

May 29, 2018



## **Notice of Convocation**

The 152<sup>nd</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 Shareholders

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

**Notice of Convocation of  
the 152<sup>nd</sup> Ordinary General Meeting of Shareholders**

You are cordially invited to attend the 152<sup>nd</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 proposal 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., Tuesday, June 19, 2018. (Japan Time)**

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

**Please indicate your approval or disapproval of the proposal 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 (<https://evote.tr.mufg.jp/>) through personal Computer or Smartphone 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. And you may access to the web-site to exercise voting rights from the Company’s web-site.

## Details

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

Wednesday, June 20, 2018, 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 Reports on Operation, 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 152<sup>nd</sup> Fiscal Year (April 1, 2017 to March 31, 2018)

#### Proposal : Election of Nine (9) Directors

### 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.

## Reference Documents for the General Meeting of Shareholders

### Proposal and Reference

#### Proposal : Election of Nine (9) Directors

The terms of office of ten (10) Directors,— Shigeo Ohyagi, Jun Suzuki, Kazuhiro Yamamoto, Hiroshi Uno, Yasumichi Takesue, 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 nine (9) Directors (of whom seven (7) are up for reelection).

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	<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 Executive Officer, Teijin Limited Director, Executive Officer, Teijin Limited President & Representative Director (Incumbent) CEO (Chief Executive officer) (Incumbent)	34,900 Shares
<Significant Concurrent Positions> Officer, Japan Association of Corporate Executives (Keizai Doyukai)				
<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.				
2	<b>【Reappointment】</b> <b>Kazuhiro Yamamoto</b> (September 27, 1952) <Participation in Board of directors meetings> 12 times out of 12 (100%)	Apr. 1975 Jun. 2011 Apr. 2014 Jun. 2015 Apr. 2016 Apr. 2017	Joined Teijin Limited Corporate Officer, Teijin Limited President & Representative Director, CEO, Infocom Corporation Executive Officer, Teijin Limited CFO (Chief Finance Officer) (Incumbent) Director, Executive Officer, Teijin Limited Director, Senior Executive Officer, Teijin Limited Representative Director, Executive Vice President , Teijin Limited (Incumbent) CIIO(Chief Information & Innovation Officer) (Incumbent)	8,800 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 CIIO, 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
3	<p align="center"><b>【Reappointment】</b> <b>Hiroshi Uno</b> (September 18,1955)</p> <p>&lt;Participation in Board of directors meetings&gt; 12 times out of 12 (100%)</p>	<p>Apr. 1981</p> <p>Jun. 2009</p> <p>Jun. 2011</p> <p>Apr. 2013</p> <p>Jun. 2015</p> <p>Apr. 2017</p>	<p>Joined Teijin Limited</p> <p>Corporate Officer, Teijin Limited</p> <p>Executive Officer, Teijin Limited</p> <p>Senior Executive Officer, Teijin Limited</p> <p>General Manager, Healthcare Business Group</p> <p>President &amp; Representative Director, Teijin Pharma Limited</p> <p>Director, Senior Executive Officer, Teijin Limited (Incumbent)</p> <p>Responsible for Healthcare Business of Teijin Group (Incumbent)</p>	<p align="center">13,300 Shares</p>
<p>&lt;Reason of the nomination of the candidate for director&gt; Hiroshi Uno assumed the posts of Senior Executive Officer; Teijin Limited, General Manager, Healthcare Business Group; and President &amp; 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.</p>				
4	<p align="center"><b>【Reappointment】</b> <b>Yasumichi Takesue</b> (July 1,1956)</p> <p>&lt;Participation in Board of directors meetings&gt; 12 times out of 12 (100%)</p>	<p>Apr. 1980</p> <p>Jun. 2010</p> <p>Apr. 2015</p> <p>Apr. 2016</p> <p>Apr. 2017</p> <p>Jun. 2017</p>	<p>Joined Teijin Limited</p> <p>Corporate Officer, Teijin Limited</p> <p>CHO (Chief Human Resources Officer)</p> <p>General Manager, Electric Materials &amp; Performance Polymer Products Business Group</p> <p>Executive Officer, Teijin Limited</p> <p>Senior Executive Officer, Teijin Limited</p> <p>Responsible for Material Business of Teijin Group (Incumbent)</p> <p>Director, Senior Executive Officer, Teijin Limited (Incumbent)</p>	<p align="center">9,000 Shares</p>
<p>&lt;Reason of the nomination of the candidate for director&gt; 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 in April 2014 and General Manager, Electric Materials &amp; Performance Polymer Products Business Group, in April 2015; Senior Executive Officer, Teijin Limited; and he became responsible for the Material Business of Teijin Group in April 2017, Director, Senior Executive Officer, Teijin Limited in June 2017. He has been working to expand revenue of the Material Business which forms a part of the core strategies of Company.</p>				

No.	Candidate's Name (Date of Birth)	Personal History, Positions and Significant Concurrent Positions		Number of Company's Shares Owned
5	<p>【Reappointment】 Yoshihisa Sonobe (October 17,1956) &lt;Participation in Board of directors meetings&gt; 12 times out of 12 (100%)</p>	<p>Apr. 1980 Jun. 2009 Apr. 2014 Jun. 2014 Apr. 2016 Apr. 2017</p>	<p>Joined Teijin Limited Corporate Officer, Teijin Limited Corporate Strategy Officer, Teijin Limited Director, Corporate Officer, Teijin Limited Director, Executive Officer Teijin Limited (Incumbent) Responsible for Corporate Strategy (Incumbent) Responsible for Global Strategy (Incumbent) Responsible for Legal and Intellectual Property</p>	<p>6,800 Shares</p>
<p>&lt;Reason of the nomination of the candidate for director&gt; 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 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.</p>				
6	<p>【Reappointment】 Candidate for Outside Director  Nobuo Seki (September 21,1944) &lt;Participation in Board of directors meetings&gt; 12 times out of 12 (100%)</p>	<p>Apr. 1970 Apr. 1992 Jun. 1997 Jun. 1998 Aug. 2000 Apr. 2001 Apr. 2007 Apr. 2009 Jun. 2012 Jul. 2012</p>	<p>Joined Chiyoda Corporation Vice-President, Chiyoda International Corporation Director, Chiyoda Corporation Managing Director, Chiyoda Corporation Senior Managing Director &amp; Representative Director, Chiyoda Corporation President &amp; 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) Adviser Chiyoda Corporation</p>	<p>5,500 Shares</p>
<p>&lt;Reason of the nomination of the candidate for director&gt; 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.</p>				

