

TEIJIN

Human Chemistry, Human Solutions



ALWAYS EVOLVING

INTEGRATED REPORT **2021**

Year ended March 31, 2021

Corporate Philosophy

► The reason for our existence, our social mission, and management's highest ideals



Code of Conduct

► The standard for action that aligns with our corporate philosophy

We—the Teijin Group, including its officers and employees—act according to our conscience, with the aim of enhancing the quality of life for all stakeholders.

Together

We are united in building shared, sustainable values through mutual respect for our unique differences.

Environment,
Safety & Health

We put the global environment, human safety and health as our top priorities when conducting business.

Integrity

We act with integrity in compliance with laws and regulations, and show respect for human rights and the local communities in which we operate.

Joy at Work

We are committed to building a fulfilling and joyous workplace, where each of us is passionate about our work.

INnovation

We challenge ourselves for transformation and provide innovative solutions, anticipating the needs of our customers and society.

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Long-Term Vision

► What we aim to be

To Be a Company That Supports the Society of the Future

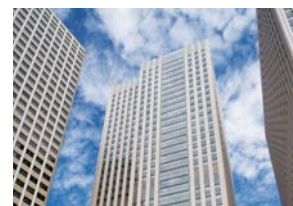
We aim to achieve our long-term vision of being “a company that supports the society of the future.” With the evolution of technology, the society of the future will transform with unprecedented speed. To that end, we will strive to anticipate the needs of our customers and future society and pursue ceaseless evolution toward reaching our ambitious view for the company of the future. As a company that believes in “chemistry that puts humanity first,” we will consider how to enrich the lives of people in the future in a manner that goes beyond chemistry based on substances and materials. In this way, we will provide solutions that contribute to the realization of a sustainable world.

Our Management System

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About the Photo on the Cover of This Report

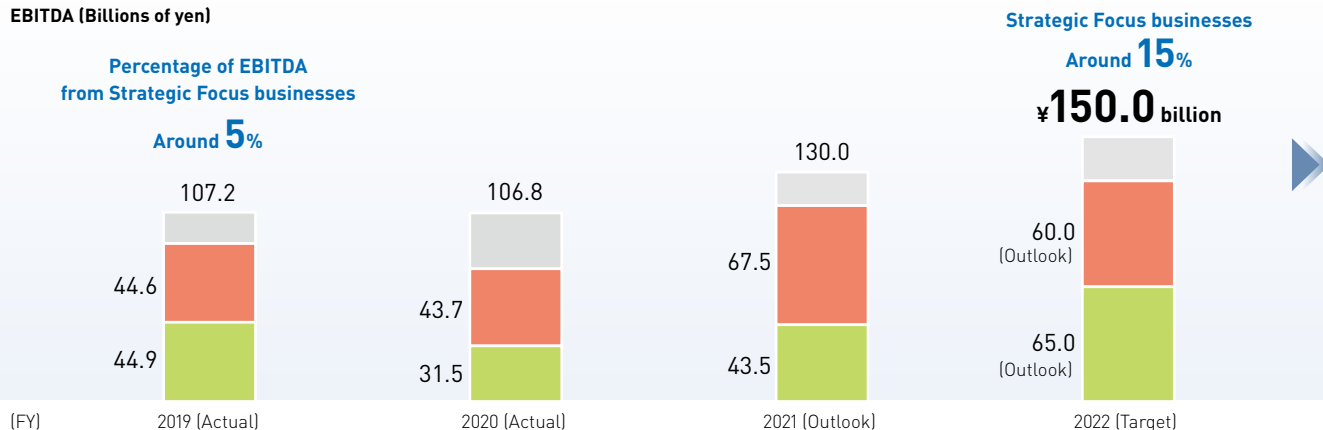
Teijin's meta-aramid *Teijinconex neo* has been adopted for use in the official racing suit of the UK-based Envision Virgin Racing Formula E Team (EVR), which competes in the ABB FIA Formula E World Championship, a formula car racing competition for electric vehicles. The Teijin Group supports EVR as part of its approach to raising awareness of global warming. This approach involves the pursuit of technologies and insight related to the development of lightweight, high-strength components with outstanding design, which are needed in next-generation vehicles, and products that contribute to improving safety.

Executive Summary

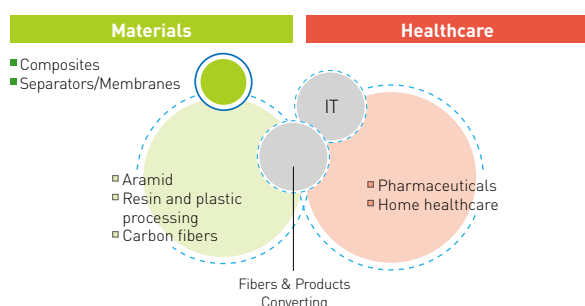
In fiscal 2020, the first year of Medium-Term Management Plan 2020–2022: ALWAYS EVOLVING, we continued proactive investment activities with the aim of achieving our future vision. We added the “regenerative medical product field” and “diabetes treatment and severity prevention” to our targeted business portfolio for fiscal 2030. Furthermore, we raised our long-term environmental target related to climate change. While we have not revised our financial targets for fiscal 2022, we changed the breakdown of EBITDA by business from our initial breakdown at the time of the plan’s formulation. We also expanded the upper limit for capital expenditures and M&As. Going forward, we will steadily execute the medium-term management plan with the aim of creating growth platforms.

Business Portfolio Transformation

EBITDA (Billions of yen)



Portfolio in Fiscal 2019



Strategic Focus Businesses

Profitable Growth Businesses

Previous Medium-Term Management Plan 2017–2019
“Prioritizing Business Areas and Clarifying Challenges”

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

Financial Targets of Medium-Term Management Plan 2020–2022

(FY)	2019 (Actual)	2020 (Actual)	2021 (Outlook)	2022 (Target)
ROE	6.3 %	-1.7 %	8 %	10 % or more
ROIC (based on operating income)	8.7 %	8.6 %	7 %*	8 % or more

* Calculated with the inclusion of a projected increase in investment capital at the beginning of fiscal 2021 due to the transfer of marketing approvals of diabetes drugs

Capital expenditures + M&As

Previous Medium-Term Management Plan (Results)

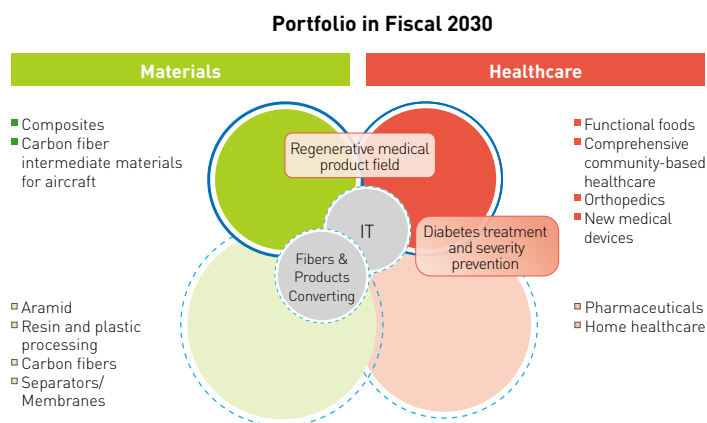
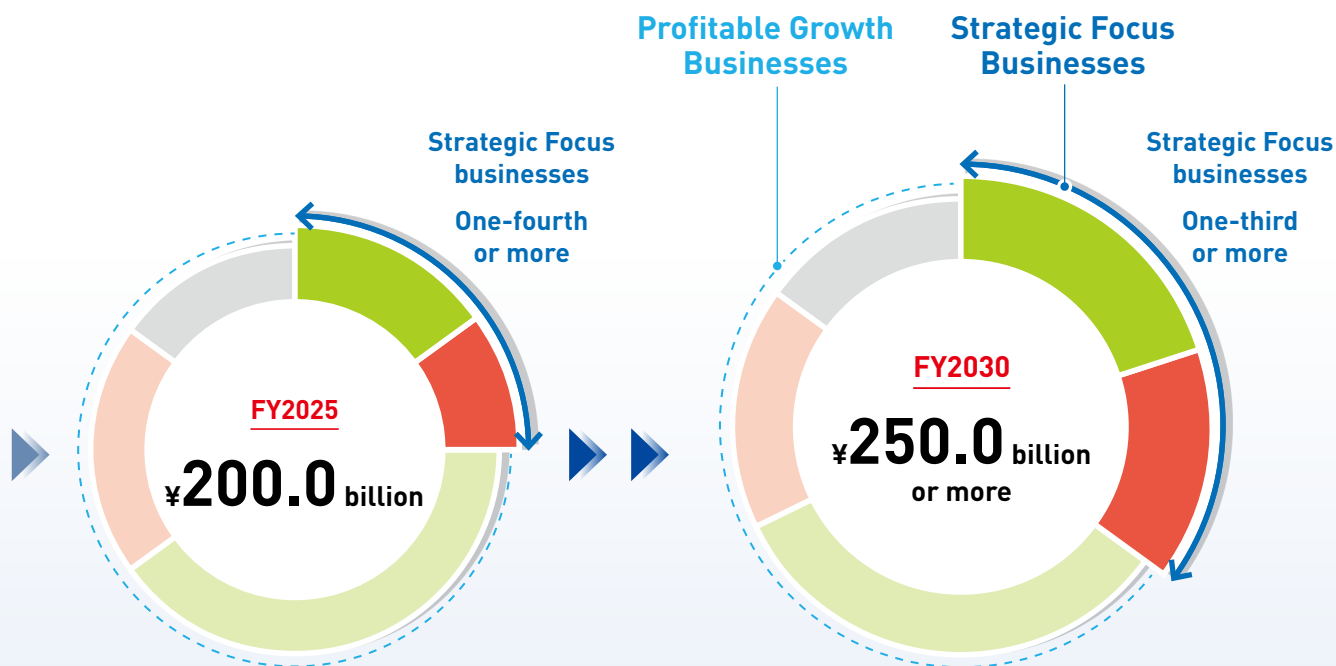
¥233.6 billion*

* Includes expenditures, etc., toward associates accounted for using the equity method

Medium-Term Management Plan 2020–2022

¥450.0 billion*

* Expanded from an upper limit of ¥350.0 billion set at the time of the plan’s formulation

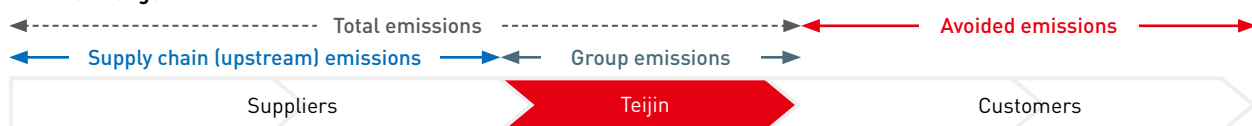


P.47 Initiatives for the Global Environment

Toward 2030
“Contributing to the Realization of a Sustainable World”

Long-Term Goals for Reducing Environmental Impact (vs. Fiscal 2018)

Climate Change



Group CO₂ emissions (Raising of fiscal 2030 target)

Fiscal 2030

Fiscal 2050

Net **zero** emissions

30% reduction

Supply chain (upstream) CO₂ emissions (Newly set)

Fiscal 2030

15% reduction

(Purchased goods and services except trading business)

Avoided CO₂ emissions

By fiscal 2030

Total emissions < Avoided emissions*

* Calculated as the amount of avoided CO₂ emissions that the Company's products have contributed to in the supply chain downstream

Water (Freshwater intake)

Fiscal 2030

30% improvement

(Per sales unit)

Hazardous chemical substances

Fiscal 2030

20% improvement

(Per sales unit)

Resource circulation (Landfill waste)

Fiscal 2030

10% improvement

(Per sales unit)

Road Map to Achieving Our Long-Term Vision

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

Results for Fiscal 2020

Priority Initiatives for Fiscal 2021–Fiscal 2022

Strategic Focus

Promotion of active investment in light of the growing need for lightweight materials in the mobility domain

- Proceeded with preparations to commence operations at the new carbon fiber plant in North America
- Advancement of the construction of the automotive composites plant in Texas, U.S.

