

May 29, 2019



# Notice of Convocation

## The 153<sup>rd</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 153<sup>rd</sup> Ordinary General Meeting of Shareholders**

You are cordially invited to attend the 153<sup>rd</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., Wednesday, June 19, 2019. (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.

## Details

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

Thursday, June 20, 2019, 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 Business Report, Consolidated Financial Statements, Non-Consolidated Financial Statements and the Report by the Accounting Auditor and the Board of Statutory Auditors of the results of audit on the Consolidated Financial Statements, for the 153<sup>rd</sup> Fiscal Year (April 1, 2018 to March 31, 2019)

#### Proposal 1: Election of Nine (9) Directors

#### Proposal 2: Election of Two (2) Statutory Auditors

### 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

## Proposals and Reference

### Proposal 1: Election of Nine (9) Directors

The terms of office of nine (9) Directors — Jun Suzuki, Kazuhiro Yamamoto, Hiroshi Uno, Yasumichi Takesue, Yoshihisa Sonobe, Nobuo Seki, Fumio Ohtsubo, Yukako Uchinaga, and Yoichi Suzuki — 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	[Reappointment]  Jun Suzuki (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)	40,800 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	[Reappointment]  Kazuhiro Yamamoto (September 27, 1952)  <Participation in Board of directors meetings> 12 times out of 12 (100%)	Apr. 1975 Apr. 1975 Jun. 2011  Apr. 2014 Jun. 2015 Apr. 2016 Apr. 2017  Apr. 2019	Joined Teijin Limited Joined Teijin Limited Corporate Officer, Teijin Limited President & Representative Director, CEO, Infocom Corporation Executive Officer, Teijin Limited CFO (Chief Financial Officer) Director, Executive Officer, Teijin Limited Director, Senior Executive Officer, Teijin Limited Representative Director, Executive Vice President, Teijin Limited (Incumbent) CIIO (Chief Information & Innovation Officer) Responsible for Chief Officer of Teijin Group, Teijin Limited (Incumbent)	10,600 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 put effort into cost management, IR activities, information strategy, etc. He oversees company-wide functions as Responsible for Chief Officer of Teijin Group, Teijin Limited since April 2019.			

No.	Candidate's Name (Date of Birth)	Personal History, Positions and Significant Concurrent Positions		Number of Company's Shares Owned
3	[Reappointment]  Yasumichi Takesue (July 1,1956)  <Participation in Board of directors meetings> 12 times out of 12 (100%)	Apr. 1980 Jun. 2010  Apr. 2015 Apr. 2016 Apr. 2017  Jun. 2017	Joined Teijin Limited Corporate Officer, Teijin Limited CHO (Chief Human Resources Officer) General Manager, Electric Materials & Performance Polymer Products Business Group Executive Officer, Teijin Limited Senior Executive Officer, Teijin Limited Responsible for Material Business of Teijin Group (Incumbent) Director, Senior Executive Officer, Teijin Limited (Incumbent)	10,800 shares
	<Reason of the nomination of the candidate for director> Yasumichi Takesue assumed the posts of Corporate Officer, Teijin Limited in June 2010 and under the title of CHO, he promoted the task of global human resources and general affairs. He also assumed the posts of Executive Officer, Teijin Limited in April 2014 and General Manager, Electric Materials & Performance Polymer Products Business Group, in April 2015; Senior Executive Officer, Teijin Limited, in April 2016; 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.			
4	[Reappointment]  Yoshihisa Sonobe (October 17,1956)  <Participation in Board of directors meetings> 12 times out of 12 (100%)	Apr. 1980 Jun. 2009 Apr. 2014 Jun. 2014 Apr. 2016 Apr. 2017  Apr. 2019	Joined Teijin Limited Corporate Officer, Teijin Limited Corporate Strategy Officer, Teijin Limited Director, Corporate Officer, Teijin Limited Director, Executive Officer, Teijin Limited Responsible for Corporate Strategy Responsible for Global Strategy Responsible for Legal and Intellectual Property Director, Senior Executive Officer, Teijin Limited (Incumbent) CFO (Chief Financial Officer), (Incumbent)	8,000 shares
	<Reason of the nomination of the candidate for director> Yoshihisa Sonobe assumed the posts of Corporate Strategy Officer in April 2014, Director, Corporate Officer in June of the same year, Director, Executive Officer in April, 2016, and he became responsible for Corporate Strategy and Global Strategy in April 2017. He worked on the planning of strategies toward the achievement of structural reforms and growth strategy which are the most important issues for the Company. He assumed the posts of Director Senior Executive Officer and is putting effort into cost management as a CFO.			
5	[New Candidate]  Akihisa Nabeshima (January 17, 1960)	Apr. 1982 Apr. 2015 Apr. 2017  Apr. 2019	Joined Teijin Limited Corporate Officer, Teijin Limited Executive Officer, Teijin Group (Incumbent) General Manager, Healthcare Business Group President, Teijin Pharma Limited Responsible for Healthcare Business of Teijin Group (Incumbent)	3,300 shares
	<Reason of the nomination of the candidate for director> Akihisa Nabeshima assumed the posts of Corporate Officer in April 2015. He became Executive Officer of the Teijin Group in April 2017 and he has made efforts to increase profitability of the healthcare business as General Manager of the Healthcare Business Group of the Company and as President & Representative Director of Teijin Pharma Limited. He became Responsible for Healthcare Business of Teijin Group in April 2019. He has been working on further increasing profitability of the healthcare business, which constitutes a part of the core strategies of the Company, as well as on growth of new healthcare business, which are the themes of the Company's Transformation Strategy.			