No.	Candidate's Name (Date of Birth)	Personal History, Positions and Significant Concurrent Positions		Number of Company's Shares Owned
7	<p>【Reappointment】</p> <p>Candidate for Outside Director</p> <p>Fumio Ohtsubo (September 5, 1945)</p> <p>&lt;Participation in Board of directors meetings&gt; 12 times out of 12 (100%)</p>	<p>Apr. 1971</p> <p>Jun. 1998</p> <p>Jun. 2000</p> <p>Jun. 2003</p> <p>Jun. 2006</p> <p>Jun. 2012</p> <p>Jul. 2013</p> <p>Jun. 2016</p>	<p>Joined Matsushita Electric Works, Ltd., (currently Panasonic Corporation)</p> <p>Director, Matsushita Electric Works, Ltd.,</p> <p>Managing Director, Matsushita Electric Works, Ltd.,</p> <p>Representative Senior Managing Director, Matsushita Electric Works, Ltd.,</p> <p>President, Representative Director, Matsushita Electric Works, Ltd.,</p> <p>Chairman of the Board, Representative Director, Panasonic Corporation</p> <p>Special Advisor, Panasonic Corporation (Incumbent)</p> <p>Director, Teijin Limited (Incumbent)</p> <p>Member of the Advisory Board, Teijin Limited (Incumbent)</p> <p>&lt;Significant Concurrent Positions &gt;</p> <p>Special Advisor, Panasonic Corporation</p> <p>Outside Statutory Auditor The Kansai Electric Power Co., Inc.</p> <p>Trustee, Nippon Life Ins.*</p> <p>Director, Kansai University</p> <p>Trustee, Japan-Indonesia Association, Inc.</p>	<p>3,000 Shares</p>
<p>&lt;Reason of the nomination of the candidate for outside director&gt;</p> <p>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.</p> <p>The amount of transactions between Panasonic Corporation and the Company accounts for less than 1% of the consolidated net sales of either company.</p> <p>* 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."</p> <p>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..</p>				



No.	Candidate's Name (Date of Birth)	Personal History, Positions and Significant Concurrent Positions		Number of Company's Shares Owned
8	<p>【New Candidate】</p> <p>Candidate for Outside Director</p> <p>Yukako Uchinaga (July 5, 1945)</p>	<p>Jul. 1971</p> <p>Apr. 1995</p> <p>Apr. 2000</p> <p>Apr. 2004</p> <p>Apr. 2007</p> <p>Jun. 2007</p> <p>Apr. 2008</p> <p>Oct. 2009</p> <p>Apr. 2013</p> <p>Sep. 2013</p> <p>Apr. 2014</p>	<p>Joined IBM Japan, Ltd</p> <p>Director, IBM Japan, Ltd</p> <p>Director, Executive Officer, IBM Japan, Ltd</p> <p>Director, Senior Executive Officer, IBM Japan, Ltd</p> <p>Board Chair, Japan Women's Innovate Network (Incumbent)</p> <p>Director, Benesse Corporation</p> <p>Director, Vice Chairman, Benesse Corporation Representative Director, Chairman of the Board, President &amp; CEO, Berlitz Corporation</p> <p>Director, Executive Vice President, Benesse Holdings, Inc.</p> <p>Honorary Chairperson, Berlitz Corporation</p> <p>President &amp; CEO, Globalization Research Institute Co., Ltd. (Incumbent)</p> <p>Board Chair, Japan Diversity Network Association (Incumbent)</p> <p>&lt;Significant Concurrent Positions &gt;</p> <p>Board Chair, Japan Women's Innovate Network</p> <p>President &amp; CEO, Globalization Research Institute Co., Ltd.</p> <p>Board Chair, Japan Diversity Network Association</p> <p>Outside Director, Aeon Co., Ltd.</p> <p>Outside Director, HOYA Corporation</p> <p>Outside Director, DIC Corporation</p>	<p>0 Shares</p>
<p>&lt;Reason of the nomination of the candidate for outside director&gt;</p> <p>Yukako Uchinaga has extensive business experience, having served such roles as Director, Senior Executive Officer at IBM Japan, Ltd. and Director, Executive Vice Chairman at Benesse Holdings, broad knowledge of the information technology field, and deep insight in matters concerning diversity, and based on this, she is expected to provide guidance and advice on the Company's business operations. The Company pays membership fees to Japan Women's Innovative Network ("J-Win"), at which the candidate serves as President, however the amount of this transaction accounts for less than 0.1% of the consolidated net sales of the Teijin Group and it is less than 1% of the total membership fee revenue that J-Win receives.</p>				

No.	Candidate's Name (Date of Birth)	Personal History, Positions and Significant Concurrent Positions		Number of Company's Shares Owned
9	<b>【New Candidate】</b> Candidate for Outside Director  Yoichi Suzuki (September 25, 1950)	Apr. 1975	Joined Ministry of Foreign Affairs, Japan (MFA)	0 Shares
	Jun. 1997	Deputy Permanent Representative of Japan to the World Trade Organization (WTO) in Geneva		
	Apr. 2003	Minister's Secretariat (MFA)		
	Sep. 2005	Consul-General of Boston		
	Dec. 2008	Director-General for economic Affairs of MFA		
	Aug. 2010	Ambassador to Singapore		
	Aug. 2013	Ambassador to France		
	Jun. 2016	Government Representative and Ambassador in charge of the Kansai region		
	Mar. 2017	Ambassador for International Economic Affairs and Chief Negotiator for the Japan EU EPA		
	Apr. 2018	MFA retired		
<p>&lt;Reason of the nomination of the candidate for outside director&gt;  Although Yoichi Suzuki does not have direct experience in corporate management, 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.</p>				

- Notes: 1. Nobuo Seki, Fumio Ohtsubo, Yukako Uchinaga and Yoichi Suzuki 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., the Company has registered candidates for Outside Director up for reappointment, Nobuo Seki and Fumio Ohtsubo at the Tokyo Stock Exchange as Independent Directors, and it plans to register the new candidates for Outside Director, Yukako Uchinaga and Yoichi Suzuki at the same stock exchange as Independent Directors. Refer to the 11-12 pages for the contents of the requirements of "Independent Director" stipulated by the Company.
2. The Company has entered into liabilities limitation agreements with Nobuo Seki 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. If Yukako Uchinaga and Yoichi Suzuki election are approved, the Company will enter into a liabilities limitation agreement with them, which limits their 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 candidates and the Company.
4. Panasonic Corporation (formerly Matsushita Electric Industrial Co., Ltd.), at which Candidate Fumio Ohtsubo served as Director from June 1998 to June 2013, together with said company's subsidiary Panasonic Avionics Corporation, was subject to an investigation by the U.S. DOJ and the U.S. SEC based on the U.S. Foreign Corrupt Practices Act (FCPA) and other securities-related laws of the U.S. and in May this year agreed to pay approx. ¥30.0 billion in relation to said investigation.

5. 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
Nobuo Seki	June 22,2012	6 years
Fumio Ohtsubo	June 22,2016	2years

## <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

### <Reference>

In April 2017, Teijin Limited (“the Company”) reclassified its previous four reportable operating segments, Advanced Fibers and Composites, Electronics Materials and Performance Polymer Products, Healthcare, and Trading and Retail, into two reportable operating segments: the Materials Business and the Healthcare Business. This change was made in line with the Company’s reorganization to accelerate growth and transformation strategies based on the medium-term management plan announced in February 2017. The figures for FY2016 have been recalculated in accordance with the new segment classification for comparison purposes.

## Reports on Operations for the 152<sup>nd</sup> Fiscal Year (April 1, 2017 to March 31, 2018)

### 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 FY2017, ended March 31, 2018, remained on a recovery path as a whole, despite heightened geopolitical risks concerning North Korea. In the U.S., stock prices reached all-time highs, driven partly by strong corporate earnings. Europe too saw an increase in exports as overseas business conditions turned upward. The Japanese economy continued to stage a modest recovery, mainly due to an upturn in capital investment atop improved corporate earnings, supported by firm overseas demand and rising internal demand.