Continuous development of carbon fiber intermediate materials for aircraft

Expansion of share and enhancement of profitability through large-scale programs for automotive composites

Contribution to lightweight mobility and proactive response to environmental needs

- Worked to increase production capacity of aramid fibers
- Established the European Sustainable Technology Innovation Center (ESTIC)

Reinforcement of leading position through expanded production capacity and the sale of aramid fibers

Materials

Fibers & Products
Converting
IT

Healthcare

Profitable Growth

Profitable Growth

Strategic Focus

Obtaining of approval for new products

- Launched new drug *Xeomin*

Promotion of organizational integration between the pharmaceutical and home healthcare businesses

Decision regarding acquisition of marketing approval for type 2 diabetes drugs

Capital/business alliances for the establishment of comprehensive community-based healthcare systems

- Promoted collaboration regarding severity prevention services
- Promoted collaboration regarding support services for hospitalization and discharge adjustment

Investment and capital/business alliances for innovative medical treatment

- Acquired J-TEC

Innovation through collaboration

Establishment of community-based multidisciplinary team sales structure through functional integration

Steady takeover of diabetes drugs, sales expansion of core products and services, and promotion of new product development

Promotion of efforts to maximize synergies between diabetes drugs and other products and services

Establishment of new business foundations (functional foods, comprehensive community-based healthcare systems, and innovative medical treatment)

Toward Sustainable Growth—A View to 2030

Fiscal 2025 ~

Carbon fiber intermediate materials
for aircraft

**Contribute to profits as
a core business**

Automotive composites

**Establish
a global presence**

Aramid/Resin and plastic processing

**Further strengthen
competitiveness through
high added value**

**Becoming a comprehensive
community-based healthcare
services provider**

Provision of various products and services

- Services related to comprehensive community-based healthcare systems
- Functional foods
- Implantable medical materials
- Regenerative medical products

Long-Term Vision

**To Be a Company That
Supports the Society
of the Future**

Contribution to the Realization of a
Sustainable World

**SUSTAINABLE
DEVELOPMENT
GOALS**

The Teijin Group will pursue initiatives with a focus on the society of the future and create growth platforms for achieving its long-term vision.

The COVID-19 pandemic has had a tremendous impact on our day-to-day lives. I would like to offer my condolences to the families and friends of those who have passed away due to COVID-19 and at the same time express my heartfelt thoughts and prayers to those currently battling the illness and those dealing with the emotional stress the pandemic has caused. Furthermore, I would like to state my profound respect and gratitude to all relevant parties who are working every day to treat the disease and prevent its further spread.

To address the spread of COVID-19, we have promoted various initiatives that make full use of our products, services, know-how, and networks in order to contribute to society. One such initiative was the production and supply of medical gowns for healthcare professionals, which Teijin Frontier Co., Ltd. pursued in collaboration with the Ministry of Economy, Trade and Industry and the Ministry of Health, Labour and Welfare. This initiative helped eliminate shortages of supplies on the medical front lines. Despite not making even a single medical gown before fiscal 2020, we were able to promptly launch this project in fiscal 2020, which involved efforts such as publicly disclosing the patterned paper for the gowns on our corporate website and strengthening collaboration with our partner factories in Japan. Throughout this project, I was deeply impressed with the agility of our employees and how eager they were to take on a new challenge. As a result of their efforts, we were able to supply approximately 160 million medical gowns between April and December 2020, which in turn contributed significantly to our business performance in fiscal 2020.

Looking at the overall Teijin Group, I have been extremely impressed with how we have been able to swiftly provide information on a global scale and promote flexible and autonomous activities in accordance with the conditions in each region and business, even amid the rising sense of tension as the impact of the pandemic becomes more tangible. I once again would like to express my gratitude to all Teijin Group employees, who are working to overcome these challenging circumstances with a high level of awareness and commitment.



Jun Suzuki

**President and CEO,
Representative Director of the Board**

Born in Tokyo in 1958. Joined Teijin Limited in 1983 and was engaged in research and development of pharmaceuticals. Appointed Corporate Officer and Chief Marketing Officer in April 2012, after serving as President of Teijin Holdings Netherlands B.V. Assumed the post of Executive Officer and General Manager of the Advanced Fibers and Composites Business Group in April 2013, and Director and Executive Officer in June 2013. Appointed President and Chief Executive Officer (CEO) in April 2014.

Steadily Working toward Our Long-Term Vision

We have adopted the long-term vision of “to be a company that supports the society of the future” by providing three solutions: “Environmental Value Solutions,” “Safety, Security, and Disaster Mitigation Solutions,” and “Demographic Change and Increased Health Consciousness Solutions.” Under Medium-Term Management Plan 2020–2022, we are pursuing a strategy where we consider our vision for a sustainable society in 2030 and then think in reverse on what we should do now in order to achieve that vision. The material issues (materiality) we need to address under this plan have remained unchanged, even with the impact of the COVID-19 pandemic, and I feel that, in the past year, there has been an even greater social need for the three solutions we provide. Fiscal 2020 was a year in which

we once again recognized the importance of steadily moving forward toward our vision for the future and meeting social needs to an even greater degree.

I am confident that the destination we are aiming for is correct. What is important going forward is considering the actual path we need to take to reach that destination. Amid a rapidly changing business environment, we need to examine how to best establish businesses, especially in terms of enhancing profitability, so that we can grow as a company. To that end, the Board of Directors is thoroughly considering and holding repeated discussions on the specifics of this endeavor. In particular, the automotive composites, carbon fiber intermediate materials for aircraft, and new healthcare businesses, which we position as Strategic Focus businesses, are not the kinds of businesses that grow suddenly and allow us to dominate the

CEO Message

market. Rather, these are businesses that need to be promoted over a relatively longer time frame with a focus on 10 to 20 years in the future. While automotive composites are starting to display a certain level of scale as a business, carbon fiber intermediate materials for aircraft and new healthcare businesses still need more time before they become pillars that can support the Group. To that end, we will continue to make concerted efforts to communicate the future potential of these businesses and the current progress we are making toward them in an easy-to-understand way so that our shareholders, investors, and other stakeholders can look forward with anticipation to our medium-to-long-term results. Creating new things in a world where there is still a very small number of model cases to follow is an interesting endeavor but also an extremely challenging one. We will therefore commit ourselves to ensuring the realization of the long-term vision and steadily push forward with the efforts we need to make to do so.

Continuing to Actively Invest in Strategic Focus Fields

Looking back on fiscal 2020, the first year of the current medium-term management plan, the increased supply of medical protective equipment (such as gowns) in the Fibers & Products Converting Business and the expansion of e-comics services due to stay-at-home demand in the IT Business contributed to our business performance. In addition, we recorded a solid performance in the Healthcare Business Field despite the impact of drug price revisions. Meanwhile, the Materials Business Field was greatly affected by reduced demand for products mainly for automotive and aircraft applications. As a result, net sales declined 2.0% year on year, to ¥836.5 billion, and operating income fell 2.3%, to ¥54.9 billion. We also recorded a loss attributable to owners of parent of ¥6.7 billion (compared with a profit of ¥25.3 billion in the previous fiscal year), mainly due to the recording of impairment losses on fixed assets owned by the carbon fibers business in anticipation of a predicted long-term decline in aircraft demand.

In the Materials Business Field, while demand rapidly declined in the first quarter, demand for automotive applications gradually recovered from the second quarter on, resulting in a 9.3% decline in net sales year on year. Although the level of net sales eventually returned to 90% of what it was in fiscal 2019, the angle of our growth curve is not something that can change quickly. Accordingly, we are currently about two to three years behind the vision we had for the Materials Business Field overall when we formulated the current plan. Within this field, we believe that

overall demand in the carbon fibers business, centered on aircraft applications, will take anywhere from three to five years to recover to its fiscal 2019 level. Moreover, we are roughly four to five years behind our plans for efforts being made to acquire large-scale programs for next-generation aircraft with the aim of achieving profitability between 2025 and 2030. For these reasons, we will shift our focus in the carbon fibers business to providing products and services for wind power generation, pressure vessels, and recreational applications such as sports and leisure—all of which are seeing a rise in demand—while implementing rigorous cost management measures in accordance with the policies we formulated in fiscal 2020 for improving profits over the upcoming three years. As for the launch of a new carbon fiber plant in North America, although we have been experiencing delays due to travel restrictions for our technicians, we expect to commence commercial production in 2022. In the near term, we expect the plant to produce carbon fiber for wind power generation and recreational applications. Over the medium to long term, the plant will aim for the production of carbon fiber for aircraft. Considering such matters as the trend in a green recovery and the ongoing need for lightweight materials in the mobility field, we believe that aircraft demand will, without question, recover and grow going forward. To that end, we will remain committed to developing carbon fiber intermediate materials for aircraft. In fiscal 2021, we expect a significant recovery in demand in the composites, aramid, and resin and plastic processing businesses, and we will steadily promote the important measures we adopted for each business under the medium-term management plan.