No.	Candidate's Name (Date of Birth)	Personal History, Positions and Significant Concurrent Positions		Number of Company's Shares Owned
6	<p>[Reappointment] Candidate for Outside Director</p> <p><b>Fumio Ohtsubo</b> (September 5, 1945)</p> <p>&lt;Participation in Board of directors meetings&gt; 12 times out of 12 (100%)</p>	Apr. 1971	Joined Matsushita Electric Works, Ltd., (currently Panasonic Corporation)	3,000 shares
		Jun. 1998	Director, Matsushita Electric Works, Ltd.,	
		Jun. 2000	Managing Director, Matsushita Electric Works, Ltd.,	
		Jun. 2003	Representative Senior Managing Director, Matsushita Electric Works, Ltd.,	
		Jun. 2006	President, Representative Director, Matsushita Electric Works, Ltd.,	
		Jun. 2012	Chairman of the Board, Representative Director, Panasonic Corporation	
		Jul. 2013	Special Advisor, Panasonic Corporation (Incumbent)	
		Jun. 2016	Director, Teijin Limited (Incumbent) Member of the Advisory Board, Teijin Limited (Incumbent)	
		<p>&lt;Significant Concurrent Positions&gt; Special Advisor, Panasonic Corporation Outside Statutory Auditor The Kansai Electric Power Co., Inc. Trustee, Nippon Life Ins. Director, Kansai University Trustee, Japan-Indonesia Association, Inc.</p>		
<p>&lt;Reason of the nomination of the candidate for director&gt; 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. The amount of transactions between Panasonic Corporation and the Company accounts for less than 1% of the consolidated net sales of either company.</p>				
7	<p>[Reappointment] Candidate for Outside Director</p> <p><b>Yukako Uchinaga</b> (July 5, 1946)</p> <p>&lt;Participation in Board of directors meetings&gt; 9 times out of 9 (100%)</p>	Jul. 1971	Joined IBM Japan, Ltd	200 shares
		Apr. 1995	Director, IBM Japan, Ltd	
		Apr. 2000	Director, Executive Officer, IBM Japan, Ltd	
		Apr. 2004	Director, Senior Executive Officer, IBM Japan, Ltd	
		Apr. 2007	Board Chair, Japan Women's Innovate Network (Incumbent)	
		Jun. 2007	Director, Benesse Corporation	
		Apr. 2008	Director, Vice Chairman, Benesse Corporation Representative Director, Chairman of the Board, President & CEO, Berlitz Corporation	
		Oct. 2009	Director, Executive Vice President, Benesse Holdings, Inc.	
		Apr. 2013	Honorary Chairperson, Berlitz Corporation	
		Sep. 2013	President & CEO, Globalization Research Institute Co., Ltd. (Incumbent)	
		Apr. 2014	Board Chair, Japan Diversity Network Association	
		Jun. 2018	Director, Teijin Limited (Incumbent) Member of the Advisory Board, Teijin Limited (Incumbent)	
		<p>&lt;Significant Concurrent Positions&gt; Board Chair, Japan Women's Innovate Network President &amp; CEO, Globalization Research Institute Co., Ltd. Board Chair, Japan Diversity Network Association Outside Director, Aeon Co., Ltd. Outside Director, HOYA Corporation</p>		
<p>&lt;Reason of the nomination of the candidate for outside director&gt; 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
8	[Reappointment] Candidate for Outside Director  <b>Yoichi Suzuki</b> (September 25, 1950)  <Participation in Board of directors meetings> 9 times out of 9 (100%)	Apr. 1975 Jun. 1997  Apr. 2003 Sep. 2005 Dec. 2008 Aug. 2010 Aug. 2013 Jun. 2016  Mar. 2017  Apr. 2018 Jun. 2018	Joined Ministry of Foreign Affairs, Japan (MFA) Deputy Permanent Representative of Japan to the World Trade Organization (WTO) in Geneva Minister's Secretariat (MFA) Consul-General of Boston Director-General for economic Affairs of MFA Ambassador to Singapore Ambassador to France Government Representative and Ambassador in charge of the Kansai region Ambassador for International Economic Affairs and Chief Negotiator for the Japan EU EPA MFA retired Director, Teijin Limited (Incumbent) Member of the Advisory Board, Teijin Limited (Incumbent)	400 shares
<Significant Concurrent Positions> Advisor to President and Visiting Professor, Chubu University Adviser, Amundi Japan Ltd				
<Reason of the nomination of the candidate for outside director> Although Yoichi Suzuki does not have direct experience in corporate management, he 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 regarding international economic and trade issues etc., and so the Company judges he can fulfill his duties appropriately as Outside Director.				
9	[New Candidate] Candidate for Outside Director  <b>Masaru Onishi</b> (May 19, 1955)	Apr. 1978 Apr. 2007 Apr. 2009 Jun. 2009  Feb. 2010  Nov. 2010  Mar. 2011  Apr. 2011  Feb. 2012 Feb. 2014 Jul. 2018	Joined Japan Air Lines Co., Ltd. President JAL Aircraft Maintenance Narita Executive officer, JAL International Co., Ltd President of Japan Air Commuter  President Japan Air Lines Corporation, (JAL group COO) President Japan Air Lines International Co., Ltd. President Japan Air Lines International Co., Ltd. (Organizational change) Representative Director, President Japan Air Lines International Co., Ltd. Representative Director, President Japan Airlines Co., Ltd. (Company name change from Japan Air Lines International Co., Ltd. to Japan Airlines Co., Ltd.) Representative Director, Chairman Japan Airlines Co., Ltd. Director, Chairman Japan Airlines Co., Ltd. Senior Representative External Affairs Japan Airlines Co., Ltd. (Incumbent)	0 shares
<Significant Concurrent Positions> Visiting Professor, Toyo university Trustees, International university				
<Reason of the nomination of the candidate for outside director> Masaru Onishi has served as president and chairman of Japan Airlines Co., Ltd. and he is expected to provide advice on the Company's business operations based on his abundant business experience and high level of insight.				

Note 1: Fumio Ohtsubo, Yukako Uchinaga, Yoichi Suzuki and Masaru Onishi 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, Fumio Ohtsubo, Yukako Uchinaga and Yoichi Suzuki at the Tokyo Stock Exchange as Independent Directors, and it plans to register the new candidates for Outside Director, Masaru Onishi 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.

Note 2: The Company has entered into liabilities limitation agreements with Fumio Ohtsubo, Yukako Uchinaga and Yoichi Suzuki who are currently Outside 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 Masaru Onishi election is approved, the Company will enter into a liabilities limitation agreement with him, which limits his 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.

Note 3: There are no special interests between the candidates and the Company.

Note 4: The chart below indicates the dates of the first appointment of the Outside Director for each candidate and the tenures in position as Outside Director before the closing of this General Meeting of Shareholders.

Name	Date of First Appointment	Tenure in Position
Fumio Ohtsubo	June 22,2016	3 years
Yukako Uchinaga	June 20 2018	1 year
Yoichi Suzuki	June 20 2018	1 year

## Proposal 2: Election of Two (2) Statutory Auditors

The terms of office of two (2) Statutory Auditors — Atsushi Mugitani and Gen Ikegami — will expire at the conclusion of this General Meeting of Shareholders.

Shareholders are therefore requested to elect the following two (2) Statutory Auditors

The Board of Statutory Auditors has already approved this proposal.

The candidates for Statutory Auditor are as follows.

No.	Candidate's Name (Date of Birth)	Personal History, Positions and Significant Concurrent Positions		Number of Company's Shares Owned
1	[New Candidate]  Masanori Shimai (March 7, 1964)	Apr. 1987 Jun. 2010 Apr. 2013  Jul. 2016 Apr. 2017  Apr. 2019	Joined Teijin Limited General Manager, Corporate Strategy Office General Manager, Administration Department Teijin Pharma Limited General Manager, Accounting Department General Manager, Material Business Strategic Planning and Control Division Teijin Group Auditors Office (Incumbent)	0 shares
<p>&lt;Reason of the nomination of the candidate for Corporate Auditor&gt; Masanori Shimai has experience in Corporate Management and Accounting Departments since joining the Company and he is well versed with accounting and finance and with the Teijin Group business. The Company expects that he will supervise overall management and provide effective advice. Therefore, the Company judges that he can fulfill his duties appropriately as Statutory Auditor.</p>				
2	[Reappointment] Candidate for Outside Corporate Auditor  Gen Ikegami (January 10, 1955)	Sep. 1980 Mar. 1983 Apr. 1984 Jun. 1988 May. 1992 May. 2000  Jul. 2010 Jun. 2015  Jul. 2015 Jul. 2016	Joined Showa Accounting Registered as Certified Public Accountant Singapore country residence U.S.A. residence Registered as CPA the state of California, U.S.A. Audit corporation Ota Showa Century representative partner Deputy President, The Japanese Institute of Certified Public Accountants Representative, Gen Ikegami Certified Public Accountant Office (Incumbent) Statutory Auditor, Teijin Limited (Incumbent) Counsel, The Japanese Institute of Certified Public Accountants (Incumbent)	3,900 shares
<p>&lt;Reason of the nomination of the candidate for Outside Corporate Auditor&gt; Although Gen Ikegami does not have direct experience in corporate management, the Company expects him to contribute to the maintenance and improvement of compliance by the Company with his abundant knowledge and experience as Certified Public Accountant. Therefore, the Company judges that he is able to perform duties as Outside Corporate Auditor properly.</p>				

Note 1: Gen Ikegami is a candidate for Outside Statutory Auditor. The Company requires the candidate for Outside Statutory Auditor to satisfy all the requirements of Independent Statutory Auditor stipulated by the Company. This candidate satisfies all such requirements. Since he also satisfies the requirements of independency as stipulated by Tokyo Stock Exchange Group, he was registered by the Company as "Independent Director / Auditor". Refer to 11-12 pages the contents of the requirements of "Independent Director" stipulated by the Company.

Note 2: The Company has entered into liability limitation agreements with Gen Ikegami, who is currently an incumbent Outside Statutory Auditor, which limits his 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. In the event that his election is approved, the Company intends to continue the same liability limitation agreement with him. Furthermore, if Masanori Shimai's election is approved, the Company will enter into an equivalent liabilities limitation agreement with him in accordance with the provisions of Article 427 of the Companies Act and the Company's Articles of Incorporation.

Note 3: There are no special interests between the candidate and the Company.