In this environment, for FY 2017, consolidated net sales totaled ¥835.0 billion, an increase of 12.6% year on year. This increase was primarily due to the impact of U.S.-based Continental Structural Plastics Holdings Corporation joining the composites business following its acquisition in January 2017. Operating income rose 23.6% to ¥69.8 billion and ordinary income increased 21.3% to ¥67.8 billion. This was due partly to higher sales in each business, along with the impact of recording consideration for the licensing out of an investigational antibody candidate targeting a possible new treatment of Alzheimer’s disease. Profit attributable to owners of parent declined 9.1% to ¥45.6 billion, due partly to one-time factors such as a decrease in tax expense in FY2016. Earnings per share declined ¥23.65 to ¥231.26.

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

Total assets as of March 31, 2018 amounted to ¥986.2 billion, up ¥22.1 billion from the end of FY2016. The main reasons for the increase in total assets were an increase in working capital in connection with the growth and expansion of each business and rising raw material and fuel prices, among other factors, and an increase in unrealized gains on investment securities in line with the higher market value of shares held.

Total liabilities amounted to ¥577.9 billion, down ¥34.3 billion from the end of FY2016. The main reasons for this decrease were the repayment of long-term loans payable and the reversal of provision for business structure improvement recorded in preparation for the withdrawal from the U.S. home healthcare business.

Total net assets amounted to ¥408.2 billion, up ¥56.4 billion from the end of FY2016. This was mainly due to profit attributable to owners of parent of ¥45.6 billion, along with an increase in foreign currency translation adjustment in connection with the weaker yen and an increase in valuation difference on available-for-sale securities in line with the higher market value of shares held.

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

(Billions of yen / %)

			Fiscal 2016	Fiscal 2017	Change	Percentage
Net sales	Material	Material	¥228.1	<b>¥254.1</b>	+¥26.0	+11.4%
		Polyester Fiber & Trading and Retail	287.3	<b>293.2</b>	+6.0	+2.1
		Composites Others	24.5	<b>77.5</b>	+53.0	+216.4
		Material Sub Total	539.8	<b>624.8</b>	+85.0	+15.7
	Health Care	150.7	<b>155.4</b>	+4.7	+3.1	
	Others	50.8	<b>54.8</b>	+4.0	+7.9	
	Total	¥741.3	<b>¥835.0</b>	+¥93.7	+12.6	
Operating income	Material	¥31.2	<b>¥33.6</b>	+¥2.4	+7.7	
	Health Care	24.8	<b>35.9</b>	+11.2	+45.1	
	Others	5.3	<b>6.1</b>	+0.8	+15.9	
	Elimination and corporate	(4.8)	<b>(5.9)</b>	-1.1	-	
	Total	¥ 56.5	<b>¥69.8</b>	+¥13.3	+23.6	

Business Segment Results for fiscal 2017 were as follows:

## **I. Materials Business Field**

*In the Materials Business Field, sales were ¥624.8 billion, up ¥85.0 billion year on year and operating income was ¥33.6 billion, up ¥2.4 billion.*

### ***Material Business Group***

*Sales of aramid fibers expanded mainly for automotive applications, and sales were robust for high-performance polycarbonate resin products.*

In Aramid Fibers, sales of *Twaron* para-aramid fibers expanded firmly as a whole, centered on automotive applications, such as friction materials and rubber reinforcements, and optical fiber applications. Sales were firm for *Technora* para-aramid fibers both for automotive applications in Japan and also for infrastructure-related applications overseas. Sales of *Teijinconex* meta-aramid fibers were robust for use in automotive applications such as turbocharger hoses, as well as protective clothing and industrial applications.

In Carbon fibers, Sales of *TENAX* carbon fibers continued to grow steadily for use in aircraft. Among other applications, we drove growth in sales volume of compound applications, as well as sports and leisure applications in Asia. However, rising raw material and fuel prices pushed down earnings.

In Resin and Plastics Processing, market prices for our mainstay polycarbonate resin increased due to tightening supply and demand. In this environment, high capacity utilization was maintained at our production sites for polycarbonate resin and compounds in Japan and abroad. In addition, we significantly expanded sales of high-performance products for the automotive, semiconductor manufacturing-related, and optical lens fields, which have been key areas of focus in recent years.

In Films, although overall sales declined due to the impact of the integration of domestic production facilities, we expanded sales of *Purex*, which is used as a release film for manufacturing processes mainly for multilayer ceramic capacitors for smartphones and automotive electronics.

### ***Polyester Fibers & Trading and Retail Business Group***

*Functional materials for sports and outdoor use for Europe and the Americas held firm, while civil engineering materials declined.*

In Fiber Materials and Apparel, sales of functional fabrics remained favorable for sports and outdoor use for Europe and the Americas. Firm sales were posted for uniforms. In functional textiles and apparel, performance was sluggish, due to inventory adjustments by major customers amid continued weakness in domestic market conditions.

In Industrial Textiles and Materials, we posted firm sales of automotive-related reinforcement materials, including conveyor belts and automotive hoses, and synthetic leather car seat fabric. In fiber materials, there was a downturn in sales of civil engineering materials as earthquake reconstruction demand and orders received for new infrastructure construction settled down.



## ***Composites, Others***

*Firm sales of mass-produced automotive components in North America.*

In Composites, we recorded firm sales of mass-produced automotive components led by Continental Structural Plastics Holdings Corporation for pickup trucks and SUVs, that performed well in North America, and for large trucks, for which the market showed signs of recovery. Continental Structural Plastics Holdings Corporation was acquired in January 2016 and was consolidated in the fourth quarter of FY2016.

In Battery Materials, in *LIELSORT* lithium-ion battery (LIB) separators for consumer applications, sales to existing customers were sluggish, and delays were experienced in expanding sales to new customers.

## **II. Healthcare Business Field**

*In the Healthcare Business Field, sales were ¥155.4 billion, up ¥4.7 billion year on year and operating income was ¥35.9 billion, up ¥11.2 billion.*

*Favorable sales of FEBURIC in Pharmaceuticals, and solid rental volume for home oxygen therapy in Home Healthcare.*

In Pharmaceuticals, sales of hyperuricemia and gout treatment *FEBURIC* (febuxostat), the transdermal anti-inflammatory analgesic patch formulation *LOQOA* Tape and *Somatuline*<sup>®\*</sup>, a treatment for acromegaly, continued to expand steadily. In July 2017, *Somatuline*<sup>®</sup> received additional approval in Japan for the indication of gastro-entero-pancreatic neuroendocrine tumors (GEP NET). Sales of febuxostat also continued to expand encouragingly overseas. Furthermore, in May 2017, we entered into a worldwide license agreement with Merck & Co., Inc., U.S.A. for the development, manufacture and commercialization of an investigational antibody candidate targeting tau, for a possible new treatment of Alzheimer's disease. Accordingly, we received a lump-sum payment as consideration for licensing out the investigational antibody.

In Home Healthcare, we maintained a high level of rental volume for therapeutic oxygen concentrators for home oxygen therapy (HOT). This was done by enhancing the lineup and expanding the use of portable oxygen concentrators (*Hi-Sanso Portable a* (alpha), *Hi-Sanso Portable a II*), which are designed to expand the range of patients' daily activities. 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 *SAS-2100* Sleeping pattern analysis devices.

In the area of New Healthcare Initiatives, particularly in the field of implantable medical products, we are conducting an artificial joints business. In FY2017, we augmented this field with bone-bonding materials and the orthopedic business, principally spine fixation devices and spine cages.

