remain essentially level



3. Transformation and growth strategies

(3) Establish a framework for “innovation projects”

■ Framework for promotion and support

Project proposals are approved by the CEO (including for project teams, which report directly to CEO)

- Budget to support business development efforts and secure human resources, Companywide functional backup

■ Conditions for approval

- Projects must have the potential for contributing to the transformation of our business model and helping to secure sustainable profitable growth
- Projects must leverage Teijin Group strengths and have the potential to create business opportunities in areas overlapping our core strategic businesses

Projects already approved

- IT + healthcare: Open healthcare platforms
- High-performance materials + IT: Super-tough, lightweight structural materials

Other project proposals are currently being developed and evaluated

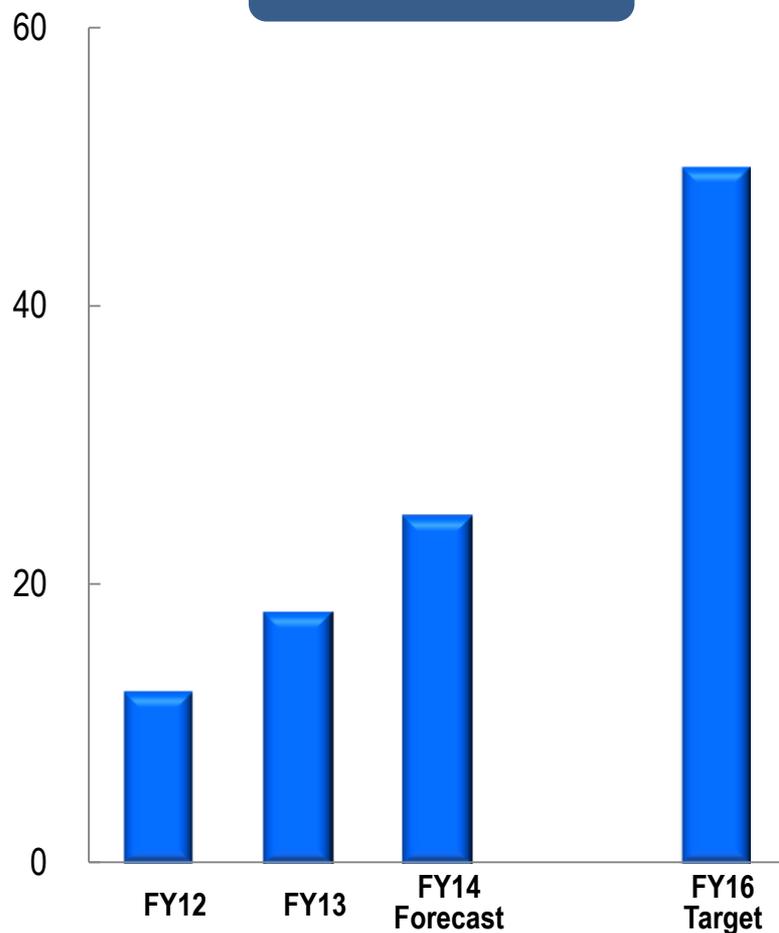
(4) Enhance relations with external partners

- Promote alliances with pharmaceuticals manufacturers and other healthcare industry companies that have unique technologies
- Develop new services and products through technological alliances with cutting-edge IT companies
- Participate in public research initiatives and academic projects

4. Medium-term operating results targets

■ Key indicators

Operating income



(¥ billion)	FY14 Forecast	FY16 Target
Net sales	¥780.0	¥800.0
Operating income	25.0	50.0
Operating margin	3%	6%
Net income (loss)	(20.0)	25.0
ROA ^{*1}	3%	6%
ROE ^{*2}	—	8%
Debt-to-equity ratio	1.1 times	1.2 times