In the Healthcare Business Field, sales of our mainstay pharmaceuticals *FEBURIC* (febuxostat) and *Somatuline** steadily increased, and rental devices for home oxygen therapy (HOT) and continuous positive airway pressure (CPAP) therapy continued to record a solid performance. For Strategic Focus fields, while large-scale M&As continue to be an issue, we implemented numerous small to medium-sized capital and business alliances during fiscal 2020. I believe the direction of all these alliances is positive, and I expect that, if things go well, they will lead to the creation of extremely interesting businesses. Meanwhile, in terms of the new business related to comprehensive community-based healthcare systems, an area that we particularly aim to promote, we have been considering a wide range of initiatives deeply rooted in local communities since carrying out the organizational integration of the pharmaceutical and home healthcare businesses. However, these initiatives have been facing delays due to restrictions on hospital visits and other factors, and we are currently proceeding with preparations to implement these initiatives during fiscal 2021. Also,

We will commit ourselves to ensuring the realization of our long-term vision and steadily push forward with the efforts we need to make to do so.



in fiscal 2021 we are moving forward with the transfer of manufacturing and marketing approvals in Japan of type 2 diabetes drugs taken over from Takeda Pharmaceutical Company Limited. The transfer of Japan-based sales of these drugs was completed in April. These products are being used to treat a large number of patients with type 2 diabetes both in Japan and overseas, and the transfer of these drugs from Takeda Pharmaceutical to the Company is expected to reinforce our business foundation by enhancing our product portfolio and generate synergies in prereferral domains. In addition to utilizing our existing sales base for *FEBURIC*, CPAP devices, and other products, taking over these drugs from Takeda Pharmaceutical will help us accelerate the expansion of services that prevent lifestyle diseases and severe illnesses by deepening our knowledge and network related to diabetes. We have been considering an entry into diabetes-related fields for quite some time, and we are therefore extremely pleased with this transfer. At the same time, we will draw on the prominent brand power of medical treatments such as these type 2 diabetes drugs to provide value that is unique to the Teijin Group.

We adopted EBITDA as one of our key management indicators. In fiscal 2022, we aim to achieve EBITDA of ¥150.0 billion. With that said, we have revised the breakdown of each business contribution to this target in light of the previously mentioned changes in the business environment. Specifically, we envisioned a breakdown of ¥80.0 billion from the Materials Business Field and ¥45.0 billion from the

Healthcare Business Field when we initially announced the current plan. We now expect a breakdown of ¥65.0 billion from the Materials Business Field and ¥60.0 billion from the Healthcare Business Field. In addition, we initially expected a limit of ¥350.0 billion for capital expenditures and M&As. However, as it is very possible to promptly generate cash from the large-scale investment we made to transfer marketing approvals in Japan of type 2 diabetes drugs, we have increased this limit to ¥450.0 billion so that we can continue to actively invest in creating growth platforms. No changes have been made to other key management indicators, and we will continue to aim for ROE of 10% or more and ROIC based on operating income of 8% or more.

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

Viewing Innovation as the Successful Creation of New Businesses

Under the current medium-term management plan, we are focusing on initiatives to accelerate innovation. In fiscal 2020, we established the Innovation Promotion Organization and set up the European Sustainable Technology Innovation Center (ESTIC) to serve as a hub for technological development in the field of Environmental Value Solutions. Furthermore, in March 2021 we acquired Japan Tissue Engineering Co., Ltd. (J-TEC), a pioneer of regenerative

CEO Message

medicine in Japan. For the time being, the operation of J-TEC's business will be handled by the Corporate Business Incubation Division, a newly established division within our Corporate Strategy Division, in order to cultivate collaborative businesses and promote post-merger integration (PMI). Through collaboration with J-TEC, we will reinforce our pipeline for regenerative medical products*¹ and accelerate innovative medical treatment, an initiative adopted under the current medium-term management plan. At the same time, we intend to make an entry into CDMO (Contract Development and Manufacturing Organization) services for regenerative medical products,*² which will serve as an area of collaboration between the Materials Business and Healthcare Business fields. In fiscal 2021, we will work with J-TEC to formulate plans for our businesses going forward.

The promotion of diversity and inclusion is an essential part of spurring innovation. To create new products and services under a rapidly changing external environment, we must establish systems and a corporate culture that embrace various workstyles and ways of thinking. To that end, we are promoting a broad range of initiatives spearheaded by the Chief Human Resources Officer (CHO), including the design of new personnel systems and the start of the "Power of Culture Project,"*³ which aims to transform our corporate culture.

One thing we must not forget in pursuing these initiatives is that establishing these kinds of organizations and promoting diversity and inclusion represent a means to achieving our ultimate goal, which is to actively spur innovation. Furthermore, rather than a breakthrough from

a technological perspective, I view innovation as something we achieve by creating new businesses and ensuring they succeed.

*1 Tissue transplantation (including skin, cartilage, and corneal epithelium), cell therapy and gene therapy (including CAR T-cell therapy), covered by health insurance

*2 Services that accept delegation of pharmaceutical development and manufacture of regenerative medical products from companies, universities, and research institutions

*3 A project that works toward the desired corporate culture for the Group and promotes transformation geared toward realizing that culture

Leading the Way to Address Opportunities and Risks to Become a Corporate Group Chosen by the Society of the Future

We have identified five material issues (materiality) that we should address with priority in our aim "to be a company that supports the society of the future." These five material issues are managed within our total risk management (TRM) framework. The first four issues of (1) climate change mitigation and adaptation, (2) achievement of a circular economy, (3) safety and security of people and local communities, and (4) realization of healthy and comfortable living for people are issues that we can primarily respond to with our three solutions that underpin our long-term vision. The last issue, (5) further strengthening of our sustainable management base, is an issue that relates to our management foundation and management resources. These areas of materiality were identified by ascertaining social issues from the perspectives of risks and opportunities and, as such, we engage in discussion at meetings of the TRM Committee and Board of Directors that focuses not only on risks but also opportunities.



We are aggressively pursuing opportunities with our sights set on society in 2030, and I believe this approach will help give us a competitive edge in the future.

We are aggressively pursuing opportunities with our sights set on society in 2030, and I believe this approach will help give us a competitive edge in the future. For example, we are currently promoting environmental measures for products that will be needed by the society of the future. Such measures include conducting research that aims to recycle, reuse, and reduce composites and developing technologies to produce aramid fibers from bio-derived materials instead of materials derived from fossil fuels. While these initiatives have yet to garner major attention in today's world, I believe promoting these environmental measures in advance will help us achieve significant differentiation and establish a barrier of entry for competitors once demand for such products increases and competition intensifies in the future. We have learned from past experiences about the importance of taking the initiative before a market is established while maintaining an awareness of attempts by competitors to catch up with us.

At the same time, responding appropriately to anticipated risks helps us earn the trust of our customers and all of our stakeholders. The environmental burden of our business activities is by no means small, and for that reason, we established long-term goals for reducing our environmental burden with regard to material issues (1), (2), and (3) adopted under the current medium-term management plan. We are monitoring our long-term environmental goals using KPIs related to CO₂ emissions, water, hazardous chemical substances, and landfill waste. We have also formulated a road map laying out specific initiatives for achieving these goals and are pursuing these initiatives accordingly. For CO₂ emissions, in January 2020 we introduced an internal carbon pricing (ICP) system. Referencing the standards for internal carbon prices used by European companies, we set our internal carbon price at €50/t-CO₂ (¥6,000/t-CO₂), which is slightly higher than the standard level in Japan. Through this system, we will promote capital expenditures that help us reduce CO₂ emissions with a view to reaching our goals for fiscal 2030 and fiscal 2050. At the same time, we will closely observe trends on such matters as taxes related to CO₂ emissions in each country, starting with those in Europe, to prepare ourselves for a future rise in carbon prices.

Currently, under our TRM framework, we separate major risks into two categories: strategic risk and operational risk, and manage them accordingly. However, as risks such as COVID-19 overlap both categories, we have started a new approach in which we consider both categories of risks in conjunction with each other. Furthermore, we are reviewing our business continuity plans (BCPs) while incorporating complex risks such as the occurrence of multiple disasters at the same time. Recently, the risks facing our business are

becoming increasingly complex, and we therefore need to implement highly sophisticated risk management. Going forward, we will continue to rigorously manage risks in collaboration with each region and business.

Realizing a Form of Governance That Caters to the Upcoming Era

Going forward, global society will have even greater expectations for corporations to not only pursue profits but also contribute to society in a truly meaningful way. In such a society, we will need to consider what criteria will be used to evaluate corporations and their management. Furthermore, establishing governance frameworks that cater to the upcoming generation will be an important issue. To that end, we are reviewing our corporate governance systems on an ongoing basis.

At meetings of the Board of Directors, all participating members, whether they be directors or statutory auditors, are able to engage in free and open discussion. Although I believe that, overall, the Board possesses satisfactory levels of effectiveness and transparency, we must work to further enhance these levels as we move forward. To that extent, we established a rule in fiscal 2020 that makes sure that an outside director will always serve as chair of the Board. Additionally, in April 2021 we decided to increase the number of outside directors on the Nomination Advisory and Compensation Advisory committees, thereby ensuring that all of the Company's outside directors participate as members of these committees. Our current governance system is based on frameworks that we created approximately 20 years ago. While maintaining the system's current level of effectiveness, we will make efforts to change this system so that it can be better understood by external parties. As part of these efforts, we are working to revise our compensation plan for directors in fiscal 2021. Through these revisions, we will provide restricted stock and performance share units in place of the current stock compensation-type stock options. We believe that this system will help directors adopt the perspectives of our stakeholders and provide them with an incentive to achieve the Company's medium-term management plan and enhance corporate value over the medium to long term. Furthermore, in order to secure outstanding personnel going forward, we need to ensure that our compensation systems compare favorably with global compensation standards, and revising our compensation system for directors marks the first step toward doing so.

Closing

We will work to the greatest extent possible to ensure that there are more opportunities for dialogue with our shareholders and other investors going forward. I would be extremely happy and grateful if such dialogue could ensure that these parties support and look forward in anticipation of the Teijin Group's growth over the medium to long term. Furthermore, if we receive excellent suggestions through dialogue with shareholders and other investors, then it is possible for us to incorporate them into our management. This integrated report was created not for show but rather to sincerely communicate our current situation and aims for the future to an even larger audience. It is my hope that our shareholders and investors read the contents of this report and make use of this information as a dialogue tool. In the two remaining years of the current medium-term management plan, we will continue to take steps toward accomplishing the plan's goals so that we can create growth platforms that will help us realize our long-term vision. I would like to ask our shareholders and other investors for their continued long-term support as we do so.



Jun Suzuki

President and CEO,
Representative Director of the Board



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LIVELY WOOD is a hybrid material comprising wood that has been reinforced with carbon fiber materials. With two times the hardness of regular wood, *LIVELY WOOD* enables a greater degree of freedom with architectural design when used for the beams of buildings. *LIVELY WOOD* serves as a solution that will encourage the utilization of Japan's man-made forests, including cedar forests, and can be used in buildings where lumber could not be used before. It can also realize wide open interior space not obstructed by pillars. In these ways, *LIVELY WOOD* provides highly comfortable interior spaces.

Ceaseless **Evolution** and **Ambition**

Since its founding in 1918, the Teijin Group has continuously transformed its portfolio in anticipation of changing times and social needs, continuing to realize growth while contributing to more comfortable and enriching lifestyles for people. The Group's long history of pursuing evolution and ambition, including enhancing the added value of its products and services on an ongoing basis and making forays into new businesses through M&As, has led to the robust business foundation that the Group maintains today.

1918–1960s

Transitioning from Rayon Fibers to Synthetic Fibers

At the time of its founding, Teijin established Japan's first technology for manufacturing semi-synthetic rayon fibers and spearheaded the development phase of the rayon business as a leading company. Thereafter, Teijin proactively expanded its business, supported by the highly profitable polyester fiber *TETORON*. The Company also successively established manufacturing sites in Japan and overseas, growing into a global synthetic fiber manufacturer.