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\* *Somatuline*<sup>®</sup> is the registered trademark of Ipsen Pharma, France.

### **III. Others**

*In the Others, which does not qualify as a reportable operating segment, sales were ¥54.8 billion, up ¥4.0 billion year on year and operating income was ¥6.1 billion, up ¥0.8 billion.*

In the IT business, specifically in Digital Entertainment, we recorded a solid performance, highlighted by steady expansion in sales of the *Meccha Comics* e-comics distribution service. Notably, we implemented initiatives such as an exclusive pre-release e-comics distribution campaign through a collaboration project with a major publisher. This project contributed to sales growth mainly through the acquisition of new readers. In Business Solutions, specifically in the healthcare-related business, a recovery in business performance in the hospital field contributed to sales growth.

## **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.

In its utilization of human resources, the Teijin Group aims to be an organization in which its diverse human resources, comprising individuals with various values and experience, can realize their potential in greater ways in order to enliven the organization and bring about innovation. The Group carries out efforts to promote diversity of human resources, active roles for women, and diversity of working styles. In its promotion of active roles for women, the Group established a special committee in 1999, and from 2000, the Group further pursued these activities by establishing a dedicated organization. When hiring new graduates, the five major group companies in Japan follow a guideline of aiming for at least 30% female intake. We have mostly achieved this goal with 32% female intake in FY2017 and 29% female intake in FY2018. In addition, we are actively implementing initiatives aimed at reforming the working styles of Group employees, and promoting the design of systems that support diverse working styles as appropriate for today’s society. 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 also formulated a system in FY2014 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 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 FTSE4Good, MSCI ESG Index and DJSI Asia Pacific.

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	149 <sup>th</sup> Fiscal Period FY2014	150 <sup>th</sup> Fiscal Period FY2015	151 <sup>st</sup> Fiscal Period FY2016	152 <sup>nd</sup> Fiscal Period FY2017 (Current period)
Net sales (Millions of yen)	786,171	790,748	741,291	834,985
Operating income (Millions of yen)	39,086	67,130	56,512	69,822
Ordinary income (Millions of yen)	42,378	60,316	55,933	67,820
Profit attributable to owners of parent (Millions of yen)	Δ8,086	31,090	50,133	45,556
Net earnings per share (Yen)	Δ41.15	158.15	254.91	231.26
Total assets (Millions of yen)	823,694	823,429	964,053	986,184
Net assets (Millions of yen)	303,635	314,412	351,829	408,237

## (3) Capital Investments

Capital investments by the Group in fiscal 2017 totaled ¥44.6 billion, mainly for growth and transformation strategies.

## (4) Financing

The Company procured finance mainly through long-term debts in order to secure finance in a stable manner. Also, as a result of efforts to reduce interest-bearing debt, interest-bearing debt such as loans and bonds amounted to ¥344.2 billion, a decrease of ¥32.0 billion from the end of the previous year.

## (5) Management Policies and Tasks Ahead

### 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) 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

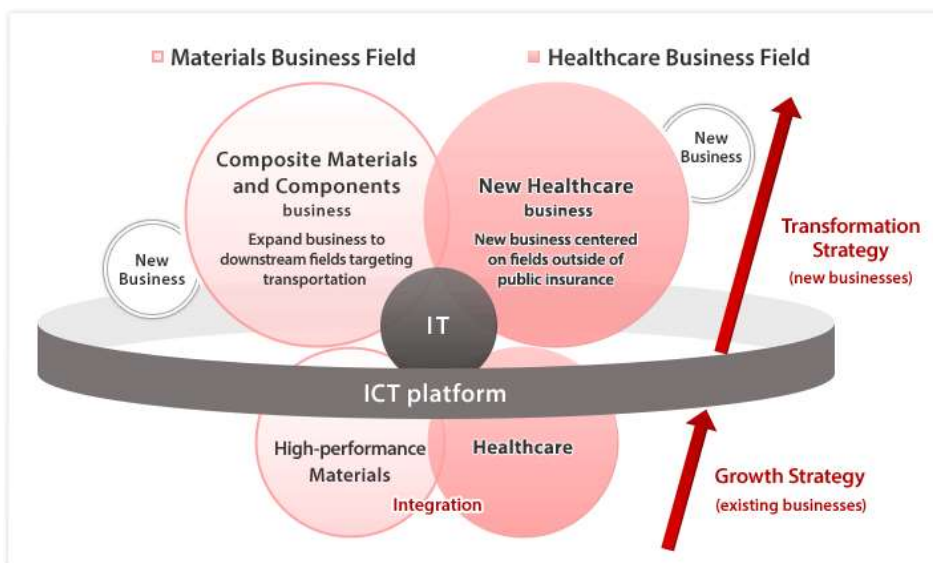
In an increasingly uncertain external environment, Teijin will take the initiative to contribute to evolution, instead of chasing trends, for sustainable growth.

#### ◆ 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.



## c) 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%+
ROIC based on operating income	8%+
EBITDA	Over ¥ 120 billion

Note: Return on equity (ROE) : Profit attributable to owners of the parent ÷ Average\* total shareholders' equity  
 \* ([Beginning balance + Ending balance] ÷ 2)

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)

Earnings before interest, tax, depreciation and amortization (EBITDA) : Operating income + Depreciation & amortization

## (6) Primary Businesses

The Teijin Group conducts various businesses including the manufacture and sale of the products below, operating in the Materials, Health Care and Others segments.

(As of March 31, 2018)

Business Segments		Business Fields	Principal Products and Businesses
Materials	Materials	Aramid Fibers	Para-aramid fibers, Meta-aramid fibers, High-performance polyethylene
		Carbon Fibers	Carbon fibers, Oxidized PAN fibers
		Plastics	Polycarbonate resin · sheet molding product PET · PEN · PBN resin, PPS resin, Frame-retardant agents
		Films	PET · PEN film, Polycarbonate resin film, Transparent conductive film
	Polyester Fibers & Trading and Retail	Textiles and Apparel	Fiber materials, Textiles, Apparel products, General merchandise
		Industrial Textiles and Materials	Fiber materials, Textiles, Nonwoven Fabric, Industrial and vehicle materials, Living and interior goods, Resin · films, Packing and construction materials,
	Composites, others	Composite products	The automotive composite products
		Battery Materials	Lithium-ion battery separators
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 Device	
	New Health Care	Medical equipment for joint prostheses, bone joining material, etc.,	
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, RPA	
	Net Business	Electronic book delivery service, E-commerce of foods	

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

## (7) Primary Business Places

(As of March 31, 2018)

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

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

## (8) Employees

(As of March 31, 2018)

Business segments	151 <sup>st</sup> Fiscal Period FY2016 (As of March 31, 2017)	152 <sup>nd</sup> Fiscal Period FY2017 (As of March 31, 2018) (Current period)	Change in the number of employees
Materials	13,341	14,487	+1,146
Health Care	4,030	3,337	-693
Others	1,921	1,887	-34
Total	19,292	19,711	+419

### 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  
(2,301 employees for the 151<sup>st</sup> fiscal period and 2,240 employees for the 152<sup>nd</sup> fiscal period)



## (9) Significant Subsidiaries

(As of March 31, 2018)