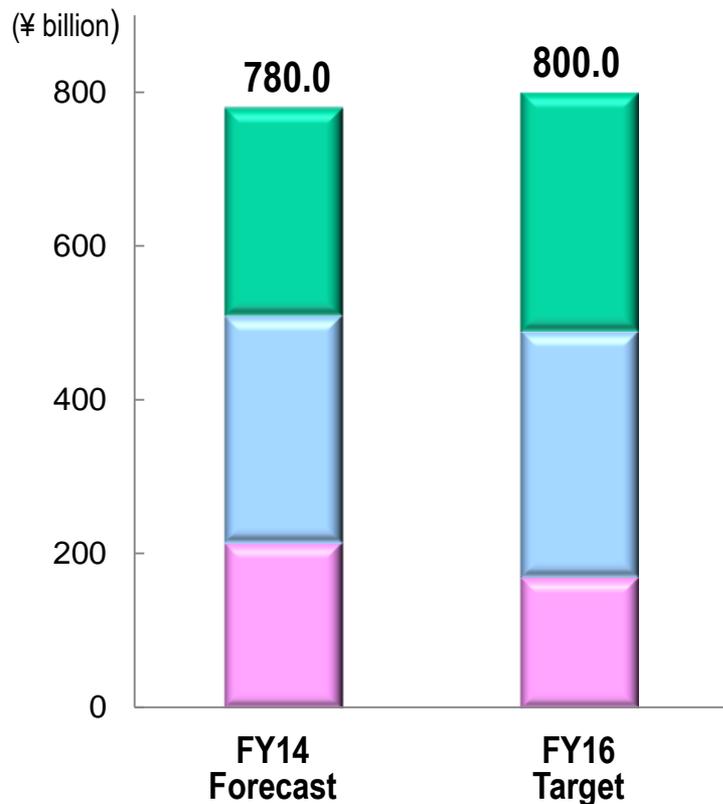
*1 ROA= Operating income/Total assets

*2 ROE= Net income/Shareholders' equity

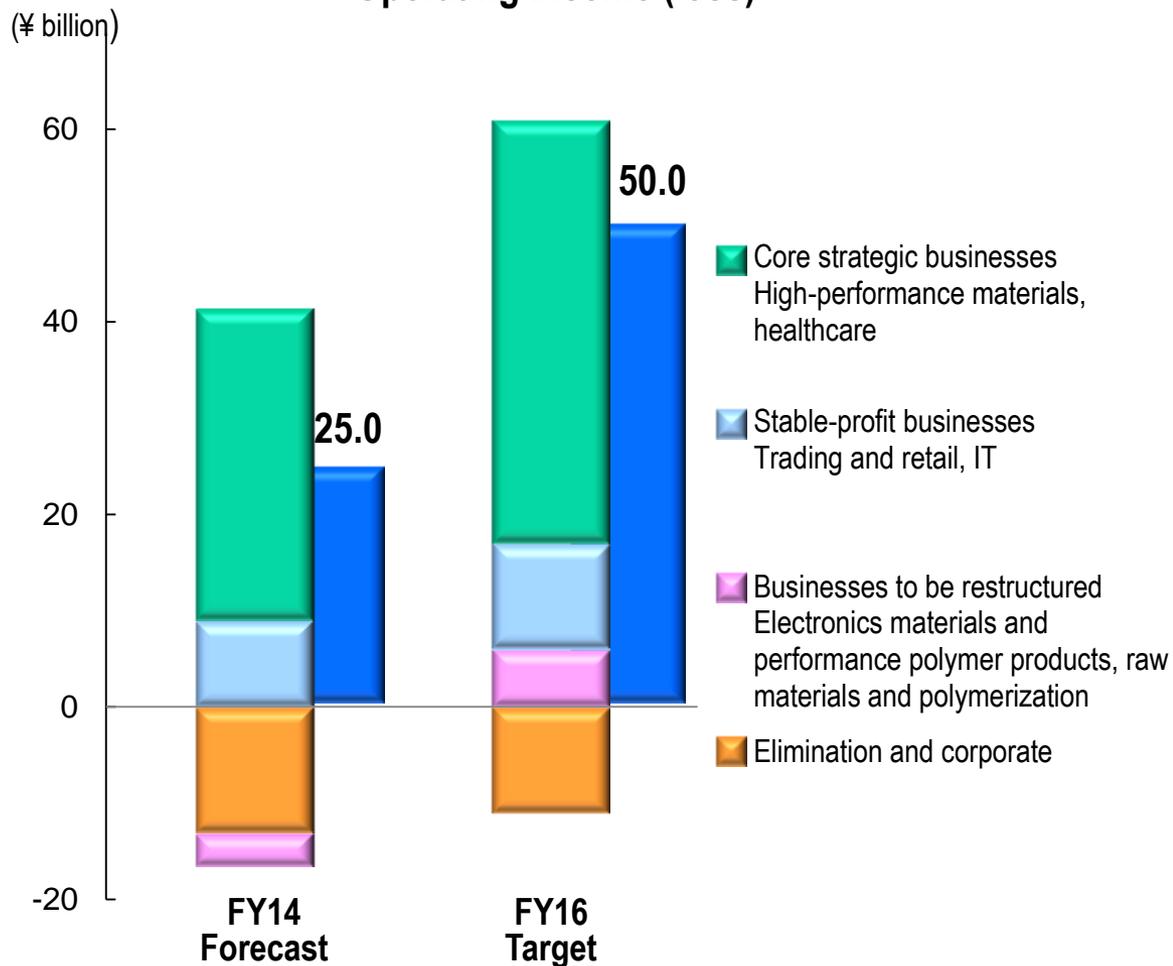
4. Medium-term operating results targets