Bird's-eye view of a factory from the 1920s

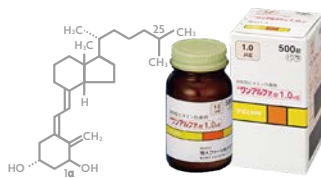


Polyester fiber *TETORON*

1970s–1980s

Leveraging Our Fundamental Technologies to Pursue New Businesses

While continuing to drive growth with *TETORON* as its mainstay product, Teijin expanded its business as a high-performance materials manufacturer by boldly embracing the challenge of developing and commercializing new businesses. Teijin also commenced pharmaceutical and home healthcare businesses by drawing on its knowledge and experience in synthetic chemistry and polymer chemistry. In these ways, Teijin established its business model through the discovery of latent medical needs and the creation of new business domains. In addition, by establishing its information systems division as a subsidiary and commencing the external sales business, the Company created its current business foundation that spans across the three fields of Materials, Healthcare, and IT.



Creation of active Vitamin D₃ drug



Development of oxygen concentrators for home use

1990s–2000s

Expanding Our Business into High-Value-Added Fields and Commencing Management That Turns Environmental Issues into Business Opportunities

In 1999, Teijin acquired an equity stake in Toho Rayon Co., Ltd. (known then as Toho Tenax Co., Ltd.) with the aim of entering into the carbon fibers business. Subsequently, in 2000 the Company acquired the *Twaron* para-aramid business from Acordis B.V. of the Netherlands. With these moves, Teijin expanded its business into high-value-added fields. In addition, the Company established the Teijin Composites Innovation Center in 2008, thereby becoming one of the first companies to undertake R&D activities geared toward composite materials. Through these efforts, carbon fibers, aramid fibers, and composites have become major businesses of the Group today.

Also, in 1992 the Company established the Teijin Group Global Environmental Charter and commenced initiatives that ascertained the growing interest in energy and resource conservation and recycling as a significant business opportunity. Entering into the 21st century, Teijin led its competitors in terms of eco-friendly initiatives such as the commercialization of PET bottle recycling and the introduction of biomass boilers.



Thermoplastic CFRP concept car



Twaron application

2010s ~

Transforming Our Business Model to Become a Solutions Provider

At the start of the 2010s, Teijin began promoting structural reforms amid a sluggish business performance due to the deep economic recession precipitated by the global financial crisis and the commoditization of materials. In 2014, Teijin enacted dramatic initiatives based on the revised medium-term management plan. Thereafter, the Company established Medium-Term Management Plan 2017–2019 (hereinafter, the previous plan) as well as its long-term vision for 10 years into the future. Guided by the previous plan and long-term vision, Teijin transformed its business portfolio to center on the combination of multi-materials, collaboration between businesses, and solution provision.

Under the current Medium-Term Management Plan 2020–2022, Teijin is working to further refine the approach it adopted under the previous plan and has clarified the direction of its initiatives by identifying material issues (materiality) that should be addressed in order to realize a sustainable world. Viewing social issues as both an opportunity and a risk, Teijin aims to further expand its businesses in the three fields of Environmental Value Solutions; Safety, Security, and Disaster Mitigation Solutions; and Demographic Change and Increased Health Consciousness Solutions. The Company also aspires to reduce its environmental impact and other risks and reinforce its management foundation. To that end, in the Material Business, Teijin is strengthening its high-value-added applications by increasing high-performance materials and pursuing the multi-materials strategy. In the Healthcare Business, the Company is creating and providing comprehensive healthcare services including in fields that are not covered by medical insurance. Through these efforts, Teijin is working to transform its business portfolio to achieve its vision for 2030.



Automotive composites

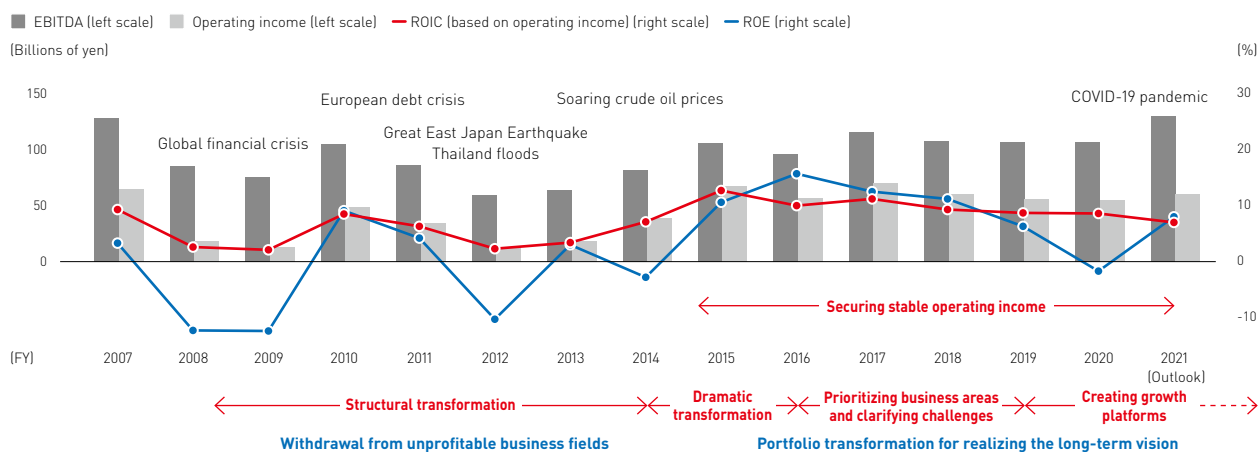


Carbon fiber intermediate materials for aircraft



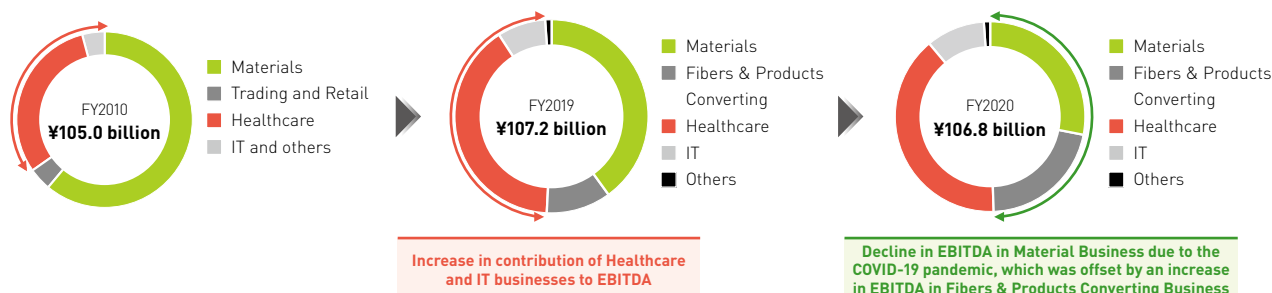
Enhanced barley product
BARLEYmax

Trends in Key Management Indicators



Change in the Composition of EBITDA

—Realizing a highly stable profit structure through portfolio transformation

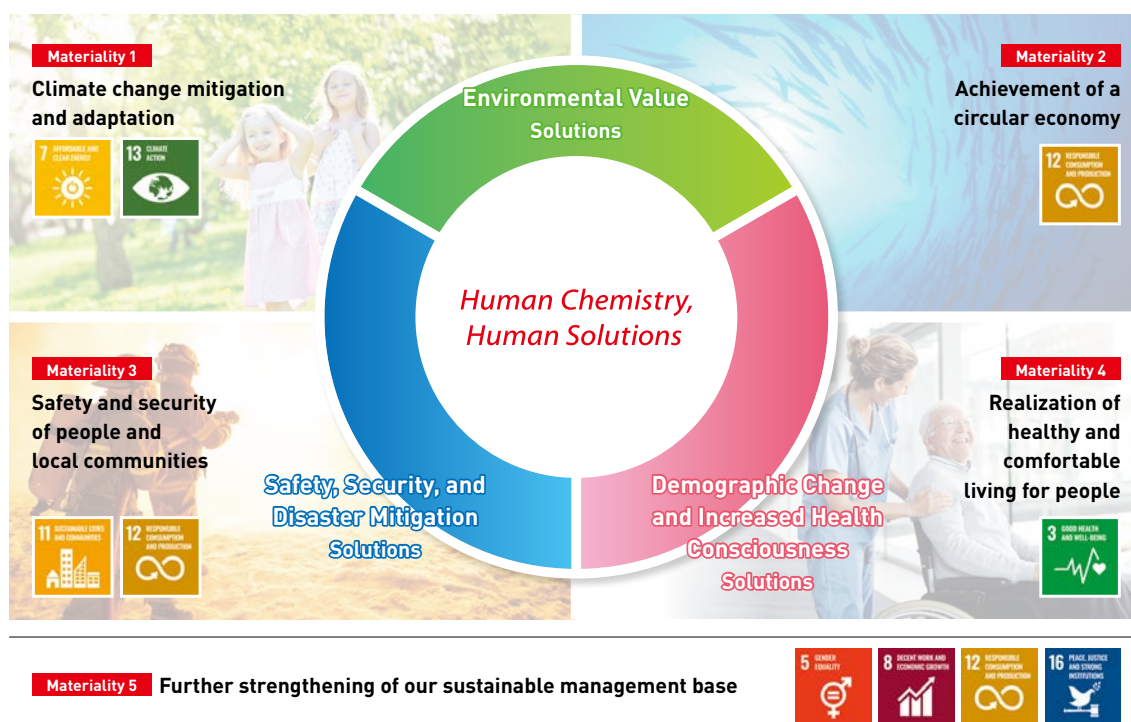




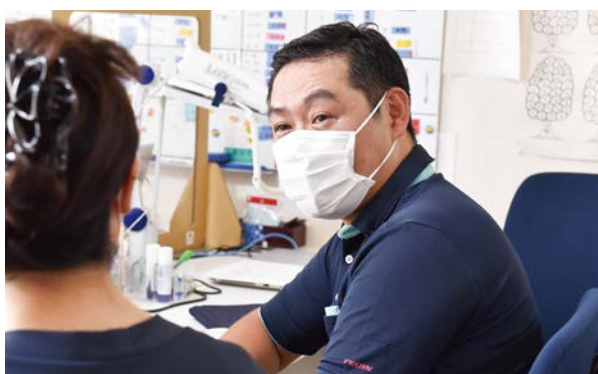
The Teijin Group Going Forward

Efforts toward Shaping the **Society of the Future**

Our promise is to enhance quality of life. We do this by maximizing the potential of chemistry, focusing on its benefits for people, society, and the global environment to ceaselessly pursue solutions that encourage the evolution of society.* By fulfilling this promise, we contribute to the realization of a sustainable and prosperous society of the future.



* The meaning of our Brand Statement "Human Chemistry, Human Solutions"





Policy for Initiatives Contributing to a Sustainable World

To realize a sustainable world, our focus is on people, delivering innovative solutions to enhance the Quality of Life, while minimizing the negative impacts of our activities on the environment and society.