## <Reference>

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

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

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

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

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

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

Applicability of the category

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

In the event that the person currently holds the position of Director or any of “Executives and top managers” (Note 4) in a company or other for-profit organization in Japan or overseas that is presently a “major customer or business partner” (Note 3) of the Teijin Group
- (d) Persons having “inter-directorship” relations with the Teijin Group
  - (1) In the event that the relationship exists wherein the outside director currently holds the position of director in a company in Japan or overseas or holds a position in a for-profit organization that is equivalent to the director position, and a director of the Teijin Group currently holds a director or equivalent executive position in that same organization

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

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

Note 1: "Management executives" are employees who hold positions of importance, including operating officers, senior officers or positions higher than general manager.

Note 2: "Family" includes spouses, children, people sharing the same household and other persons related by blood or marriage within two degrees of consanguinity

Note 3: "Major customer or business partner" describes a person or an entity whose total annual transaction relationship, either as a seller or a purchaser, has exceeded 2% of consolidated net sales at any time within the past three years. (If the Teijin Group is the seller, this amount refers to the percentage of consolidated net sales of Teijin Limited. If the Teijin Group is the buyer, this amount refers to the percentage of consolidated net sales of the other party.)

Note 4: "Executives and top managers" are employees, counselors or advisors who hold positions of importance, including statutory auditor, operating officer or positions higher than general manager.

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

## Attached Reports

### Reports on Operations for the 153<sup>rd</sup> Fiscal Year (April 1, 2018 to March 31, 2019)

#### 1. Current Status 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 FY2018, ended March 31, 2019, saw an economic slowdown in Europe and the PRC, while there was continued moderate growth in the U.S., against the backdrop of uncertainties such as trade friction between the U.S. and the PRC. The Japanese economy continued to stage a modest recovery, mainly reflecting firm corporate earnings and improving employment conditions. The global economic outlook will need to be watched closely going forward.

In this environment, for FY2018, the Teijin Group posted lower earnings on higher sales in the Materials Business Field, mainly reflecting the impact of persistently high prices of raw materials and increased costs for the launch of projects in connection with new order intake in the composites business, despite firm sales. In the Healthcare Business Field, the Teijin Group posted slightly lower earnings on higher sales as growth in sales covered the impact of downward revisions to drug prices and medical fees and the absence of the upfront payment from Merck (¥3.0 billion) recorded in the previous fiscal year. Consolidated net sales totaled ¥888.6 billion, an increase of 6.4% year on year. Operating income decreased 14.1% to ¥60.0 billion. Ordinary income decreased 11.1% to ¥60.3 billion. Profit attributable to owners of parent decreased 1.1% to ¥45.1 billion and was almost same as the previous fiscal year.

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

Total assets as of March 31, 2019 amounted to ¥1,020.7 billion, up ¥38.7 billion from the end of FY2017. The main reason for the increase in total assets was an increase in working capital.

Total liabilities amounted to ¥593.4 billion, up ¥19.7 billion from the end of FY2017. One main component of this change was an increase in short-term loans payable.

Total net assets amounted to ¥427.2 billion, up ¥19.0 billion from the end of FY2017. This was mainly due to profit attributable to owners of parent, which was partly offset by a decrease due to the acquisition of own shares, among other factors.

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

(Billions of yen / %)

			Fiscal 2017	Fiscal 2018	Change	Percentage
Net sales	Material	Material	254.1	263.9	+9.9	+3.9
		Polyester Fiber & Trading and Retail	293.2	318.3	+25.1	+8.5
		Composites Others	77.5	89.4	+11.8	+15.3
		Material Sub Total	624.8	671.6	+46.7	+7.5
	Health Care	155.4	157.5	+2.1	+1.4	
	Others	54.8	59.5	+4.7	+8.6	
	Total	835.0	888.6	+53.6	+6.4	
Operating income	Material	33.6	23.5	-10.1	-30.1	
	Health Care	35.9	35.5	-0.5	-1.4	
	Others	6.1	7.2	+1.0	+16.7	
	Elimination and corporate	-5.9	-6.1	-0.2	-	
	Total	69.8	60.0	-9.8	-14.1	

Business Segment Results for fiscal 2018 were as follows:

## **I. Materials Business Field**

*In the Materials Business Field, sales were ¥671.6 billion, up ¥46.7 billion year on year, while operating income was ¥23.5 billion, down ¥10.1 billion.*

### **Material Business Group**

*Sales of aramid fibers were firm, and rising raw material prices in resin products and carbon fibers pushed down the profit.*

In Aramid Fibers, sales of *Twaron* para-aramid fibers were solid for automotive applications such as reinforcement materials for tires, as well as optical fiber applications. 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 grew steadily for use in aircraft, with sales volume also increasing for pressure vessel applications and other uses. In compound applications, sales were slightly subdued because of the impact of market situation. In addition, rising raw material and fuel prices pushed down earnings.

In Resin and Plastics Processing, particularly our mainstay polycarbonate resin products, earnings were suppressed by the rapid slowdown in demand and the decline in market prices for polycarbonate since the second quarter, despite efforts to shift sales to high-value-added products.

In Films, *Purex*, which is used as a release film for manufacturing processes mainly for multilayer ceramic capacitors for smartphones and automotive electronics, continued to expand. Sales also remained favorable for PEN film for use in automobiles and electronic components.

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

*Increased raw material prices pushed down the profit despite brisk sales of functional apparel fiber material and others.*

In Fiber Materials and Apparel, sales of fabrics for sports and outdoor use were favorable, along with growth in sales from product businesses based on strategic materials such as *SOLOTEX*. However, sales of heavy winter apparel struggled due to unseasonable weather conditions, and rising raw material prices and logistics costs pressured earnings.

In Industrial Textiles and Materials, we resumed full-scale production of polyester yarn and cotton, which was transferred to Thailand through restructuring initiatives, along with posting firm sales of short staple cotton. However, sales of automotive materials such as airbag fabrics were sluggish, due to the impact of slowing growth in the PRC.

### **Composites, Others**

*Sales increased due to favorable sales of automotive components in North America; however, one-time expenses increased.*

In Composites, we recorded firm sales of mass-produced automotive components led by Continental Structural Plastics Holdings Corporation for pickup trucks and SUVs, which performed well in North America, and for large trucks, for which the market showed signs of recovery. Meanwhile, earnings were pushed down by rising raw material prices and higher one-time expenses for launch of projects in connection with new order intake.

In Battery Materials, sales of *LIELSORT* lithium-ion battery (LIB) separators for consumer applications were sluggish mainly as a result of a slump in demand for use in smartphones.

### **Healthcare Business Field**

*Sales were firm, despite the impact of recording consideration for the licensing out of an investigational antibody candidate in Pharmaceuticals in the previous fiscal year.*

*In the Healthcare Business Field, sales were ¥157.5 billion, up ¥2.1 billion year on year, while operating income was ¥35.5 billion, down slightly by ¥0.5 billion.*

In Pharmaceuticals, the sales were affected by the downward revisions to drug prices in the domestic market. In this climate, sales of hyperuricemia and gout treatment *FEBURIC* (febuxostat), the transdermal anti-inflammatory

analgesic patch formulation *LOQOA* tape, and *Somatuline*®, a treatment for acromegaly, continued to expand steadily.

In Home Healthcare, we maintained a high level of rental volume for therapeutic oxygen concentrators for home oxygen therapy (HOT), enhancing the lineup of portable oxygen concentrators (*Hi-Sanso Portable a* (alpha), *Hi-Sanso Portable a II*). Rental volume for continuous positive airway pressure (CPAP) units for the treatment of sleep apnea syndrome (SAS) increased favorably, mainly due to increasing the appeal of *NemLink*, a monitoring system for CPAP units 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, Teijin Nakashima Medical Co., Ltd. a Teijin group company developing the artificial joint and orthopedic spine product businesses, posted a solid business performance.

## II. Others

*In Others, sales were ¥59.5 billion, up ¥4.7 billion year on year, and operating income was ¥7.2 billion, up ¥1.0 billion.*

In IT, the Digital Entertainment category saw a strong performance by the *Meccha Comics* e-comics distribution service. *Meccha Comics* delivered record-high sales as a result of efforts to maximize advertising effectiveness through data analysis, in addition to enhancing partnerships with publishing companies through such means as exclusive pre-release e-comics distribution campaigns and sales of tie-up magazines. In the IT services category, we posted firm sales of work management systems for hospitals in connection with measures to address work style reforms.