■ Outlook for net sales and operating income in principal businesses

Net sales



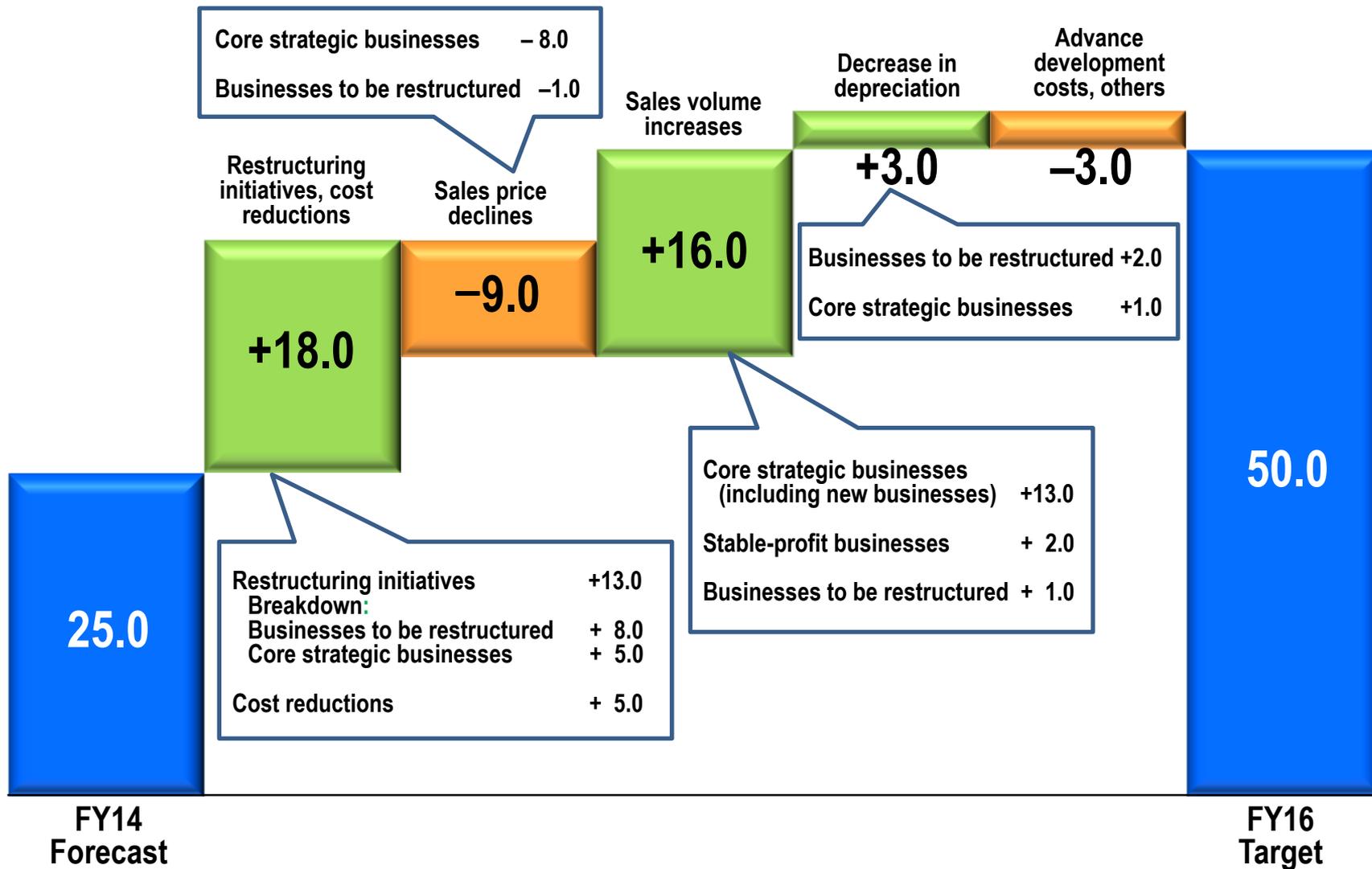
Operating income (loss)