Environmental Value Solutions

For the Earth

Provide products and services contributing to global environmental goals such as prevention of climate change and achievement of a circular economy

Safety, Security, and Disaster Mitigation Solutions

For Society

Provide products and services protecting lives and livelihoods from various risks such as disasters and accidents

Demographic Change and Increased Health Consciousness Solutions

For People

Provide products and services supporting healthy and comfortable living for people of all ages



Value Creation Model

With the Teijin Group Corporate Philosophy as our starting point, we leverage our long-cultivated strengths to contribute to the resolution of social issues. We aim to provide social value in the three fields of “Environmental Value Solutions,” “Safety, Security, and Disaster Mitigation Solutions,” and “Demographic Change and Increased Health Consciousness Solutions” to realize a sustainable world and to enhance our corporate value.



Enhancing value provided

Long-Term Vision

To Be a Company That Supports the Society of the Future

Providing Value to Society

Environmental Value
Solutions

Safety, Security, and
Disaster Mitigation
Solutions

Demographic Change and
Increased Health
Consciousness
Solutions

Achievement of Medium-Term
Management Plan 2020–2022:

ALWAYS EVOLVING

1
Creating
opportunities

2
Reducing
risks

3
Strengthening
management
base

Important Issues (Materiality) for the Teijin Group

Materiality 1

Climate change mitigation and adaptation



Social Expectations

- Lightweight and energy-efficient mobility
- Clean energy shift

Materiality 2

Achievement of a circular economy



Social Expectations

- Longer product life spans and resource savings
- Circular economy

Materiality 3

Safety and security of people and local communities



Social Expectations

- Disaster prevention and mitigation
- Reduction of damage from disaster, crime, and conflict

Materiality 4

Realization of healthy and comfortable living for people



Social Expectations

- Health maintenance
- Improvement of patient quality of life (QoL)
- Healthcare cost containment

Contribution to the
Realization of a
Sustainable World

**SUSTAINABLE
DEVELOPMENT
GOALS**

Accomplishment of
Targets for 2030

The Teijin Group's Materiality

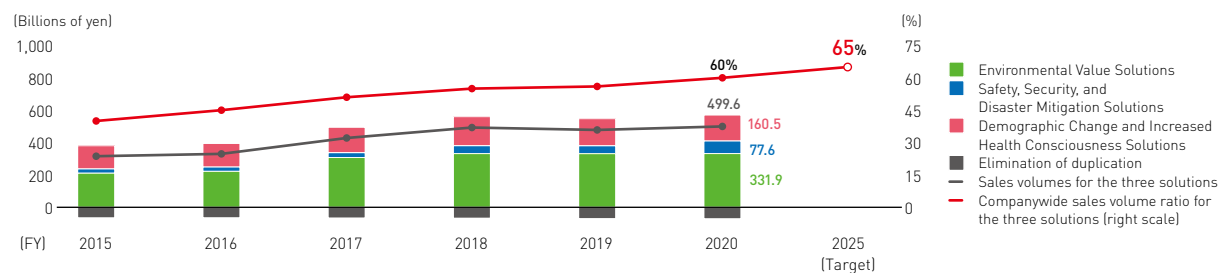
The Teijin Group's materiality represents important issues toward which we are prioritizing our efforts in order to achieve our long-term vision. Under Medium-Term Management Plan 2020–2022, we have organized the opportunities and risks facing the Company and identified five material issues that we must address. By establishing KPIs for each of these issues and promoting initiatives toward them accordingly, we are realizing growth for the Company.

Process for Identifying Materiality

We extensively confirmed and organized social issues and the Sustainable Development Goals (SDGs) in an effort to analyze and identify important issues from the perspectives of the level of importance to the Teijin Group and the level of impact on our stakeholders. After holding dialogues with various external experts regarding the issues identified through this process, the Teijin Group's materiality was formally identified at a meeting held by members of our top management and subsequently approved by the Board of Directors.

Important Issues (Materiality)	Opportunities for the Teijin Group	
Materiality 1 Climate change mitigation and adaptation  	Environmental Value Solutions ■ Contribution to mitigating climate change through energy efficiency and clean energy Safety, Security, and Disaster Mitigation Solutions ■ Contribution to building a safe and resilient society with high-performance materials and IoT	
Materiality 2 Achievement of a circular economy 	Environmental Value Solutions ■ Contribution to a circular economy by extending the life spans of products and promoting the 3Rs (Reduce, Reuse, Recycle)	
Materiality 3 Safety and security of people and local communities  	Environmental Value Solutions ■ Contribution to preventing and remediating environmental pollution using clean technology Safety, Security, and Disaster Mitigation Solutions ■ Contribution to building a safe and resilient society with high-performance materials and IoT ■ Contribution to realizing a more comfortable life through the power of fibers	
Materiality 4 Realization of healthy and comfortable living for people 	Demographic Change and Increased Health Consciousness Solutions ■ Contribution to maintaining people's health and extending life spans through medical and health support Safety, Security, and Disaster Mitigation Solutions ■ Contribution to realizing a more comfortable life through the power of fibers	
Materiality 5 Further strengthening of our sustainable management base    	 For details of each item under "further strengthening of our sustainable management base," please refer to the page on the right as well as our Sustainability website.	Corporate Governance Promotion of Diversity and Inclusion Supply Chain Sustainability (CSR Procurement) P.55 P.45 P.63

Sales Ratio of the Three Solutions



Relevant Businesses and Examples of Products and Services Please see pages 30–41 for more details.	Risks for the Teijin Group	KPIs Please see pages 45, 48–49 for more details.
Materials Fibers & Products Converting Automotive composites, carbon fiber intermediate materials for aircraft, hydrogen tanks, hydrogen pipeline, battery separators, high-performance fiber reinforcing material, rainwater storage blocks, cooling material, thermal insulation-related products, etc.	- Stricter environmental regulations impacting the Group's business activities - Environmental burden due to an increase in Groupwide CO₂ emissions - Storms and flood damage at head offices and factories impacting the Group's business activities	- Sales ratio of the three solutions - Avoided CO₂ emissions - Group CO₂ emissions - Supply chain CO₂ emissions
Materials Healthcare Fibers & Products Converting Reinforcing material for high-performance tires, recycled polyester <i>ECOPET</i> and artificial leather <i>CORDLEY</i>, bio-based material <i>SOLOTEX</i> and <i>PLANTPET</i>, chemical recycling licensing services, home healthcare medical device rental business, etc.	- Stricter environmental regulations impacting the Group's business activities - Depletion of resources - Environmental damage and burden upon disposal of the Group's products - Environmental burden of manufacturing activities	- Sales ratio of the three solutions - Freshwater intake volume per sales unit - Landfill waste volume per sales unit
Materials Fibers & Products Converting IT Protection apparel, high-performance fiber reinforcing material, rainwater storage blocks, safety confirmation services, seat sensor membranes, ultra-lightweight ceiling materials, airbag fabrics and other safety components, asbestos substitutions, bag filter, etc.	- Loss of trust due to a decline in the safety of the Group's products and services - Damage claims stemming from such factors as product defects - Destruction of ecosystems and environmental pollution due to hazardous chemical substances, etc.	- Sales ratio of the three solutions - Hazardous chemical substance emissions per sales unit
Healthcare Fibers & Products Converting IT Pharmaceuticals, home healthcare devices, orthopedic implantable devices, functional foods, services related to comprehensive community-based healthcare systems, hospital systems, functional interior products, high-performance apparel, heat stroke prevention clothing, etc.	- Waning competitiveness due to an inability to respond to diversifying medical needs - Drop in employee satisfaction due to worsening working environments	Sales ratio of the three solutions
Corporate Ethics and Compliance Information Security and Personal Information Protection Security, Disaster Prevention, and Occupational Safety Activities Product Liability and Quality Assurance https://www.teijin.com/csr/materiality5/compliance.html https://www.teijin.com/csr/materiality5/security.html https://www.teijin.com/csr/materiality5/disaster_prevention_safety.html https://www.teijin.com/csr/materiality5/quality_assurance.html		- Diversity of executives - Key goals for women's advancements

The Long-Cultivated Strengths of the Teijin Group

This section introduces the four main strengths that the Teijin Group has cultivated throughout its history of pursuing ceaseless evolution and ambition. Going forward, the Group will work to realize its long-term vision of “to be a company that supports the society of the future” by firmly establishing a competitive edge and steadily executing its Medium-Term Management Plan 2020–2022.

Portfolio Transformation Abilities Focused on the Changing Times

- ▶ Striving to establish new business models that support the society of the future in anticipation of social needs



100 Years of Evolution and Ambition

Embrace of Diversity among Human Resources

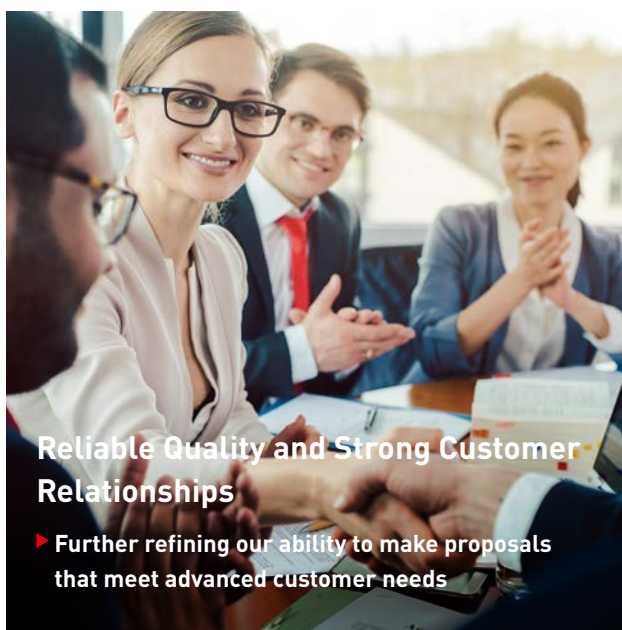
- ▶ Accelerating innovation through the further promotion of diversity and inclusion



Human Resources from Over **20** Countries
Playing an Active Role

Reliable Quality and Strong Customer Relationships

- ▶ Further refining our ability to make proposals that meet advanced customer needs



93% Customer Satisfaction Rate*

* Based on a customer satisfaction survey carried out in fiscal 2020. Lists the percentage of customers who gave a rating of four or above on an overall average five-point scale. (Survey coverage ratio of 80% [sales totals from business that implemented the survey divided by consolidated net sales])

Effective and Transparent Governance

- ▶ Continuing to evolve our advanced efforts toward governance



Revision of Officer Compensation Systems to
Incorporate **Non-Financial Targets**

Portfolio Transformation Abilities Focused on the Changing Times

Over its 100-year history, the Teijin Group has achieved growth by transforming its business portfolio with a focus on the changing times. Drawing on its technological foundation, which was built through internal research and the introduction of external technologies, the Group has been developing high-value-added products and reinforcing efforts to swiftly commercialize them. Through such means as integrating technologies in a manner that transcends the barriers of its business fields as well as collaborating with customers and joint-research partners to promptly develop products, the Group has created a unique business portfolio unlike that of any other company.