### 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 promotes “CSR management integrated with business strategy,” which involves contributing to the solving of society’s issues through establishing material CSR issues and business activities with the aim of achieving sustainable development of both business and society. In establishing CSR materiality, we referred to the social issues identified in the United Nations’ Sustainable Development Goals (SDGs), adopted in 2015, and we are pushing forward with initiatives for CSR promotion on global level.

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.

On the issue of “Diversity,” we are promoting personnel diversity, women’s advancement, and workstyle diversity, aiming to realize an organization that fully demonstrates the abilities of diverse human resources with different values and experiences in order to revitalize the organization and stimulate innovation.

In its promotion of active roles for women, the Group established a committee in 1999, and from 2000, the Group further pursued these activities by establishing a dedicated organization. Teijin was selected as one of “Nadeshiko Brands” which is jointly conducted by the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange to select enterprises that encourage women’s success in the workplace.

Moreover, we are proactively engaging in work style reforms in employees and promoting the design of systems to support diverse work styles in step with the time. To streamline our operations and reduce the work load on employees, we have been implementing RPA (robotic process automation to automate) repetitive tasks that have been carried out by people. In fiscal 2018, we set up a dedicated organization to advance this initiative. Moreover, to enable employees of diverse backgrounds to reach their full potential, in 2019 we will expand the scope of eligibility for our work-from-home system, previously limited to employees engaged in childcare, nursing care, or maternity, and so forth, opening it up to more employees and workplaces and implementing it as a telework system.

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. In addition, we are working to support youth sports such

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

as by being a sponsor of the All Japan High School Soccer Tournament, and by endorsing the “Children’s Rights in Sport Principles” promoted by the Japan Committee for UNICEF.

Additionally, we provide continual relief support for the areas affected by the Great East Japan Earthquake, as well as continually operating a range of initiatives to support employee volunteer activities

These initiatives have been recognized through the inclusion of the Teijin Group in multiple international social development investment indexes, such as 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		150 <sup>th</sup> Fiscal Period FY2015	151 <sup>st</sup> Fiscal Period FY2016	152 <sup>nd</sup> Fiscal Period FY2017	153 <sup>rd</sup> Fiscal Period FY2018 (Current period)
Items					
Net sales	(Millions of yen)	790,748	741,292	834,986	888,589
Operating income	(Millions of yen)	67,130	56,512	69,823	60,000
Ordinary income	(Millions of yen)	60,316	55,934	67,820	60,264
Profit attributable to owners of parent	(Millions of yen)	31,090	50,133	45,556	45,057
Net earnings per share	(Yen)	158.15	254.91	231.26	232.39
Total assets	(Millions of yen)	823,429	964,053	981,967	1,020,654
Net assets	(Millions of yen)	314,412	351,830	408,237	427,212

Note 1: The Company has adopted the “Partial Amendments to Accounting Standard for Tax Effect Accounting, etc.” (ASBJ Statement No. 28, February 16, 2018) effective from the beginning of the first quarter of the fiscal year. Accordingly, the figures of total assets have been retrospectively adjusted to reflect the application of the aforementioned accounting standard.

Note 2: Prior to the previous fiscal year, fractional amounts of less than 1 million yen were discarded, however, effective from the fiscal year, figures are rounded to the nearest million. In order to simplify comparisons, figures prior to the previous fiscal year have been retrospectively adjusted to round off to the nearest million.

## (3) Capital Investments

Capital investments by the Group in fiscal 2018 totaled ¥62.8 billion, mainly for growth and transformation strategies.

## (4) Financing

The Company procured finance mainly borrowings from financial institutions. Also, as a result of an increase in short-term debt, interest-bearing debt such as loans and bonds amounted to ¥369.2 billion, an increase of ¥25.0 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.

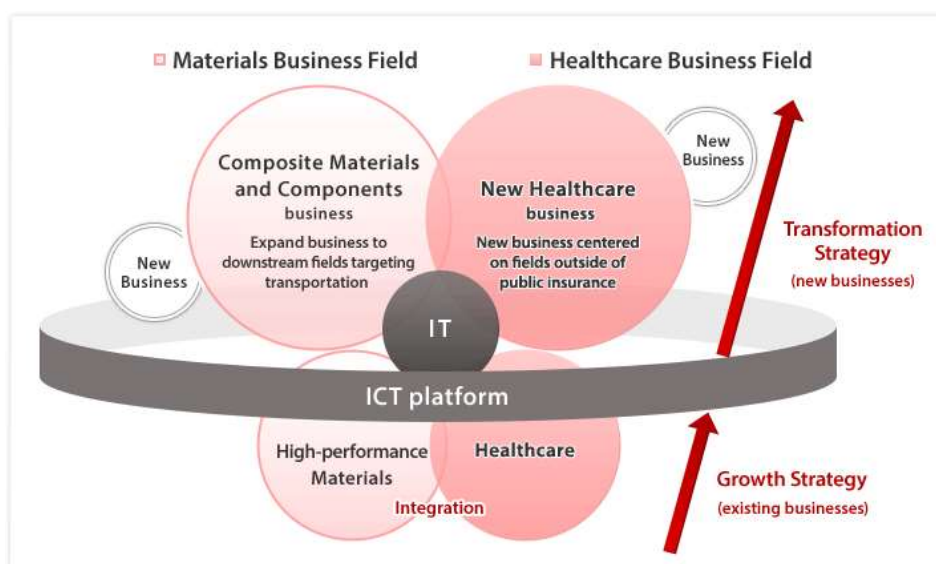
◆ **An enterprise that continues to create new value at all times**

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

\* The Company is proactively working to provide Environmental Value Solutions and conduct activities such as initiatives to reduce its environmental impact. In March 2019 the Company announced its support for the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), which has been established by the Financial Stability Board (FSB). Looking ahead, the Company will enhance and increase the disclosure of information on the risks and opportunities that climate change will impart to the Teijin Group’s businesses.

**b) Business Strategies in Medium-Term Management Plan for 2017-2019**

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, 2019)

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, Polycarbonate sheets & films, Transparent conductive film, PET · PEN · PBN resin, PPS resin, Frame-retardant
		Films	PET film · PEN film
	Polyester Fibers & Trading and Retail	Textiles and Apparel	Fiber materials, Apparel products, General merchandise
		Industrial Textiles and Materials	Fiber materials, Textiles, Nonwoven Fabric, Industrial and Automotive materials, Living and interior goods, Resin · films, Packaging materials 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, 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, spinal implant etc.,	
Others	IT Services	General Corporation information system, Information system for hospital, Information system for Care Business, Career Change support service for Care Business, Document control system, Web-ERP (Integration Business Software Package), Emergency Call / Safety Confirmation system, RPA (robotic process automation to automate)	
	Net Business	Electronic book delivery service, E-commerce of foods	

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

## (7) Primary Business Places

(As of March 31, 2019)

Business		Function	Location
The Company		Headquarters	Osaka, Tokyo
Materials	Materials	Manufacturing bases	Ehime, Yamaguchi, Shizuoka, Tochigi, Hiroshima, Gifu
			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, Mexico
		Research bases	Shizuoka, Ehime, Gifu, Chiba, Yamaguchi
			Germany, the Netherlands, China
	Polyester Fibers & Trading and Retail	Manufacturing bases	Ehime, Ishikawa, Fukui, Gifu, Yamaguchi, Hiroshima, Shimane
			China, Thailand, Germany, Hungary
		Operation bases	Tokyo, Osaka, Aichi, Niigata, Gifu
			U.S.A., Germany, China, Thailand, Indonesia
		Research bases	Ehime
			China, Thailand
Composites, Others	Manufacturing bases	Gifu	
		U.S.A., Mexico, South Korea, Portugal	
	Operation bases	Tokyo	
		U.S.A., Mexico, South Korea, Portugal	
	Research bases	Ehime, Yamaguchi	
		U.S.A., Germany, France	
Health Care		Manufacturing bases	Yamaguchi, Okayama, Hyogo
		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, 2019)

Business segments	152 <sup>nd</sup> Fiscal Period FY2017 (As of March 31, 2018)	153 <sup>rd</sup> Fiscal Period FY2018 (As of March 31, 2019) (Current period)	Change in the number of employees
Materials	14,487	15,421	+934
Health Care	3,337	3,345	+8
Others	1,887	1,905	+18
Total	19,711	20,671	+960

Note 1: The number of employees stated above represents the numbers of employees in each segment.