Business segments	Subsidiary (Location of The Head Office)	Capital	Investment ratio (%)	Principal business	
Materials	Teijin Aramid B.V. (the Netherlands)	0.02 million euro	※100.00	Production and sales of para-aramid fibers	
	Teijin Corporation (Thailand) Limited (Thailand)	730 million baht	※100.00	Production and sales of meta -aramid fibers and resin	
	Toho Tenax Co., Ltd. (Tokyo)	¥500 million	99.75	Production and sales of carbon fibers and Oxidized PAN fibers	
	Toho Tenax Europe GmbH (Germany)	0.026 million euro	※100.00	Production and sales of carbon fibers	
	Toho Tenax America, Inc. (U.S.A.)	US\$12.5 million	※100.00	Processing and sales of carbon fibers, Production and sales of Oxidized PAN fibers	
	Teijin Films Solutions Limited (Tokyo)	¥10,010 million	100.00	Production and sales of polyester films	
	Teijin Polycarbonate China Ltd.(China)	720 million RMB	100.00	Production of polycarbonate resin	
	Teijin Chemicals Plastic Compounds Shanghai Ltd. ( China)	143 million RMB	100.00	Production of polycarbonate resin compound	
	Polyester Fibers & Trading and 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
		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
		Teijin Logistics Co., Ltd. (Osaka)	¥80 million	100.00	Transportation and custody of goods
	Composites	Continental Structural Plastics Holdings Corporation(U.S.A.)	US\$829 million	※100.00	Production and sales of Composite products
	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	

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

Notes: 1. The Teijin Group has 88 consolidated companies including the aforementioned 18 significant subsidiaries;  
68 companies are accounted for via the equity method.

2. ※ indicates the investment ratio including investment by subsidiaries.
3. For the Teijin Group's shareholding of Braden Partners L.P. was completely sold on April 27, 2017(U.S Time), it was excepted Significant Subsidiary.
4. Teijin Corporation (Thailand) Limited (Thailand) was included in the significant subsidiaries from FY2017 because its significance in the Group increased.
5. The Company conducted the absorption-type merger with Toho Tenax Co., Ltd. with an effective date of April 1, 2018.
6. In connection with the above merger, Toho Tenax Europe GmbH changed its name to Teijin Carbon GmbH and Toho Tenax America, Inc. changed its name to Teijin Carbon America, Inc.

## (10) Primary Lenders and Amount of Borrowings

(As of March 31, 2018)

Primary Lenders	Balance of borrowings
	Millions of yen
The Bank of Tokyo-Mitsubishi UFJ, Ltd.* ***	101,288
Development Bank of Japan Inc.	25,000
Mizuho Bank, Ltd. *	23,865
Mitsubishi UFJ Trust & Banking Corporation*	10,554
Sumitomo Mitsui Banking Corporation *	9,050

Notes: \* indicates that the balance of borrowings includes loans from overseas affiliate banks.

\*\*In addition to loans indicated in the balance of borrowings above, the Company borrows ¥101,449 million under syndicated loans.

\*\*\* The Bank of Tokyo-Mitsubishi UFJ, Ltd. changed its trade name to MUFG Bank, Ltd. on April 1, 2018.

Repeated notes are omitted in this Business Report hereinafter.

## 2. Matters Regarding the Shares of the Company (as of March 31, 2018)

- |  |                    |
|--|--------------------|
| (1) Authorized shares                  | 600,000,000 shares |
| (2) Issued shares                      | 197,953,707 shares |
| (3) Number of shareholders             | 87,516             |
| (4) Top 10 shareholders of the Company |                    |

Shareholders		Investment in the Company	
		Number of shares held	Shareholding ratio (%)
1	The Master Trust Bank of Japan, Ltd. (Trust account)	17,937,700	9.06
2	Japan Trustee Service Bank, Ltd.(Trust account )	12,107,800	6.12
3	Nippon Life Insurance Company	7,045,501	3.56
4	The Employee Stock Ownership Association of Teijin	4,761,720	2.40
5	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	4,138,987	2.09
6	Japan Trustee Service Bank, Ltd.(Trust account 7)	3,534,500	1.78
7	STATE STREET BANK WEST CLIENT – TREATY 505234	3,487,478	1.76
8	Japan Trustee Service Bank, Ltd.(Trust account 5)	3,271,200	1.65
9	STATE STREET BANK AND TRUST COMPANY 505001	2,515,777	1.27
10	Japan Trustee Service Bank, Ltd.(Trust account 1)	2,423,200	1.22

Note: The shareholding ratio has been calculated after excluding Treasury stocks (133,480 shares) from the Issued shares.

### 3. Stock Acquisition Rights

#### (1) Status of Stock Acquisition Rights 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)	16 <sup>th</sup> (Mar 16, 2018)
Number of Issued Stock Option (unit)	146	207	328	420	349	737	698	618	379	274	287	294
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	58,800
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	¥1,732
Exercise Price of Stock Option (per share)	¥1	¥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	Mar 16, 2018 ~ Mar 15, 2038

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, 2018)

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	-	-
The 16 <sup>th</sup> Issue of the Stock Option	98	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 16<sup>th</sup> Issue of the Stock Option noted in (1) above.

Status of Stock Option distributed to employees of the Company in the 16<sup>th</sup> Issue of Stock Option.

No. of Unites	No. of Recipients
196	24

## (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*	¥1,998.6 per share (subject to adjustment in certain circumstances)	¥1,964.7 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 ¥60 per Share. The payment of such dividend was approved at the board of directors of the Company on 9 May 2018.

(Effective date: As of April 1, 2018)

## 4. Directors and Statutory Auditors

### (1) Directors and Statutory Auditors

(As of March 31, 2018)

Post	Name	Duty, state of significant positions concurrently held at other companies
Chairman of the Board Director	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)
Vice President, Representative Director	Kazuhiro Yamamoto	CFO(Chief Financial Officer) CIIO
Senior Executive Officer, Director	Hiroshi Uno	Responsible for Healthcare Business of Teijin Group
Senior Executive Officer, Director	Yasumichi Takesue	Responsible for Materials Business of Teijin Group
Executive Officer, Director	Yoshihisa Sonobe	Responsible for Corporate Strategy Officer Responsible for Global Strategy Responsible for Legal and Intellectual Property
Director	Yutaka Imura	Councilor, Ministry of Foreign Affairs, Japan Vice-Chairman, Japan-Indonesia Association, Inc. Adviser, Taisei Corporation Special Participation, INPEX Corporation Special Management Adviser, APP JAPAN Limited 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

Post	Name	Duty, state of significant positions concurrently held at other companies
Director	Fumio Ohtsubo	Panasonic Corporation Special Advisor Outside Statutory Auditor Kansai Electric Power Co., Inc. Trustee, Nippon Life Ins. Director, Kansai University Trustee, Japan-Indonesia Association, Inc.
Full-time Statutory Auditor	Atsushi Mugitani	
Full-time Statutory Auditor	Noriaki Endo	
Statutory Auditor	Nobuo Tanaka	Chairman, The Sasakawa Peaceful Fund Outside Director, Chiyoda Corporation Outside Statutory Auditor, Innotech Corporation
Statutory Auditor	Gen Ikegami	Representative, Gen Ikegami Certified Public Accountant Office, Certified Public Accountant Counsel, Certified Public Accountant Association Outside Director, TAC Co.,Ltd.
*Statutory Auditor	Hitomi Nakayama	Partner lawyer, Kasumigaseki-Sogo Law Offices Director, Public Interest Incorporated Foundation “Automotive Dispute Resolution Center” Auditor, Japan Electric Meters Inspection Corporation

Notes:

1. The statutory auditor marked with \* was newly elected at the 151st Ordinary General Meeting of Shareholders held on June 22, 2017.
2. Four (4) Directors— Yutaka Iimura, 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 11-12 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— Nobuo Tanaka, Gen Ikegami and Hitomi Nakayama —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 11-12 for the requirements of “Independent Statutory Auditor” which Company defines.