4. Medium-term operating results targets

■ Outlook for profitability

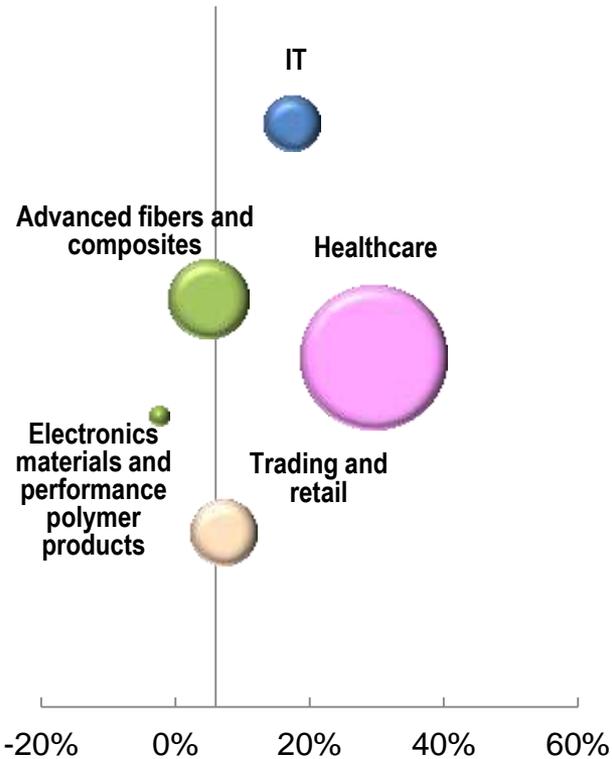
(¥ billion)



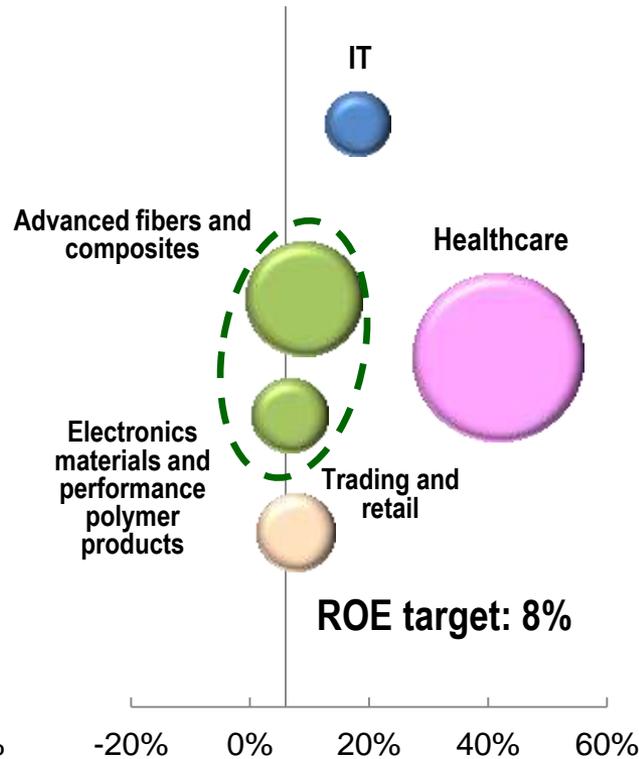
5 . Looking ahead

Teijin will evolve as an extensive corporate group with two principal businesses, one being healthcare and the other being composites and high-performance materials