Note 2: The number of employees stated above does not include temporary employees  
(2,240 employees for the 152<sup>nd</sup> fiscal period and 2,385 employees for the 153<sup>rd</sup> fiscal period)

## (9) Significant Subsidiaries

(As of March 31, 2019)

Business segments		Subsidiary (Location of the Head Office)	Capital	Investment ratio (%)	Principal business
Materials	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)	916.6 million baht	*100.00	Production and sales of meta -aramid fibers and resin
		Teijin Carbon Europe GmbH. (Germany)	0.026 million euro	*100.00	Production and sales of carbon fibers
		Teijin Carbon America, Inc. (U.S.A.)	US\$97.5 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\$830 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	
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	

Note 1: The Teijin Group has 97 consolidated companies including the aforementioned 17 significant subsidiaries; 69 companies are accounted for via the equity method.

Note 2: \* indicates the investment ratio including investment by subsidiaries.

Note 3: The Company conducted the absorption-type merger with Toho Tenax Co., Ltd. with the effective date of April 1, 2018. Toho Tenax Co., Ltd. has been excluded from Significant Subsidiaries.

## (10) Primary Lenders and Amount of Borrowings

(As of March 31, 2019)

Primary Lenders	Balance of borrowings Millions of yen
MUFG Bank, Ltd.	126,979
Mizuho Bank, Ltd.	34,022
Development Bank of Japan Inc.	25,000

Note 1: indicates that the balance of borrowings includes loans from overseas affiliate banks.

Note 2: In addition to loans indicated in the balance of borrowings above, the Company borrows ¥91,829 million under syndicated loans.

**(11) Acquisition or disposal of shares or other interests of other companies or stock acquisition rights, etc.**

The Company completed the sale of all of the share it holds in Kyorin Holdings, Inc. (Securities code: 4569, First Section of the Tokyo Stock Exchange). The details are outlined below.

- 1) Sale Date: September 27, 2018
- 2) Shares Sold: 14,328,000 shares of common stock of Kyorin Holdings (19.12% of the total number of issued shares)
- 3) Value of Shares Sold: ¥35.3 billion
- 4) Sales Method: Participation in share buyback by Kyorin Holdings, Inc.
- 5) Background to the Sale: Since April 2013, the Company had successively acquired the shares of Kyorin Holdings and explored the prospects of entering into a strategic partnership with this company. However, due to subsequent changes in circumstances, the Company has agreed to sell all of the shares it holds to Kyorin Holdings.

**2. Matters Regarding the Shares of the Company (as of March 31, 2019)**

- (1) Authorized shares 600,000,000 shares
- (2) Issued shares 197,953,707 shares
- (3) Number of shareholders 87,518
- (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)	15,370,700	8.01
2	Japan Trustee Service Bank, Ltd. (Trust account)	10,579,149	5.51
3	Nippon Life Insurance Company	7,045,501	3.67
4	The Employee Stock Ownership Association of Teijin	5,021,689	2.61
5	JP MORGAN CHASE BANK 385151	4,125,925	2.15
6	Japan Trustee Service Bank, Ltd. (Trust account 7)	3,330,600	1.73
7	Japan Trustee Service Bank, Ltd. (Trust account 5)	3,144,400	1.63
8	STATE STREET BANK WEST CLIENT – TREATY 505234	2,970,251	1.54
9	JPMORGAN SECURITIES JAPAN Co., Ltd.	2,960,029	1.54
10	MUFG Bank, Ltd.	2,897,287	1.51

Note: The shareholding ratio has been calculated after excluding Treasury stocks (6,141,576 shares) from the Issued shares.

**(5) Relating to the Acquisition of Own Shares**

The Company passed a resolution at a meeting of the Board of Directors held on August 1, 2018 on matters relating to the acquisition of its own shares in accordance with the provisions of Article 459, Paragraph 1 of Japan's Companies Act and Article 41 of the Company's Articles of Incorporation.

Own shares were fully acquired pursuant to the resolution as follows.

- 1) Type of stock acquired: Teijin common stock
- 2) Total number of shares acquired: 9,107,400 shares
- 3) Total value of shares acquired: 19,999,850,400 yen
- 4) Acquisition date: August 2, 2018
- 5) Reason for the Acquisition of Own Shares: To implement flexible capital management policies in response to changes in the business environment.

### 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)	Number of Issued Stock Option (unit)	Class and Number of Shares (Common Stock) to be acquired by the Stock Option	Issue Price of Stock Option (per share)	Exercise Price of Stock Option (per share)	Period during which the Stock Option may be exercised
5 <sup>th</sup> (Jul. 10, 2006)	146	29,200	¥3,315	¥1	Jul. 10, 2006~Jul. 9, 2026
6 <sup>th</sup> (Jul. 5, 2007)	207	41,400	¥3,050	¥1	Jul. 5, 2007~Jul. 4, 2027
7 <sup>th</sup> (Jul. 7, 2008)	328	65,600	¥1,535	¥1	Jul. 7, 2008~Jul. 6, 2028
8 <sup>th</sup> (Jul. 9, 2009)	420	84,000	¥1,265	¥1	Jul. 9, 2009~Jul. 8, 2029
9 <sup>th</sup> (Jul. 9, 2010)	349	69,800	¥1,305	¥1	Jul. 9, 2010~Jul. 8, 2030
10 <sup>th</sup> (Mar. 12, 2012)	737	147,400	¥1,225	¥1	Mar. 12, 2012~Mar. 11, 2032
11 <sup>th</sup> (Mar. 15, 2013)	698	139,600	¥980	¥1	Mar. 15, 2013~Mar. 14, 2033
12 <sup>th</sup> (Mar. 14, 2014)	618	123,600	¥1,140	¥1	Mar. 14, 2014~Mar. 13, 2034
13 <sup>th</sup> (Mar. 18, 2015)	379	75,800	¥1,925	¥1	Mar. 18, 2015~Mar. 17, 2035
14 <sup>th</sup> (Mar. 16, 2016)	274	54,800	¥1,800	¥1	Mar. 16, 2016~Mar. 15, 2036
15 <sup>th</sup> (Mar. 17, 2017)	287	57,400	¥1,955	¥1	Mar. 17, 2017~Mar. 16, 2037
16 <sup>th</sup> (Mar. 16, 2018)	294	58,800	¥1,732	¥1	Mar. 16, 2018~Mar. 15, 2038
17 <sup>th</sup> (Mar. 18, 2019)	321	64,200	¥1,627	¥1	Mar. 18, 2019~Mar. 17, 2039

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, 2019)

Issue	Directors		Statutory Auditors	
	Number of Units	Number of Directors Holding Rights	Number of Units	Number of Statutory Auditors Holding Rights
The 8 <sup>th</sup> Issue of the Stock Option	10	2	5	1
The 9 <sup>th</sup> Issue of the Stock Option	15	3	5	1
The 10 <sup>th</sup> Issue of the Stock Option	53	4	12	1
The 11 <sup>th</sup> Issue of the Stock Option	79	5	14	1
The 12 <sup>th</sup> Issue of the Stock Option	75	5	12	1
The 13 <sup>th</sup> Issue of the Stock Option	75	5	9	1
The 14 <sup>th</sup> Issue of the Stock Option	61	5	8	1
The 15 <sup>th</sup> Issue of the Stock Option	71	5	–	–
The 16 <sup>th</sup> Issue of the Stock Option	77	5	–	–
The 17 <sup>th</sup> Issue of the Stock Option	100	5	–	–

Note 1: No Stock Option is granted to any Outside Directors and Statutory Auditors.