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

Name	New Post	Former Post	Date of Change
Shigeo Ohyagi	Director, Advisor	Director, Chairman of the Board	April 1, 2018
Yoshihisa Sonobe	Executive Officer, Director Responsible for Corporate Strategy Officer Responsible for Global Strategy	Executive Officer, Director Responsible for Corporate Strategy Officer Responsible for Global Strategy Responsible for Legal and Intellectual Property	April 1, 2018

## (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 Iimura, 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, Nobuo Tanaka, Gen Ikegami and Hitomi Nakayama 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
7	498	4	57	11	555

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 ¥151 million, an expected amount of performance-based remuneration to be paid to the six (6) inside directors appointed at the 151st Ordinary General Meeting of Shareholders held on June 22, 2017. Performance-based remuneration was not paid to outside directors. The amounts of above remuneration include ¥33 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.
4. The Company abolished the retirement benefits payment system for retiring inside directors at the conclusion of the 145th Ordinary General Meeting of Shareholders held on June 22, 2011. For the directors who remained in office after the conclusion of the said Ordinary General Meeting of Shareholders, it was decided that payments of retirement benefits corresponding to their respective periods in office up to the abolishment of the retirement benefits payment

system are to be made when each director retires. In accordance with this, apart from the above-mentioned amounts of remuneration, retirement benefits of ¥12 million were paid to one (1) inside director who retired during the subject fiscal year. Retirement benefits are not paid 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 for Directors' remuneration is determined based on information from each fiscal year such as the degree to which the Company's ROE (Return on Equity; ratio of consolidated net income to equity) targets are achieved, the degree to which budget targets are achieved with regard to consolidated EBITDA and ROIC based on consolidated operating income, and individual directors' performance evaluations. The average remuneration level for inside directors at other companies in the same industry in Japan is also taken into consideration.

### <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.

## 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
2	62	4	32	6	94

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	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.
Outside Statutory Auditors	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.
	Hitomi Nakayama	After her appointment on June 22, 2017, she attended 9 of 9 meetings of the Board of Directors and 9 of 9 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

## 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	158
2) The total amount of cash or other proprietary interest to be paid by the Company and its subsidiaries to the accounting auditor	329

Notes:

1. The amount described in Item 1) 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, 9 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" and "Group Management Committee" members consist of the CEO, Responsible for Business officers, chief officers, 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 whom 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, 5 years), Kiyoshi Hirai (KPMG AZSA LLC, 4 year), Takeharu Kirikae (KPMG AZSA LLC, 3 years).

The status of assistants who executed auditing is as follows.

Certified public accountants 15, others 28, total 43.

#### **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 30, 2018.

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 the 19-20 pages 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 for the contents of the Corporate Governance System.

#### **3) Introduction of the Countermeasures to Large-Scale Acquisitions of the Company's Shares (Takeover Defense Measures)**

##### Overview

The Company established the Countermeasures to Large-Scale Acquisitions of the Company's Shares (Takeover Defense Measures) (hereinafter, "the Plan"), which were approved by shareholders at the 149th Annual General Meeting of Shareholders held on June 24, 2015.

\*The Plan refers to that in effect at the end of fiscal 2017. The effective period of the Plan is until the conclusion of this 152nd Ordinary General Meeting of Shareholders. The Company resolved not to continue the Plan at a meeting of the Board of Directors held on May 9, 2018.

The summary of the Plan is as follows:

##### 1. Applicable Acquisitions

Applicable acquisitions are those that lead to holdings of 20% or more of the Company's shares

##### 2. Procedures for Negotiations with Acquirer

Acquirers are required to submit in advance an acquisition statement and provide a period that allows the Company to collect information and examine the acquisition proposal, present the Company management's plans and alternative proposals to shareholders and negotiate with the acquirer.

### 3. Allotment of Stock Option with call in the Event That an Acquirer Does Not Comply with Procedures

If an acquirer does not comply with the aforementioned procedures, in accordance with the recommendation of the Independent Committee, the Board of Directors will decide to allot all shareholders registered at that time Stock Option with call, without contribution, at the rate of one Stock Option per one share of stock held.

### 4. Calling the Stock Option with a Call and Distribution of the Company's Stock

According to the Call Option attached to the stock option, the Company will call the stock option in exchange for the Company's shares from all shareholders other than the acquirer and other non-qualified parties at a rate of one (1) share of the Company's stock per one (1) stock option.

### 5. Impact on Shareholders Other than the Acquirer and Other Non-qualified Parties

As the Company's shares are evenly delivered to all the shareholders other than the acquirer and other non-qualified parties, the shares held by the shareholders would not be diluted. As the Company's shares are not granted to the acquirer and other non-qualified parties, this would result in dilution of the acquirer's voting rights to a maximum of 50%.

### 6. Requirements for the Allotment of the Stock Option Without Contribution

The allotment of the stock option without contribution will be implemented in case any acquisition falls under the following cases and it is deemed reasonable to implement an allotment of the stock option without contribution:

(1) In case the acquisition does not comply with the procedure set forth in the Plan;

(2) In case the Acquisition may cause obvious harm to the corporate value of the Company and, in turn, the common interests of the shareholders, in view of the purpose of the Acquisition and the post-acquisition management policy, etc. and that falls under any of the below-mentioned actions:

(a) Buy out of the Company's shares to demand that the Company purchase said shares at an inflated price;

(b) Management that achieves an interest for the Acquirer to the detriment of the Company, such as temporary control of the Company's management for the low-cost acquisition of the Company's material assets, etc.;

(c) Diversion of the Company's assets to secure or use as a source of funds to repay debts of the Acquirer or its group company; and

(d) Temporary control of the Company's management to bring about a disposal of high-value assets, etc. that have no current relevance to the Company's business and declaring temporarily high dividends from the profits of the disposal, or selling the shares at a high price taking advantage of the opportunity afforded by the sudden rise in share prices created by the temporarily high dividends.

(3) In case the acquisition threatens to have the effect of compelling the shareholders to sell their shares;

(4) In case the compensation of the Acquisition is insufficient in view of the corporate value of the Company.

## 7. Overview of Process Prior to Triggering The Plan

When the acquirer submits the Acquisition Statement, the Independent Committee consisting of five members appointed from among the outside directors and outside corporate auditors may require the Company's Board of Directors to present its opinion regarding the details of the acquisition by the acquirer within a specified period of time ( a maximum 30 days ). Following this, the Independent Committee will collect and examine information for a maximum period of 60 days. The Independent Committee may extend this assessment period for up to 30 days.

Based on its collection and examination of this information, the Independent Committee will make a recommendation to the Board of Directors for either the implementation or non-implementation of an allotment of the stock option without contribution. The Company's Board of Directors shall respect and adhere to the aforementioned recommendation from the Independent Committee and finally resolve whether implement or non-implement an allotment of the stock option without contribution. However, the Board of Directors shall convene a shareholders' meeting as soon as practicable and raise a proposal on the implementation of the allotment of stock option without contribution as a matter to be resolved thereat, in case the Independent Committee has placed a reserve that prior approval of a shareholders' meeting should be obtained for the recommendation that an allotment of the stock option without contribution should be implemented.