Efforts to Realize Our Long-Term Vision

Materials Healthcare

► Striving to establish new business models that support the society of the future in anticipation of social needs

■ Expanding the Composites Business Centered on CSP*

By combining the characteristics of materials such as carbon fibers and resins, the composites business produces materials that are used to enhance the strength and durability of automobiles and aircraft and help reduce weight, thereby decreasing environmental burden. Working closely with its customers, the composites business proposes solutions to help realize a carbon neutral society.

* Continental Structural Plastics Holdings Corporation

■ Developing Comprehensive Community-Based Healthcare Service Businesses

Drawing on the technological capabilities and business foundation cultivated in the pharmaceutical and home healthcare businesses, we are working to develop comprehensive community-based healthcare service businesses. Through this effort, we aim to establish unique healthcare services that offer new products and solutions, such as orthopedic implantable devices, functional food ingredients, digital health, and rehabilitation solutions.

Ceaseless portfolio transformation into higher value-added businesses from commoditized businesses

Changes in Social Needs (Improvement of Quality of Life)

1950s~

Needs for sufficient goods and quantities

Transition from natural ingredients to man-made ingredients

1990s~

Needs for sophisticated functions and quality and longer life expectancies

Improvement in material functions and quality of medical treatment

2000s~

Needs for eco-friendly products, fulfilling emotional desires, and extended healthy life expectancies

Diversification of information value and services, environmental contributions, and response to the aging society

Synthetic fibers

(Rayon fibers
→ Polyester fibers)



Chemicals

(Resins, films)



Healthcare

(Pharmaceuticals, home healthcare)

Healthcare business derived from synthetic chemistry and engineering



High-performance fibers and composites

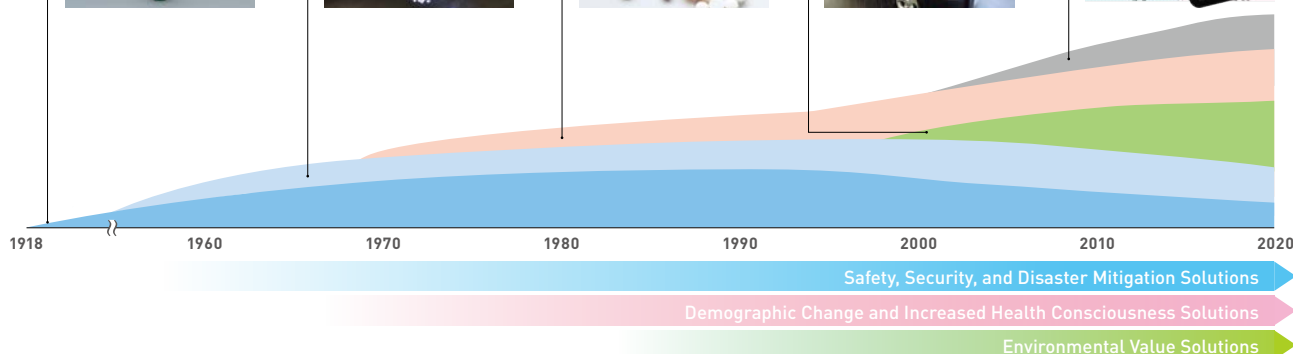
(Aramid fibers, carbon fibers, automotive components)

Multi-materials combined for higher value-added products

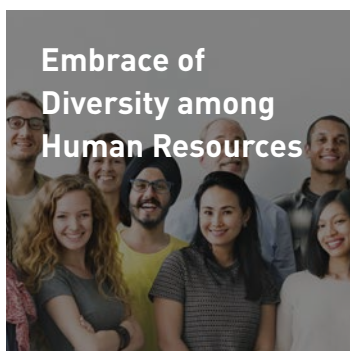


IT

IT business expanded from a systems provider to a service provider



The Long-Cultivated Strengths of the Teijin Group



Embrace of Diversity among Human Resources

The Teijin Group operates businesses in over 20 countries around the globe. At our 172 Group companies, employees from diverse backgrounds are playing an active role. A large number of our major overseas Group companies, which now account for over 50% of the Group's personnel, have joined the Group through business acquisitions, meaning that they possess various histories and cultures. One of the Group's strengths is the ability to seamlessly integrate these companies into the Group by respecting their individual histories and cultures and embracing their diversity.

Efforts to Realize Our Long-Term Vision

■ Groupwide ■ Materials ■ Healthcare ■ Fibers & Products Converting/IT

► Accelerating innovation through the further promotion of diversity and inclusion

■ Promoting Diversity and Inclusion on a Global Level

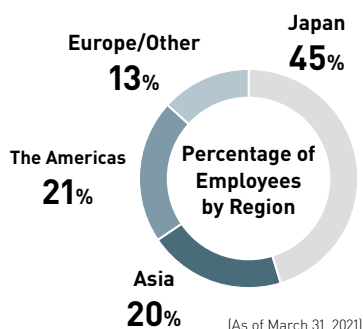
We are working to expand our diversity and inclusion efforts, which we have primarily carried out in Japan, on a global basis that covers Asia, the Americas, and Europe, and we have established relevant KPIs for this initiative. In this way, we are taking steps to foster a corporate culture that further invigorates our organization and spurs innovation.



Head office of CSP
(Michigan, United States)



Head office of Teijin Aramid B.V.
(Arnhem, the Netherlands)



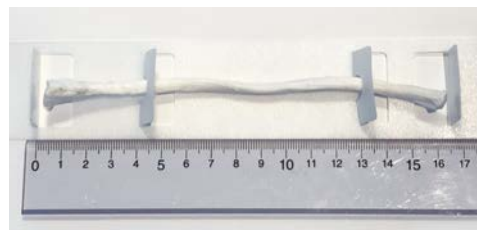
Percentage of Overseas Employees

55%



■ Pursuing Collaboration with Human Resources of Different Industries and Occupations

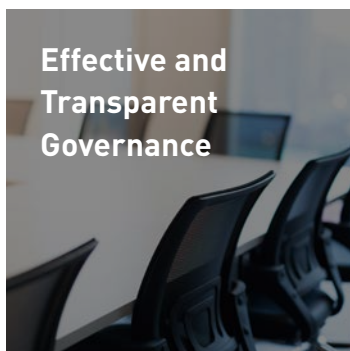
We are creating various products and services through collaboration with human resources with a diverse range of expertise from the Material, Healthcare, IT, and other businesses. Going forward, we will actively pursue collaboration with external organizations to enhance innovative products and services that are difficult to create on our own.



Through an alliance with CoreTissue BioEngineering Inc., we are working to develop the world's first mass-produced artificial ligament using decellularization technology.



We have developed a prototype of a virus concentration device used for rapid diagnostic test kits. This device makes use of the high-performance membrane *Miraim*, which is manufactured and sold by Teijin Limited, as a membrane concentration. We aim to commercialize this device through collaboration with VisGene, Ltd.



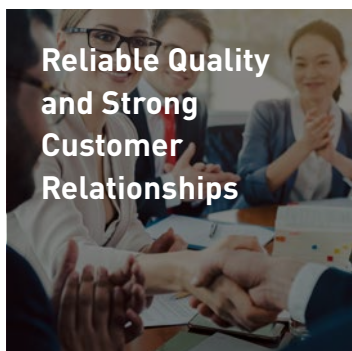
Effective and Transparent Governance

In 1999, the Teijin Group carried out governance reforms in an effort to quickly reinforce its corporate governance. Through these reforms, the Group established the Advisory Board, which consists of outside directors as core members who have diverse backgrounds and are appointed by the Group's shareholders, as well as globally active external experts. The Advisory Board provides advice on the Group's overall management, including its global strategies, and is in charge of functions concerning CEO nomination and compensation.



P. 55 Corporate Governance

Reliable Quality and Strong Customer Relationships



The Teijin Group provides high-performance materials and other products and services with outstanding levels of quality, and this has enabled the Group to form strong trust-based relationships with customers globally. In addition to providing materials, the Group develops products and services in close collaboration with customers and local communities and is also working to offer new solutions. By doing so, the Group is moving forward with business development in high-value-added fields that are not easily impacted by market conditions, which in turn has helped establish a stable management base.

Efforts to Realize Our Long-Term Vision

Materials Healthcare Fibers & Products Converting/IT

► Further refining our ability to make proposals that meet advanced customer needs

■ Further Promoting the Development of High-Value-Added Products and Services

In the Material and Fibers & Products Converting businesses, we are creating high-value-added products and services through close collaboration with our customers, starting from the development stage. By further enhancing our ability to propose solutions related to environmental value and safety and security, we will secure a stronger competitive edge.

Solid relationships with major car manufacturers in North America

Carbon fiber-reinforced thermoplastic *Serebo* used in pickup trucks manufactured by U.S.-based General Motors Company



■ Contributing to Society by Fully Leveraging Our Products, Services, Know-How, and Networks (Responding to COVID-19)

Amid shortages of medical supplies caused by the COVID-19 pandemic, we are promptly delivering high volumes of medical gowns to medical institutions in order to meet social needs. Through such efforts, we are contributing to society through our business activities.



P. 40 Fibers & Products Converting Business

■ Creating New Business Related to Comprehensive Community-Based Healthcare Systems

Leveraging the connections we have formed with patients and medical professionals in the pharmaceutical and home healthcare businesses, we aim to establish a comprehensive community-based healthcare service platform from which we will offer a wide range of products and services. We will work to meet medical needs in local communities through multidisciplinary team sales comprising such members as medical representatives, home healthcare sales personnel, home healthcare providers, visiting nurses, and clinical laboratory technicians.



Established a system for 24-hour support in the home healthcare business to prepare for emergencies and disasters. This system has been highly praised by not only patients and medical institutions but also government agencies.

Efforts to Realize Our Long-Term Vision

► Continuing to evolve our advanced efforts toward governance

Initiatives to Enhance Governance

To secure outstanding global human resources and substantially increase corporate value, we revised our officer compensation systems to incorporate evaluations of officer performance pertaining to the achievement of non-financial targets and business performance over the medium term. Furthermore, we made the following governance-related revisions in April 2021 to enhance the objectivity and transparency of our governance. Going forward, we will pursue improvements on an ongoing basis in order to further enhance the effectiveness of our governance.

- Ensured that an outside director will always chair the Board of Directors
- Shortened the term of Chairman (internal regulation)
- Revised the composition of the Nomination Advisory Committee and the Compensation Advisory Committee (now all outside directors participate in these committees)
- Created a general rule that the role of senior advisor will only be established when there is a vacancy in the Chairman post^{*1}
- Abolished the honorary advisor system^{*1}
- Abolished the advisor/special advisor system^{*2}

^{*1} Will be put into effect when the next Chairman is appointed

^{*2} Not applicable for relevant personnel as of April 2021

CFO Message



We will appropriately allocate management resources with a focus on opportunities and risks under a constantly changing business environment. By doing so, we aim to realize our long-term vision and enhance corporate value.