Note 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 17<sup>th</sup> Issue of the Stock Option noted in (1) above.

Status of Stock Option distributed to employees of the Company in the 17<sup>th</sup> Issue of Stock Option.

No. of Unites	No. of Recipients
221	21

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

Outlines of 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 2021
The total amount of debenture	20 billion yen
Issue date	December 12, 2014
Redemption fixed date	December 10, 2021
Number of stock acquisition rights	2,000 units
Type of shares to be issued upon exercise of stock acquisition rights	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
Conversion price*	¥1,912.8 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.
Exercise period of stock acquisition rights	Between December 26, 2014 and November 26, 2021

Note 1: The proposal to pay out ¥40 per share for the year-end dividend was approved at the board of directors meeting on May 9, 2019. The dividend payout for the previous fiscal year was ¥70 per share, and as a result the conversion price is being adjusted. (Effective date: As of April 1, 2019)

Note 2: The Zero Coupon Convertible Bonds due 2018 (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 expired on November 28, 2018 and matured on December 12, 2018.

## 4. Corporate Governance System

### Overview

The Teijin Group realizes that its basic mission as a company is to ensure sustainable growth in shareholder value. On this basis, in order to fulfill our responsibilities to other various stakeholders, we are striving to strengthen corporate governance. We have implemented a series of groundbreaking management reforms relating to basic elements of corporate governance with the aim of enhancing transparency, ensuring fairness, accelerating decision-making, and ensuring monitoring and supervision independence

#### (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. Currently, the Company's Board of Directors comprises nine (9) members, including four (4) outside directors whose independence is assured with one of whom is a female director. 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. Currently, the Board of Directors is chaired by an outside director.

##### 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. For matters concerning CEO, CEO leaves the room and does not participate in the discussion. For matters concerning the chairman, the chairman leaves the room and does not participate in the discussion.

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

In addition to the above Advisory Board, the Company shall establish and manage the Nomination Consultative Committee and the Compensation Consultative Committee, as consultative bodies of the Board of Directors to further enhance the transparency concerning the appointment of directors and officers. Both committees are made up of two outside directors, the Chairman of the Board and the President & CEO. Outside Director chairs both committees. Both committees shall have a function to make proposals and recommendations to the Board of Directors with respect to the nomination, evaluation and amount of compensation of Directors and the Senior Management other than the Chairman and CEO and the nomination of Statutory Auditors.

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

The Company's Board of Statutory Auditors consists of five members, of who, three—a majority—are independent outside directors who are independent from the company, and one of those three is female. In addition, Gen Ikegami possesses certified public accountant's qualification and possesses considerable knowledge of finance and accounting.

Hitomi Nakayama possesses considerable knowledge concerning compliance as lawyer. 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, 2019, the number of internal auditors in the Teijin Group is 18 (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, 6 years), Kiyoshi Hirai (KPMG AZSA LLC, 5 year), Takeharu Kirikae (KPMG AZSA LLC, 4 years).

The status of assistants who executed auditing is as follows.

Certified public accountants 21, others 30, total 51.

#### **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/management/governance/guide/>)

## 5. Directors and Statutory Auditors

### (1) Directors and Statutory Auditors

(As of March 31, 2019)

Post	Name	Duty, state of significant positions concurrently held at other companies
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
Senior Executive Officer, Director	Yoshihisa Sonobe	Responsible for Corporate Strategy Officer Responsible for Global Strategy
Director	Nobuo Seki	Outside Director, KAMEDA SEIKA Co., Ltd. Outside Director, Yokogawa Electric Corporation
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.
*Director	Yukako Uchinaga	Board Chair, Japan Women's Innovate Network President & CEO, Globalization Research Institute Co., Ltd. Outside Director, Aeon Co., Ltd. Outside Director, HOYA Corporation
*Director	Yoichi Suzuki	Adviser to President and Visiting Professor, Chubu university Adviser, Amundi Japan Ltd
Full-time Statutory Auditor	Noriaki Endo	
Full-time Statutory Auditor	Atsushi Mugitani	
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 Outside Director, TAC Co., Ltd. Counsel and Chairman of the Ethics Committee, The Japanese Institute of Certified Public Accountants
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

Note 1: The directors marked with \* were newly elected at the 152<sup>nd</sup> Ordinary General Meeting of Shareholders held on June 20, 2018.

Note 2: Four (4) Directors—Nobuo Seki, Fumio Ohtsubo, Yukako Uchinaga and Yoichi Suzuki—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.

Note 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.

Note 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.

Note 5: There are no important interests between the Company and any of the companies at which the abovementioned outside statutory auditors hold positions as director/ statutory auditor etc.

Note 6: Statutory Auditor Gen Ikegami is a Certified Public Accountant and has ample knowledge of finance and accounting.

Note 7: The following Directors retired as of June 20, 2018.

Director	Shigeo Ohyagi
Director	Yutaka Imura
Director	Kenichiro Senoh

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

Name	New Post	Former Post	Date of Change
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

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

Name	New Post	Former Post	Date of Change
Kazuhiro Yamamoto	Vice President, Representative Director President, Responsible for Chief Officers of Teijin Group	Vice President, Representative Director CFO (Chief Financial Officer) CIO	April 1, 2019
Hiroshi Uno	Director	Senior Executive Officer, Director Responsible for Healthcare Business of Teijin Group	April 1, 2019
Yoshihisa Sonobe	Senior Executive Officer, Director CFO (Chief Financial Officer)	Executive Officer, Director Responsible for Corporate Strategy Officer Responsible for Global Strategy	April 1, 2019

## (2) Liabilities Limitation Agreements

### 1) Liabilities Limitation Agreement with Outside Directors

The Company has executed a Liabilities Limitation Agreement with each of four (4) outside directors, Nobuo Seki, Fumio Ohtsubo, Yukako Uchinaga and Yoichi Suzuki 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, Noriaki Endo, Atsushi Mugitani, 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) The Amount of Remuneration for Directors and Statutory Auditors, etc.

### 1) Policy on Deciding on the Amount of Remuneration, Etc. for Directors and Statutory Auditors, or the Calculation Thereof.

#### ① Basic policy for compensation systems

- The system should enhance awareness of contributing to medium- to long-term increase in earnings and corporate value
- The system should be closely linked to company results, and highly transparent and objective
- Be primarily focused on enhancing shared awareness of interests with shareholders and shareholder-focused management awareness
- The system should maintain sufficient remuneration levels to secure high-quality management human resources

#### ② Composition of remuneration, etc. for directors and statutory auditors

- Internal director remuneration is composed of fixed basic remuneration, variable performance-based remuneration (short-term incentive remuneration), and compensation-type stock options (medium- to long-term incentive remuneration), with the aim of instilling awareness of short-term achievement of performance goals and medium- to long-term improvement of corporate value.
- Remuneration for outside directors and statutory auditors is solely fixed remuneration, not linked with the performance of the Company.

③ Remuneration level

- The remuneration level for internal directors and outside directors is determined each year after verifying the appropriateness of the level of total remuneration for each position, based on the results of a remuneration survey conducted among major corporations in Japan each year.

④ Composition ratio of remuneration

For internal directors, the composition ratio is as follows.

Fixed remuneration	Variable remuneration		Total remuneration
Basic remuneration	Performance-based remuneration	Compensation-type stock options	
65%	25%	10%	100%

Note: The ratio for performance-based remuneration and compensation-type stock options is based on 100% achievement of relevant targets.

⑤ Indicators for variable remuneration and reason for their selection

Three indicators presented as performance targets for the medium-term management plan for 2017-2019, “ALWAYS EVOLVING,” have been selected as key performance indicators (KPIs) for variable remuneration: consolidated ROE, which is a profitability indicator; consolidated EBITDA, which is a growth indicator; and ROIC based on consolidated operating income, which is an indicator of efficiency of generating profits relative to capital invested. Their selection will motivate each director to improve the KPIs.

⑥ Overview of remuneration elements for internal directors

(a) Basic remuneration

The amount paid to each director is determined according to their position and paid as fixed remuneration.