Explanation as to How the Above Measures Comply with the Basic Policy, Do Not Harm the Common Interests of the Shareholders of the Company and Do Not Pursue the Personal Interests of the Company's Directors and Statutory Auditors

The Plan was designed to incorporate the following perspectives and therefore the Company believes that it should comply with the Basic Policy, be consistent with the corporate value of the Company and the common interests of the shareholders and not pursue the personal interests of the Company's Directors and Corporate Auditors.

### 1. Respect of Shareholders' Intent

The Plan became effective upon its approval at the 146th Ordinary General Meeting of Shareholders, held on June 22, 2012, and will remain in effect for three years, until the conclusion of the Ordinary General Meeting of Shareholders pertaining to the business year ending March 2015. Moreover, as the term of office of the Company's directors is one (1) year, the shareholders' intent may be well reflected by way of the election of directors. Furthermore, even before the expiry of the effective period after The Plan is introduced, The Plan shall be abolished immediately in case a proposal that The Plan be abolished is approved at a shareholders' meeting of the Company.

### 2. Emphasis on the Judgment by Highly Independent Outside Directors and Independent Outside Statutory Auditors

Upon the introduction of the Plan, the Company established the Independent Committee, an organ with the role of substantial and objective decision making for the benefit of shareholders while eliminating the possibility of arbitrary decisions by the Company's Board of Directors with regard to the actual operation of the Plan. The Independent Committee consists of members elected and appointed by the Company's Board of Directors from among those persons of outside director or outside corporate auditor.

### 3. Reinforcement and Continuity of Corporate Governance

The Company intends to separate and reinforce three managerial functions (decision making, execution of business and monitoring/auditing) by electing four independent outside directors on its Board of Directors, which comprises a maximum of 10 directors, and having three independent outside statutory auditors comprising a majority of the number of statutory auditors. The Company has also established an Advisory Board- comprising five to seven outside advisers, the Chairman of the Company\*, and the President & CEO – as a consultative body to the Board of Directors that is charged with deliberating the alternation of President & CEO and nomination of successors, as well as compensation systems for

directors and statutory auditors of the Teijin Group. Guidelines on corporate governance of the Company including these measures above are disclosed in the form of the Corporate Governance Guide.

The above measures are viewed as groundbreaking initiatives for corporate governance among Japanese listed companies. This mechanism should have the effect of strongly breaking the self-protective conduct of the Company's directors and corporate auditors and are expected to prevent the arbitrary application of The Plan. The Company intends to maintain its corporate governance above during the effective period of This Plan.

\*The case of absence of the Chairman of the Company, Senior Advisor will perform the office of the Chairman.

#### 4. Setting of Rational and Objective Requirements for Triggering The Plan

The Plan is structured not to be easily triggered unless rational, detailed and objective requirements are satisfied, and moreover, these objective requirements are consistent with the cases set out for determining a person who is deemed inappropriate to control the decisions of the Company's financial and business policies. This idea serves to prevent the Board of Directors from arbitrarily triggering the Plan.

\*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, targeting a consolidated payout ratio of 30% for the medium term. We will also determine dividends by giving 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, or, where noted, are protected as the trademarks and/or trade names of other companies.*

## 10. Financial Statement

### (1) Consolidated Balance Sheets

(Millions of yen)

	FY2016 (As of Mar. 31, 2017)	FY2017 (As of Mar. 31, 2018)
<b>&lt; Assets &gt;</b>		
<b>Current assets</b>		
Cash and deposits	97,750	96,417
Notes and accounts receivable-trade	166,803	177,776
Securities	20,000	14,000
Merchandise and finished goods	84,272	91,257
Work in process	8,980	10,827
Raw materials and supplies	29,059	34,178
Short-term loans receivable	13,677	13,126
Deferred tax assets	15,063	11,874
Other current assets	32,058	40,852
Allowance for doubtful accounts	(909)	(578)
<b>Total</b>	<b>466,754</b>	<b>489,733</b>
<b>Noncurrent assets</b>		
<b>Tangible assets</b>		
Buildings and structures, net	61,178	60,106
Machinery and equipment, net	98,322	94,869
Land	44,493	42,091
Construction in progress	15,471	20,608
Other, net	21,823	22,612
<b>Total</b>	<b>241,289</b>	<b>240,289</b>
<b>Intangible assets</b>		
Goodwill	32,737	27,191
Other	36,302	33,149
<b>Total</b>	<b>69,040</b>	<b>60,340</b>
<b>Investments and other assets</b>		
Investment securities	115,104	127,721
Long-term loans receivable	1,846	2,985
Net defined benefit asset	37,988	39,576
Deferred tax assets	10,965	3,017
Other	23,155	24,621
Allowance for doubtful accounts	(2,092)	(2,101)
<b>Total</b>	<b>186,967</b>	<b>195,821</b>
<b>Total noncurrent assets</b>	<b>497,298</b>	<b>496,451</b>
<b>Total assets</b>	<b>964,053</b>	<b>986,184</b>

**(1) Consolidated Balance Sheets**

(Millions of yen)

	FY2016 (As of Mar. 31, 2017)	FY2017 (As of Mar. 31, 2018)
<b>&lt; Liabilities &gt;</b>		
<b>Current liabilities</b>		
Notes and accounts payable-trade	79,117	92,382
Short-term loans payable	57,585	66,291
Current portion of long-term loans payable	51,326	16,174
Current portion of bonds	—	17,985
Income taxes payable	5,021	5,110
Provision for business structure improvement	15,112	9,572
Deferred tax liabilities	54	52
Accrued expenses	26,261	24,616
Other	45,094	44,051
<b>Total</b>	<b>279,572</b>	<b>276,238</b>
<b>Noncurrent liabilities</b>		
Bonds payable	55,109	35,052
Long-term loans payable	210,431	207,162
Provision for business structure improvement	10,944	—
Net defined benefit liability	35,427	35,649
Asset retirement obligations	1,322	1,426
Deferred tax liabilities	8,370	9,223
Other	11,044	13,194
<b>Total</b>	<b>332,650</b>	<b>301,708</b>
<b>Total liabilities</b>	<b>612,223</b>	<b>577,947</b>
<b>&lt;Net assets&gt;</b>		
<b>Shareholders' equity</b>		
Capital stock	70,816	71,832
Capital surplus	103,664	104,685
Retained earnings	168,661	202,413
Treasury stock	(274)	(166)
<b>Total</b>	<b>342,867</b>	<b>378,764</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	21,842	28,377
Deferred gains or losses on hedges	(276)	903
Foreign currency translation adjustment	(24,889)	(14,815)
Remeasurements of defined benefit plans	(1,159)	(305)
<b>Total</b>	<b>(4,483)</b>	<b>14,159</b>
<b>Subscription rights to shares</b>	<b>861</b>	<b>860</b>
<b>Non-controlling interests</b>	<b>12,583</b>	<b>14,452</b>
<b>Total net assets</b>	<b>351,829</b>	<b>408,237</b>
<b>Total liabilities and net assets</b>	<b>964,053</b>	<b>986,184</b>



## (2) Consolidated Statements of Income

(Millions of yen)