Akihisa Nabeshima

Executive Officer, Representative Director of the Board
Chief Financial Officer

Overview of Fiscal 2020 and Forecast for Fiscal 2021

In fiscal 2020, the first year of Medium-Term Management Plan 2020–2022, the global economy remained sluggish and faced a high level of uncertainty due to the impact of the COVID-19 pandemic. The pandemic's impact was particularly strong in the first half of the fiscal year, with the global economy recovering for a momentary period before subsequent waves of the pandemic slowed economic recovery worldwide in the second half.

The Material Business faced extremely challenging conditions, centered on automotive composites and carbon fiber for aircraft, as the automotive and aircraft industries—the main customers of this business—were significantly impacted by the COVID-19 pandemic. Meanwhile, increased demand for medical protective equipment such as gowns in the Fibers & Products Converting Business and the strong performance of the e-comics distribution service in the IT Business contributed to the Teijin Group's overall business performance for the term. Additionally, the Healthcare Business remained solid, despite the impact of drug price revisions, due to the expanded sales of mainstay pharmaceuticals and the increase in the number of rental medical devices.

As a result, year-on-year decreases in net sales and operating income in fiscal 2020 were held to 2.0% and 2.3%, respectively. On the other hand, we posted a loss attributable to owners of parent of ¥6.7 billion, mainly due to the recording of impairment losses on

fixed assets owned by the carbon fibers business in anticipation of a predicted long-term decline in aircraft demand. As a result of this loss, ROE was -1.7%, a level significantly below our target for fiscal 2022, the final year of the medium-term management plan. Meanwhile, ROIC based on operating income was 8.6%, meeting our targeted level, and EBITDA came to ¥106.8 billion, remaining at around the same level as in fiscal 2019.

Our financial base has been reinforced through structural reforms and other efforts that we carried out in the past, and our financial position remains sound, with a shareholders' equity ratio of 39.2% and a debt-to-equity ratio of 0.94 times.

In fiscal 2021, we forecast that the global economy will return to the level of fiscal 2019 due to the global rollout of vaccinations, despite continued uncertainty brought about by concerns over the pandemic growing again due to variants of the virus. We believe that the Material and Fibers & Products Converting businesses will continue to recover from the impact of the pandemic and that the performance in the Healthcare and IT businesses will remain solid. To that end, we forecast an EBITDA of ¥130.0 billion and ROE of 8%. Meanwhile, ROIC based on operating income is expected to decline to 7%, owing to an increase in invested capital following the execution of large-scale investments.

Status of Strategic Investments under the Medium-Term Management Plan

In fiscal 2020, we carried out investments totaling approximately ¥85.0 billion, including capital expenditures that bolstered our production capacity for aramid fibers and the construction of a new composites plant in Texas as well as investments to make Japan Tissue Engineering Co., Ltd. (J-TEC) a subsidiary through a tender offer. Additionally, in April 2021 we took over marketing approvals of four diabetes drugs from Takeda Pharmaceutical Company Limited. Already on the

market, these four diabetes drugs have a track record of recording over ¥30.0 billion in net sales a year, and taking over the marketing approval of these drugs will help offset the impact from the entry of generic versions of our mainstay pharmaceutical *FEBURIC* into the market. At the same time, this takeover is expected to generate synergies with existing businesses and establish a foundation for accelerating our new business related to comprehensive community-based

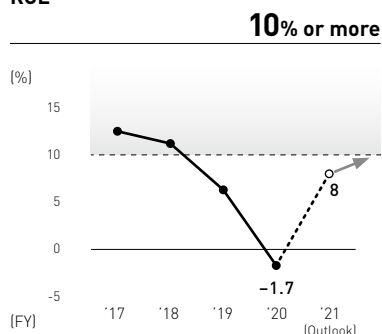
healthcare systems. Of the ¥133.0 billion paid to acquire these drugs, we used cash and deposits on hand and a bridge loan of ¥110.0 billion and then allocated a portion of funds received from the issuance of hybrid bonds of ¥60.0 billion in July 2021 to cover a certain amount of the bridge loan repayment. In this way, we aim to improve our temporarily deteriorating financial position and secure financial soundness for supporting proactive investment in our Strategic Focus fields, which are expected to increase our cash generating ability. We will also work to promptly improve our debt-to-equity ratio to around 0.9 times, a level we have been aiming for over the medium term, based on the portion of the hybrid bonds recognized as equity.

Although we have some businesses that are falling behind our plans due to the impact of COVID-19, the material issues (materiality) that we are undertaking remain unchanged, taking into account the trend in a green recovery and the “new normal” world. The social changes brought about by the

pandemic will most certainly increase the need for the solutions we provide, and we must capitalize on the opportunities that this presents us. To that extent, we have increased the initial limit of ¥350.0 billion for capital expenditures and M&As over the three-year period of the plan to ¥450.0 billion so that we can successfully meet these future needs. We also revised the breakdown of how much of this amount will be allocated to each of our three solutions. With these revisions, we aim to accelerate proactive investment in Strategic Focus fields with a view to creating growth platforms and to achieve our medium-to long-term target for EBITDA. In Profitable Growth fields, we will continue to carry out investment to maintain profitable growth, starting with increasing our production capacity of para-aramid fibers. We plan on using the cash we receive that exceeds the amount invested in Profitable Growth fields as a source for further investment in Strategic Focus fields.

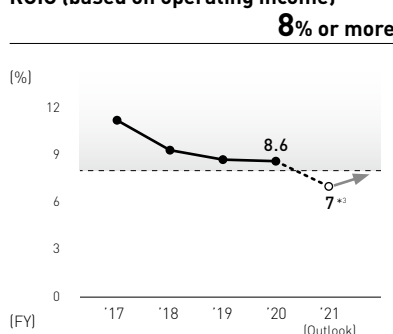
Fiscal 2022 Targets

ROE*1



*1 Return on equity (ROE) is calculated as profit attributable to owners of parent divided by the average shareholders' equity between the beginning and the end of the fiscal year.

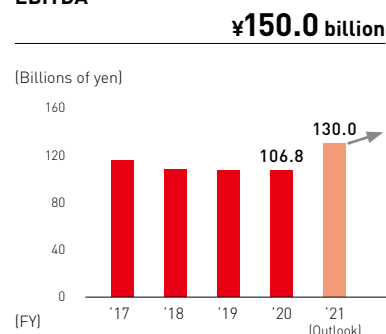
ROIC (based on operating income)*2



*2 Return on invested capital (ROIC) based on operating income is calculated as operating income divided by the average invested capital between the beginning and the end of the fiscal year. Invested capital is calculated as net assets plus interest-bearing debt, minus cash and deposits.

*3 Calculated with the inclusion of a projected increase in investment capital at the beginning of fiscal 2021 due to the transfer of marketing approvals of diabetes drugs.

EBITDA*4

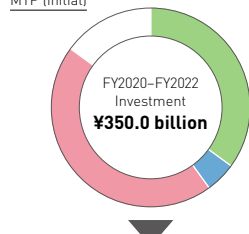


*4 Earnings before interest, tax, depreciation and amortization (EBITDA) is calculated as operating income plus depreciation and amortization.

Limit for Capital Expenditures and M&As

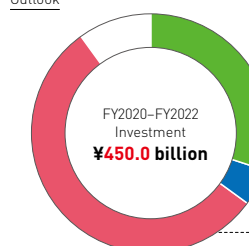
By solution

MTP (initial)



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

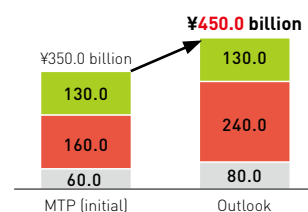
Outlook



Environmental Value	30%
Safety, Security, and Disaster Mitigation	5%
Demographic Change and Increased Health Consciousness	55%
Others	10%

Accounting for larger percentage of total investment due to transfer of marketing approvals for diabetes drugs and acquisition of J-TEC

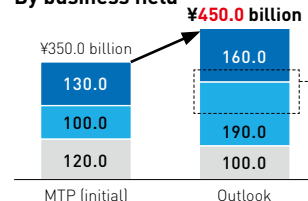
By business segment (around)



Materials
Healthcare
Others*

* Investment in J-TEC classified as part of the “Others” category in line with segment categorization in disclosure

By business field



Investment amount for acquisition of marketing approvals of diabetes drugs to be allocated in Strategic Focus fields and Profitable Growth fields

Strategic Focus
Profitable Growth
Investments for Maintenance

Investment Policy and Portfolio Monitoring

The period for realizing a return on investment differs greatly by investment project. While the investments we conduct in Profitable Growth fields are expected to realize a steady return over a relatively short period, investments in Strategic Focus fields are likely to have a comparatively higher level of risk and take longer to realize a return. For that reason, we established business-specific targets for ROIC based on operating income and have strengthened the portfolio monitoring activities that we carry out on a regular basis. In these ways, we are working to optimize the allocation of management resources on a Groupwide basis.

Also, the carbon fibers business is falling behind our forecasts under the medium-term management plan, with a long-term

slump in demand anticipated for aircraft applications. However, we will commit ourselves to continuing the pursuit of development aimed at acquiring programs for intermediate materials for aircraft so that we can capture the need for lightweight materials, which will grow even further in the future. Going forward, we will periodically monitor the trend in recovery in the aircraft market, the status of new project acquisitions, and the situation regarding profitability improvement, among other matters. At the same time, we will expand sales of general industry applications such as wind power generation, for which demand is booming, and recreational applications and implement rigorous cost management measures. Through these means, we aim to return to a positive EBITDA within the next three years.

Improvement in *Investment Efficiency* and *Earning Power*

Realizing returns that exceed capital costs is essential to enhance corporate value. To that end, we are working to improve investment efficiency while placing emphasis on ROE and ROIC based on operating income. At the same time, we are taking steps to reduce capital cost. Specifically, we are moving forward with a broad range of initiatives. These include reducing profit volatility by transforming our portfolio and improving the product mix in each business, realizing an optimal capital structure, reducing invested capital through the sale of cross-shareholdings and other assets, and strengthening communication with shareholders and other investors.

We place importance on EBITDA when measuring our earning power. In consideration of the changes in the business environment, we revised the breakdown of each business's contribution to the fiscal 2022 target for EBITDA. At the time the medium-term

management plan was formulated, we expected a breakdown of ¥80.0 billion from the Material Business and ¥45.0 billion from the Healthcare Business. We now expect a breakdown of ¥65.0 billion from the Material Business and ¥60.0 billion from the Healthcare Business. However, our Groupwide target for EBITDA of ¥150.0 billion remains unchanged. Accomplishing this goal will provide us with a path toward reaching our fiscal 2025 goal for EBITDA of ¥200.0 billion and fiscal 2030 goal of ¥250.0 billion or more. Accordingly, under the current plan, we will continue to invest in Strategic Focus fields and steadily push forward with the initiatives we have adopted in each business. Furthermore, we will strive to boost the productivity of our plants and enhance the operational efficiency of our sales and head office personnel through such means as promoting workstyle reforms and utilizing robotic process automation.