(b) Performance-based remuneration

The payment ratio of performance-based remuneration varies depending on the achievement level of consolidated ROE, the achievement versus forecast of consolidated EBITDA and consolidated ROIC based on consolidated operating income, and the individual performance evaluation of the director.

(c) Compensation-type stock options

The Company’s stock options are designed based on a compensation-type stock option plan where the exercise price is ¥1 (the stock option recipient pays ¥1 per stock). The number of stock options allocated varies depending on the achievement of consolidated ROE and the achievement versus forecast of consolidated EBITDA. Moreover, the allocated stock options have a condition that allows the recipient to exercise the options within a five-year period after retiring as a director.

2) Resolutions of Ordinary General Meeting Regarding on Remuneration for Directors and Statutory Auditors, etc.

The maximum annual remuneration for directors of the Company has been ¥700 million, as resolved by the 140<sup>th</sup> Ordinary General Meeting of Shareholders, held on June 23, 2006 and the 149<sup>th</sup> 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 maximum monthly remuneration for statutory auditors is ¥12 million as resolved by the 133<sup>rd</sup> Ordinary General Meeting of Shareholders held on June 25, 1999.

3) Remuneration for Directors and Statutory Auditors during the subject fiscal year

① Remuneration for Directors during the subject fiscal year

(millions of yen)

Inside Directors		Outside Directors		Total	
Number of Directors	Amount of Remuneration	Number of Directors	Amount of Remuneration	Number of Directors	Amount of Remuneration
6	398	6	63	12	461

Note 1: Inside directors means directors other than outside directors.

Note 2: The Company has no director who is also an employee of the Company.

Note 3: The amounts of above remuneration include ¥92 million, an expected amount of performance-based remuneration to be paid to the five (5) inside directors appointed at the 152<sup>nd</sup> Ordinary General Meeting of Shareholders held on June 20, 2018. Performance-based remuneration was not paid to outside directors. The amounts of above remuneration include ¥32 million as

compensation-type stock options granted to inside directors for their duties performed during the subject fiscal year. Stock options were not granted to outside directors.

Note 4: The Company abolished the retirement benefits payment system for retiring inside directors at the conclusion of the 145<sup>th</sup> 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 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	69	3	35	5	104

Note: Inside statutory auditors means statutory auditors other than outside statutory auditors.

4) Method for determining remuneration of directors and statutory auditors

The Advisory Board deliberates on the remuneration of the Chairman of the Board and CEO, and the Compensation Consultative Committee deliberates on the remuneration for directors other than the Chairman of the Board and CEO. After the deliberations, proposals are presented to the Board of Directors, which gives full consideration to the proposals before passing a resolution.

Remuneration, etc. for statutory auditors is decided by consultation of the statutory auditors.

(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	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.
	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.
	Yukako Uchinaga	After her appointment on June 20, 2018, she attended 9 of the 9 meetings of the Board of Directors held during the relevant fiscal year and offered valuable comments from her wealth of business experience, outstanding insights in the IT field, and a deep understanding of diversity.
	Yoichi Suzuki	After her appointment on June 20, 2018, he attended 9 of the 9 meetings of the Board of Directors held during the relevant fiscal year and offered valuable comments from his expertise and knowledge of international economic and trade issues, etc., cultivated over many years as a diplomat.
Outside Statutory Auditors	Nobuo Tanaka	Attended 12 of 11 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	Attended 12 of 12 meetings of the Board of Directors and 12 of 12 meetings of the Board of Statutory Auditors held during the relevant fiscal year and offered valuable comments from her professional knowledge as lawyer, and offered, in particular, advice and suggestions concerning compliance

## 6. 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	171
2) The total amount of cash or other proprietary interest to be paid by the Company and its subsidiaries to the accounting auditor	327

Note 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.

Note 2: Of the major subsidiaries of the Company, 10 companies, including Teijin Aramid B.V., undergo auditing by accounting firm other than the accounting auditor.

Note 3: The Company pays the Accounting Auditor for a fee “Accounting advisory service” etc. (i.e. services other than those stipulated in Article 2, paragraph 1 of the Certified Public Accountants Law)

Note 4: 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.

## 7. 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.

## **8. 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 29, 2019.

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/management/governance/>).

#### **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, 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, 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 assesses 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 Group Ethics Regulations 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.

## **9. Basic Policy Regarding the Control of the Company**

### **(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**

The Company will continue to request provision of information necessary and sufficient for shareholders to make proper judgments on the appropriateness of large-scale acquisition with respect to parties that engage in or are about to engage in large-scale acquisition of Teijin shares, as well as take appropriate measures in accordance with the Financial Instruments and Exchange Act, Companies Act and other relevant laws and regulations after the abolition of the Plan, including disclosure of the opinions, etc. of the Board of Directors of the Company, and efforts to ensure time and information necessary for examination by shareholders.

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)

	FY2017 (As of Mar. 31, 2018)	FY2018 (As of Mar. 31, 2019)
<b>&lt; Assets &gt;</b>		
<b>Current assets</b>		
Cash and deposits	96,418	100,592
Notes and accounts receivable-trade	177,777	194,241
Securities	14,000	33,000
Merchandise and finished goods	91,258	98,727
Work in process	10,828	11,556
Raw materials and supplies	34,179	35,597
Short-term loans receivable	13,126	14,208
Other current assets	40,852	36,515
Allowance for doubtful accounts	(578)	(582)
<b>Total</b>	<b>477,859</b>	<b>523,854</b>
<b>Noncurrent assets</b>		
<b>Tangible assets</b>		
Buildings and structures, net	60,107	64,159
Machinery and equipment, net	94,870	105,908
Land	42,092	43,334
Construction in progress	20,608	30,827
Other, net	22,613	23,658
<b>Total</b>	<b>240,289</b>	<b>267,887</b>
<b>Intangible assets</b>		
Goodwill	27,192	32,845
Other	33,149	36,664
<b>Total</b>	<b>60,341</b>	<b>69,510</b>
<b>Investments and other assets</b>		
Investment securities	127,721	96,179
Long-term loans receivable	2,986	1,272
Net defined benefit asset	39,576	31,382
Deferred tax assets	10,675	7,521
Other	24,622	24,719
Allowance for doubtful accounts	(2,102)	(1,670)
<b>Total</b>	<b>203,479</b>	<b>159,403</b>
<b>Total noncurrent assets</b>	<b>504,108</b>	<b>496,800</b>
<b>Total assets</b>	<b>981,967</b>	<b>1,020,654</b>

(Millions of yen)

	FY2017 (As of Mar. 31, 2018)	FY2018 (As of Mar. 31, 2019)
<b>&lt; Liabilities &gt;</b>		
<b>Current liabilities</b>		
Notes and accounts payable-trade	92,383	93,499
Short-term loans payable	66,291	104,265
Current portion of long-term loans payable	16,175	7,662
Current portion of bonds	17,986	15,000
Income taxes payable	5,111	6,879
Provision for business structure improvement	9,572	81
Accrued expenses	24,617	23,542
Other	44,051	49,277
<b>Total</b>	<b>276,186</b>	<b>300,205</b>
<b>Noncurrent liabilities</b>		
Bonds payable	35,053	20,039
Long-term loans payable	207,163	220,583
Net defined benefit liability	35,650	37,553
Asset retirement obligations	1,426	2,645
Deferred tax liabilities	5,058	3,539
Other	13,194	8,878
<b>Total</b>	<b>297,544</b>	<b>293,237</b>
<b>Total liabilities</b>	<b>573,730</b>	<b>593,442</b>
<b>&lt;Net assets&gt;</b>		
<b>Shareholders' equity</b>		
Capital stock	71,833	71,833
Capital surplus	104,685	104,256
Retained earnings	202,413	235,324
Treasury stock	(167)	(13,412)
<b>Total</b>	<b>378,765</b>	<b>398,000</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	28,377	26,720
Deferred gains or losses on hedges	903	(52)
Foreign currency translation adjustment	(14,815)	(11,402)
Remeasurements of defined benefit plans	(305)	(2,538)
<b>Total</b>	<b>14,160</b>	<b>12,728</b>
<b>Subscription rights to shares</b>	<b>860</b>	<b>889</b>
<b>Non-controlling interests</b>	<b>14,453</b>	<b>15,595</b>
<b>Total net assets</b>	<b>408,237</b>	<b>427,212</b>
<b>Total liabilities and net assets</b>	<b>981,967</b>	<b>1,020,654</b>