	FY2016 (Apr. 2016-Mar. 2017)	FY2017 (Apr. 2017-Mar. 2018)
<b>Net sales</b>	<b>741,291</b>	<b>834,985</b>
Cost of sales	492,862	565,689
<b>Gross profit</b>	<b>248,429</b>	<b>269,296</b>
Selling, general and administrative expenses	191,917	199,474
<b>Operating income</b>	<b>56,512</b>	<b>69,822</b>
Non-operating revenues		
Interest income	648	967
Dividends income	1,862	2,034
Equity in earnings of affiliates	2,078	1,214
Foreign exchange gains	—	601
Gain on investments in partnership	1,099	43
Miscellaneous income	769	1,133
Total	6,458	5,996
Non-operating expenses		
Interest expenses	2,223	2,646
Foreign exchange losses	1,726	—
Contribution	704	587
Loss on valuation of derivatives	541	3,108
Miscellaneous loss	1,840	1,655
Total	7,036	7,998
<b>Ordinary income</b>	<b>55,933</b>	<b>67,820</b>
Extraordinary income		
Gain on sales of noncurrent assets	318	5,595
Gain on sales of investment securities	119	585
Reversal of provision for business structure improvement	788	377
Gain on revision of retirement benefit plan	193	—
Reversal of impairment losses	52	—
Insurance income	392	—
Other	358	193
Total	2,223	6,751
Extraordinary loss		
Loss on sales and retirement of noncurrent assets	4,772	4,146
Loss on valuation of investment securities	27	88
Impairment loss	1,378	1,076
Business structure improvement expenses	16,314	828
Other	1,736	537
Total	24,229	6,677
<b>Income before income taxes</b>	<b>33,928</b>	<b>67,894</b>
Income taxes - current	12,026	11,268
Income taxes - deferred	(29,487)	9,524
Total	(17,460)	20,792
<b>Profit</b>	<b>51,388</b>	<b>47,101</b>
Profit attributable to non-controlling interests	1,255	1,545
<b>Profit attributable to owners of parent</b>	<b>50,133</b>	<b>45,556</b>

### (3) Consolidated Statement of Changes in Net Assets

FY2017 (Apr. 2017 - Mar. 2018)

(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, 2017	70,816	103,664	168,661	(274)	342,867
Changes of items during the period					
Conversion of convertible bonds	1,016	1,016			2,032
Dividends from surplus			(11,804)		(11,804)
Profit attributable to owners of parent			45,556		45,556
Purchase of treasury stock				(21)	(21)
Disposal of treasury stock		4		130	134
Net changes of items other than shareholders' equity					
Total	1,016	1,020	33,752	108	35,897
Balance at March 31, 2018	71,832	104,685	202,413	(166)	378,764

	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, 2017	21,842	(276)	(24,889)	(1,159)	(4,483)	861	12,583	351,829
Changes of items during the period								
Conversion of convertible bonds								2,032
Dividends from surplus								(11,804)
Profit attributable to owners of parent								45,556
Purchase of treasury stock								(21)
Disposal of treasury stock								134
Net changes of items other than shareholders' equity	6,534	1,179	10,074	854	18,643	(1)	1,868	20,510
Total	6,534	1,179	10,074	854	18,643	(1)	1,868	56,407
Balance at March 31, 2018	28,377	903	(14,815)	(305)	14,159	860	14,452	408,237

## Consolidated Statements of Comprehensive Income (Reference)

(Millions of yen)

	FY2016 (Apr. 2016-Mar. 2017)	FY2017 (Apr. 2017-Mar. 2018)
<b>Profit</b>	<b>51,388</b>	<b>47,101</b>
<b>Other comprehensive income</b>		
Valuation difference on available-for-sale securities	4,180	6,854
Deferred gains (losses) on hedges	1,026	1,179
Foreign currency translation adjustment	(7,701)	8,678
Remeasurements of defined benefit plans, net of tax	(305)	862
Share of other comprehensive income of associates accounted for using equity method	(2,305)	1,467
<b>Total</b>	<b>(5,105)</b>	<b>19,042</b>
<b>Comprehensive income</b>	<b>46,282</b>	<b>66,144</b>
Comprehensive income attributable to :		
Owners of the parent	44,850	64,199
Non-controlling interests	1,432	1,944

## Consolidated Statements of Cash Flows (Reference)

(Millions of yen)

	FY2016 (Apr. 2016-Mar. 2017)	FY2017 (Apr. 2017-Mar. 2018)
<b>Cash flows from operating activities</b>		
Income (loss) before income taxes	33,928	67,894
Depreciation and amortization	39,331	45,655
Impairment loss	1,378	1,076
Reversal of impairment losses	(52)	—
Increase (decrease) in net defined benefit liability	3,236	2,178
Decrease (increase) in net defined benefit asset	(5,586)	(2,781)
Increase (decrease) in allowance for doubtful receivables	(224)	(101)
Increase (decrease) in provision for business structure improvement	10,462	(16,484)
Interest and dividend income	(2,510)	(3,002)
Interest expenses	2,223	2,646
Equity in losses (earnings) of affiliates	(2,078)	(1,214)
Loss (gain) on valuation of derivatives	541	3,108
Loss (gain) on sales and retirement of noncurrent assets	4,454	(1,448)
Loss (gain) on sales of investment securities	(119)	(585)
Loss (gain) on valuation of investment securities	27	88
Decrease (increase) in notes and accounts receivable-trade	5,253	(10,813)
Decrease (increase) in inventories	989	(11,295)
Increase (decrease) in notes and accounts payable-trade	2,191	12,307
Other, net	(4,009)	5,030
Subtotal	89,437	92,258
Interest and dividends income received	6,021	5,968
Interest expenses paid	(2,166)	(2,564)
Income taxes paid	(14,251)	(15,570)
<b>Net cash and cash equivalents provided by operating activities</b>	<b>79,040</b>	<b>80,091</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(37,662)	(42,604)
Proceeds from sales of property, plant and equipment	2,414	10,143
Purchase of intangible assets	(2,940)	(3,431)
Purchase of investment securities	(2,641)	(5,160)
Proceeds from sales of investment securities	2,026	689
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(82,890)	(1,942)
Payments for sales of shares of subsidiaries resulting in change in scope of consolidation	—	(3,685)
Decrease (increase) in short-term loans receivable	(2,379)	(529)
Payments of long-term loans receivable	(21)	(868)
Collections of long-term loans receivable	90	300
Other, net	(3,644)	(4,218)
<b>Net cash and cash equivalents used in investing activities</b>	<b>(127,650)</b>	<b>(51,307)</b>
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term loans payable	1,604	10,618
Proceeds from long-term loans payable	98,761	16,051
Repayment of long-term loans payable	(27,309)	(45,831)
Cash dividends paid	(8,849)	(11,804)
Cash dividends paid to non-controlling interests	(372)	(286)
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	(301)	(233)
<b>Net cash and cash equivalents provided by financing activities</b>	<b>63,765</b>	<b>(31,485)</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>822</b>	<b>1,309</b>
Net increase in cash and cash equivalents	15,978	(1,391)
<b>Cash and cash equivalents at beginning of period</b>	<b>100,955</b>	<b>117,549</b>
Increase in cash and cash equivalents resulting from change of scope of consolidation	615	—
<b>Cash and cash equivalents at end of period</b>	<b>117,549</b>	<b>116,157</b>