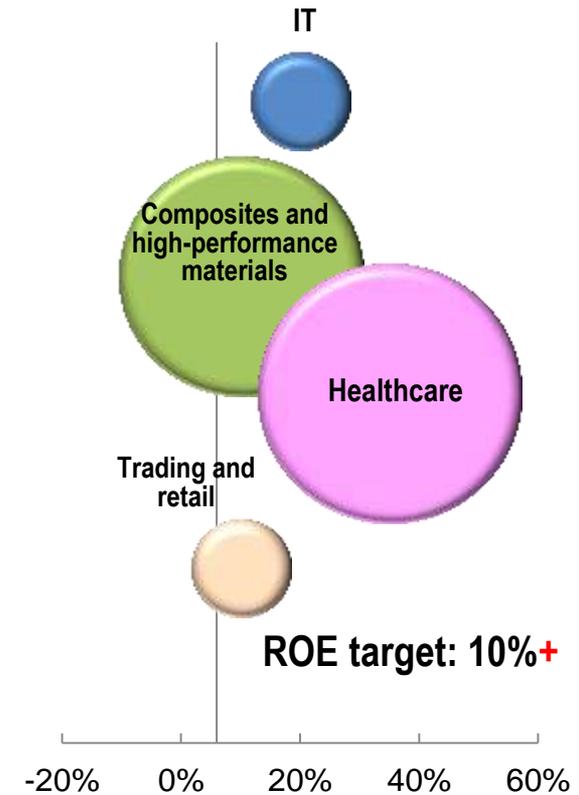
Fiscal 2014



Fiscal 2016



Around fiscal 2020



X: Return on invested capital Y: Growth Circle size: Operating income scale

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

■ Progress of key measures

Development of *Sereebo* thermoplastic CFRP for use in mass-produced vehicles

- Teijin's *Sereebo* has been registered on GM's materials list and our joint development work with GM is entering the final stage of preparation for commercialization
- Consideration is being given to the establishment of a new carbon fibers production facility in the United States



Expansion of battery components business

- Production of *LIELSORT* LiB separators is increasing
In light of rising demand, a second line at our LiB separator production facility in the ROK will commence operations before the end of fiscal 2014
- New *NanoGram* Si paste has been developed
This new product will facilitate the production of high-efficiency local back surface field (L-BSF*) solar cells



Establishment of Technology Integrated Pharmaceuticals Center

- Development of a sheet-type fibrin surgical sealant with excellent hemostatic and adhesive performance is progressing
- Efforts to establish/strengthen a framework for developing new products in overlapping domains are under way



* Local back surface field

■ Four growth concepts

Offer high-performance materials technologies that realize new value for customers

Leverage our materials engineering technologies, which make it possible to combine multiple diverse materials to derive specific properties, and technologies that enable the effective use of hard-to-manage materials to achieve pioneering technological breakthroughs that facilitate the production of high-performance materials that deliver both superior quality and outstanding cost-effectiveness

Expand the scope of our monitoring services

Capitalize on our materials engineering and production technologies, as well as on real-time sensing technologies accumulated in our IT business, to develop products that incorporate advanced risk prediction features

Evolve from our current focus on the sale of materials by developing new business and billing models

Broaden our home healthcare services and create new markets

Maximize our vast home healthcare customer base and expand our service portfolio, as well as our operational capabilities, to identify new markets with needs suited to our know-how in home healthcare services and to develop innovative services

Commercialize biocompatible medical materials

Capitalize on our materials engineering and production technologies, as well as on our development prowess in the healthcare field, to provide biocompatible medical materials for applications previously seen as being unfeasible

TEIJIN

Human Chemistry, Human Solutions

Human Chemistry, Human Solutions

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

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

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