(2) Consolidated Statements of Income

(Millions of yen)

	FY2017 (Apr. 2017-Mar. 2018)	FY2018 (Apr. 2018-Mar. 2019)
<b>Net sales</b>	<b>834,986</b>	<b>888,589</b>
Cost of sales	565,689	620,715
<b>Gross profit</b>	<b>269,297</b>	<b>267,874</b>
Selling, general and administrative expenses	199,474	207,874
<b>Operating income</b>	<b>69,823</b>	<b>60,000</b>
Non-operating income		
Interest income	967	973
Dividends income	2,035	2,320
Equity in earnings of affiliates	1,215	434
Foreign exchange gains	601	—
Gain on valuation of derivatives	—	2,424
Miscellaneous income	1,178	1,089
Total	5,996	7,240
Non-operating expenses		
Interest expenses	2,646	3,499
Foreign exchange losses	—	846
Contribution	588	494
Loss on valuation of derivatives	3,109	—
Miscellaneous loss	1,656	2,138
Total	7,999	6,977
<b>Ordinary income</b>	<b>67,820</b>	<b>60,264</b>
Extraordinary income		
Gain on sales of noncurrent assets	5,595	300
Gain on sales of investment securities	586	4,849
Reversal of provision for business structure improvement	377	34
Settlement received	—	4,500
Other	193	241
Total	6,752	9,924
Extraordinary loss		
Loss on sales and retirement of noncurrent assets	4,147	2,325
Loss on valuation of investment securities	89	246
Impairment loss	1,076	5,990
Business structure improvement expenses	828	29
Other	538	1,237
Total	6,678	9,828
<b>Income before income taxes</b>	<b>67,894</b>	<b>60,360</b>
Income taxes - current	11,269	13,834
Income taxes - deferred	9,524	(271)
Total	20,793	13,563
<b>Profit</b>	<b>47,101</b>	<b>46,797</b>
Profit attributable to non-controlling interests	1,545	1,740
<b>Profit attributable to owners of parent</b>	<b>45,556</b>	<b>45,057</b>

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

FY2018 (Apr. 2018 - Mar. 2019)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of March 31, 2018	71,833	104,685	202,413	(167)	378,765
Changes of items during the period					
Dividends from surplus			(11,688)		(11,688)
Profit attributable to owners of parent			45,057		45,057
Purchase of treasury stock				(20,039)	(20,039)
Disposal of treasury stock		(624)		6,793	6,169
Transfer of loss on disposal of treasury shares		459	(459)		—
Change in treasury shares of parent arising from transactions with non-controlling shareholders		(264)			(264)
Net changes of items other than shareholders' equity					
Total	—	(429)	32,910	(13,246)	19,235
Balance at March 31, 2019	71,833	104,256	235,324	(13,412)	398,000

	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, 2018	28,377	903	(14,815)	(305)	14,160	860	14,453	408,237
Changes of items during the period								
Dividends from surplus								(11,688)
Profit attributable to owners of parent								45,057
Purchase of treasury stock								(20,039)
Disposal of treasury stock								6,169
Transfer of loss on disposal of treasury shares								—
Change in treasury shares of parent arising from transactions with non-controlling shareholders								(264)
Net changes of items other than shareholders' equity	(1,658)	(955)	3,413	(2,232)	(1,432)	29	1,143	(260)
Total	(1,658)	(955)	3,413	(2,232)	(1,432)	29	1,143	18,975
Balance at March 31, 2019	26,720	(52)	(11,402)	(2,538)	12,728	889	15,595	427,212

**Consolidated Statements of Comprehensive Income (Reference)**

(Millions of yen)

	FY2017 (Apr. 2017-Mar. 2018)	FY2018 (Apr. 2018-Mar. 2019)
<b>Profit</b>	<b>47,101</b>	<b>46,797</b>
<b>Other comprehensive income</b>		
Valuation difference on available-for-sale securities	6,854	(1,412)
Deferred gains or losses on hedges	1,180	(956)
Foreign currency translation adjustment	8,679	4,382
Remeasurements of defined benefit plans, net of tax	863	(2,275)
Share of other comprehensive income of associates accounted for using equity method	1,468	(913)
<b>Total</b>	<b>19,043</b>	<b>(1,174)</b>
<b>Comprehensive income</b>	<b>66,144</b>	<b>45,623</b>
Comprehensive income attributable to :		
Owners of parent	64,200	43,625
Non-controlling interests	1,945	1,999



## Consolidated Statements of Cash Flows (Reference)

(Million yen)

	FY2017 (Apr. 2017-Mar. 2018)	FY2018 (Apr. 2018-Mar. 2019)
<b>Cash flows from operating activities</b>		
Income before income taxes	67,894	60,360
Depreciation and amortization	45,655	47,551
Impairment loss	1,076	5,990
Increase (decrease) in net defined benefit liability	2,179	1,911
Decrease (increase) in net defined benefit asset	(2,781)	4,985
Increase in investment securities due to retirement benefit trust return	—	(6,099)
Increase (decrease) in allowance for doubtful receivables	(101)	(27)
Increase (decrease) in provision for business structure improvement	(16,485)	(1,202)
Interest and dividends income	(3,002)	(3,293)
Interest expenses	2,646	3,499
Equity in (earnings) losses of affiliates	(1,215)	(434)
Loss (gain) on valuation of derivatives	3,109	(2,424)
Loss (gain) on sales and retirement of noncurrent assets	(1,449)	2,025
Loss (gain) on sales of investment securities	(585)	(4,845)
Loss (gain) on valuation of investment securities	89	246
Settlement received	—	(4,500)
Decrease (increase) in notes and accounts receivable-trade	(10,813)	(13,751)
Decrease (increase) in inventories	(11,295)	(8,187)
Increase (decrease) in notes and accounts payable-trade	12,307	(1,343)
Other, net	5,031	724
<b>Subtotal</b>	<b>92,259</b>	<b>81,185</b>
Interest and dividends income received	5,968	7,751
Interest expenses paid	(2,565)	(3,493)
Settlement package received	—	4,500
Income taxes paid	(15,571)	(9,044)
<b>Net cash and cash equivalents provided by operating activities</b>	<b>80,092</b>	<b>80,899</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(42,605)	(55,599)
Proceeds from sales of property, plant and equipment	10,143	310
Purchase of intangible assets	(3,431)	(3,328)
Purchase of investment securities	(5,161)	(3,620)
Proceeds from sales of investment securities	690	40,357
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(1,942)	(16,411)
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	—	1,056
Payments for sales of shares of subsidiaries resulting in change in scope of consolidation	(3,685)	—
Decrease (increase) in short-term loans receivable	(529)	(489)
Payments of long-term loans receivable	(868)	(532)
Collections of long-term loans receivable	300	93
Other, net	(4,219)	(3,125)
<b>Net cash and cash equivalents used in investing activities</b>	<b>(51,307)</b>	<b>(41,288)</b>
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term loans payable	10,619	31,433
Redemption of bonds	—	(11,910)
Proceeds from long-term loans payable	16,051	25,918
Repayment of long-term loans payable	(45,831)	(27,858)
Purchase of treasury shares	(21)	(20,039)
Cash dividends paid	(11,804)	(11,688)
Cash dividends paid to non-controlling interests	(287)	(436)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	—	(477)
Other, net	(212)	(296)
<b>Net cash and cash equivalents provided by financing activities</b>	<b>(31,485)</b>	<b>(15,353)</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>1,309</b>	<b>(184)</b>
Net increase (decrease) in cash and cash equivalents	(1,392)	24,074
<b>Cash and cash equivalents at beginning of period</b>	<b>117,550</b>	<b>116,158</b>
Increase in cash and cash equivalents resulting from change of scope of consolidation	—	202
<b>Cash and cash equivalents at end of period</b>	<b>116,158</b>	<b>140,434</b>