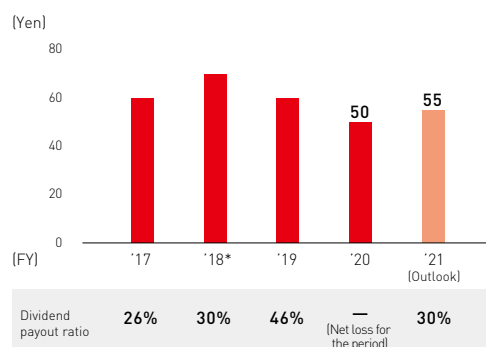
Shareholder Return Policy

We will prioritize the allocation of generated cash to strategic investments for the future while working to maintain a sound financial structure. Under our shareholder return policy, we target a consolidated dividend payout ratio of around 30% of net income. We also examine dividend amounts in consideration of stable and continuous dividend payments while working to increase dividend amounts in line with profit growth. Additionally, we implement flexible capital policies such as the purchase of treasury stock in accordance with our current condition. While both sales and profits declined in fiscal 2020 due to the COVID-19 pandemic, we issued an annual dividend of ¥50 per share. In fiscal 2021, we intend to increase this amount by ¥5, to ¥55 per share, in reflection of our forecast for profit growth.

Within the ever-changing business environment, while we will work to ensure the soundness of our financial structure to prepare ourselves for risk, we will also strive to implement growth investments that seize on opportunities, realize shareholder returns properly, and enhance corporate value. I recognize that navigating the way between these two approaches is my duty as

the CFO. I would like to ask our shareholders and other investors for their continued understanding and support of the Teijin Group's growth over the medium to long term and of the initiatives we are implementing to continuously enhance corporate value.

Dividends Per Share



* Included a commemorative dividend of ¥10 per share in honor of the centennial celebration of our founding

Our Performance and Strategies

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**JOLLY
GOOD!**

×

TEIJIN

Together with Jolly Good Inc., we are developing a cognitive-behavioral-therapy virtual-reality (CBT-VR) system. Through this effort, we aim to contribute to society by developing advanced services that help to alleviate unresolved needs in the field of depression treatment.



Materials Business Field

Business Introduction



Automotive Composites



In the automotive composites business, the Teijin Group is engaging in the design of parts and the provision of components to automakers centered on CSP, North America's largest Tier 1 automotive composites supplier, which it acquired in 2017. In the automotive industry, there is a need for lightweight automotive parts that maintain strength and durability and can be mass-produced. To meet this need, the Group is strengthening its proposal-making capabilities in such ways as collaborating with its customers from the parts development stage. Furthermore, to comply with increasingly stringent environmental regulations, the Group is expanding the materials it uses and collaborating with other manufacturers.



Carbon Fiber Intermediate Materials for Aircraft



With 10 times the strength and only one-quarter of the weight of steel, carbon fiber is attracting interest as an environment-friendly material that will contribute to reductions in CO₂ emissions and provide other benefits. This growing interest has driven expansion in demand particularly for aerospace and general industrial applications, such as wind power generation. *TENAX* carbon fibers boast world-leading quality and high global market share, mainly in aircraft applications. In addition to promoting the development of intermediate materials for aircraft, we are working to respond to the current booming demand for general industrial applications, such as wind power generation, and recreational applications, among others.



Aramid



Aramid fibers can be divided into two broad categories: para-aramid fibers and meta-aramid fibers. Para-aramid fibers are particularly outstanding in terms of strength and heat resistance. Accordingly, they are mainly used as reinforcement for tires and friction material for automotive brake pads, as well as reinforcement for optic fiber cables. In addition, para-aramid fibers are used for ballistic applications and in protective apparel. The market for para-aramid fibers is expected to grow at an annual rate of 3% to 5%. Meta-aramid fibers have outstanding long-term heat resistant and flame-retardant properties and are therefore used in heat-resistant filters and special environment uniforms such as those worn by firefighters, as well as in other industrial materials. The Teijin Group boasts a global presence in terms of aramid fibers, thanks to their high levels of quality and competitive costs.

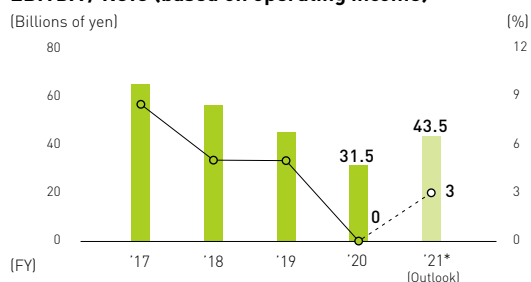


Resin and Plastic Processing



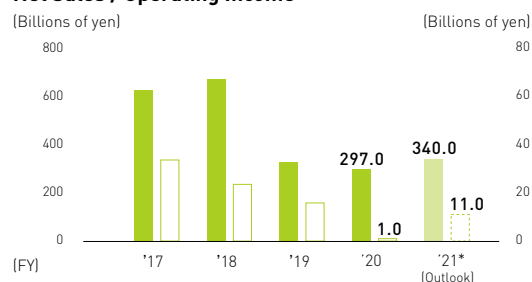
With an impact resistance 200 times greater than glass, and only half the weight, polycarbonate (PC) resins possess a wealth of outstanding features, including heat resistance, dimensional stability, electrical characteristics, and transparency. These resins are now widely used in electronics, automobiles, precision machinery, and medical treatment. The Teijin Group enjoys leading-class production capacity for PC resins in Asia and is working to actively roll out high-value-added applications that offer high quality and technological capabilities.

EBITDA / ROIC (based on operating income)



■ EBITDA (left scale) — ROIC based on operating income (right scale)
 Note: Results for fiscal 2017 and fiscal 2018 include Fibers & Products Converting Business.
 * Outlook as of May 2021

Net Sales / Operating Income



■ Net sales (left scale) — Operating income (right scale)
 Note: Results for fiscal 2017 and fiscal 2018 include Fibers & Products Converting Business.
 * Outlook as of May 2021

Message from the President of the Material Business

**Providing Solutions That Resolve Customer Issues with
a Higher Level of Acumen amid the Frequent Changes in Social Needs**

In the Material Business, we aim to achieve growth and contribute to the realization of a sustainable world by seizing on the opportunities presented to us by various social needs, such as lightweight materials for mobility and eco-friendly materials and components. Under the medium-term management plan, one major theme for the Material Business is to accelerate the rollout of high-value-added applications by increasing high-performance materials and pursuing the multi-materials strategy. For Strategic Focus fields, we are developing automotive composites and carbon fiber intermediate materials for aircraft. At the same time, for Profitable Growth fields, we are working to expand and promote high-value-added applications of our aramid fibers, resins, and carbon fibers.

In fiscal 2020, the first year of the plan, the Material Business was significantly impacted from the decline in demand primarily for automotive and aircraft applications, resulting from the COVID-19 pandemic. This decline in demand caused us to fall behind the targets we adopted under the medium-term management plan. With that said, the direction we are aiming for in the Material Business remains unchanged, as there has been a growing need for the solutions we provide in this business. I believe that, going forward, it is imperative that we provide the kind of value our customers need with a higher level of acumen. We are now seeing a massive reimagining of supply chains as people have been restricted from moving around globally due to the pandemic, and I feel these circumstances are changing the standards that customers use to choose a corporation to do business with. Moving forward, we will not be able to compete simply in terms of material performance, price, and delivery times. For example, I believe efforts that go

Akimoto Uchikawa

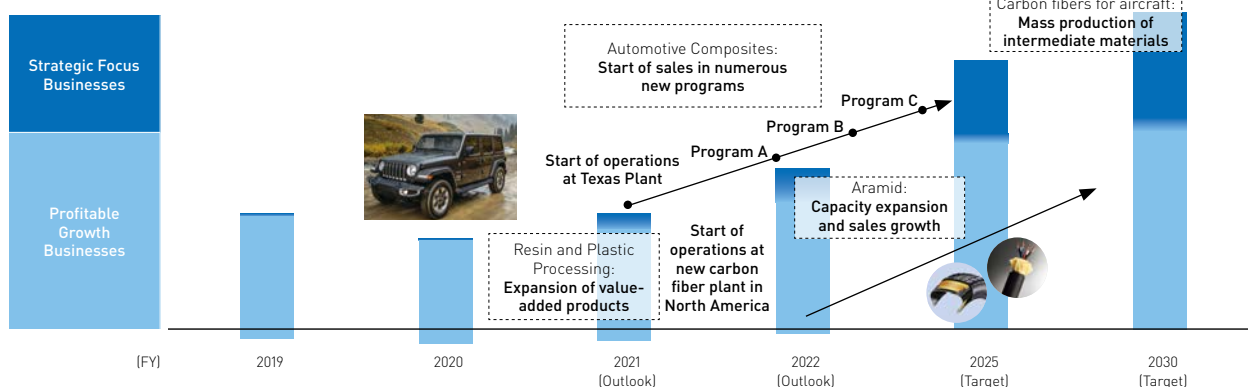
Executive Officer,
Member of the Board
President, Material Business of
Teijin Group



beyond these aspects, such as ensuring a stable product supply and conducting Life Cycle Assessment (LCA), will help us build strong trust-based relationships with our customers and cultivate a competitive edge. In fact, companies that are not able to provide added value through these kinds of efforts will likely be unable to survive in the upcoming generation. Amid the frequent changes in social needs, we will be pressed to make changes to our approach by considering how we ought to promote our policies and initiatives to customers and the kinds of products and services we need to provide. In the remaining two years of the plan, all of our employees will work toward resolving the issues facing our customers as if they are facing such issues themselves, taking steps to actively propose solutions. I believe that this approach will lead to the success of each of our projects.

As we head down the path to achieving our vision for the Company in 2025 and 2030, as adopted under the plan, I will find a perfect balance between achieving profitability in the near and medium term and ensuring growth over the long term. Furthermore, I will strive to create at least one new solution or business during this time frame by combining the various tangible and intangible assets that the Teijin Group possesses. I am aware that my job as president of the Material Business is to ensure the success of these goals, and I will therefore lead the way with efforts to achieve our long-term vision.

Overview of Profit Growth (EBITDA)





Automotive Composites

SWOT

Strengths

- Outstanding composites technology with stable quality
- Solid partnerships with major automakers in North America, customer-oriented business model
- Global business base, including in Europe and Asia

Weaknesses

- Securing profitability during a period of business expansion

Opportunities

- Needs for reducing exhaust emissions and improving fuel efficiency by reducing automobile weight as well as the need for LCA optimization
- Advancement in information sharing with OEMs* due to digital transformation, thereby improving demand forecast accuracy

Threats

- Decline in automobile demand
- Changes in material needs due to structural changes in the industry
- Intensifying competition from other industries

* In this section, OEMs refer to finished-car manufacturers to which the components of Tier 1 suppliers are supplied.

Overview of the U.S.-Based CSP—The Company That Handles the Core of the Composites Business

In fiscal 2020, a significant decrease in OEM production at the start of the period had a severe impact on the production and sale of automotive parts in the United States. However, the U.S. automotive market recovered greatly from the second quarter centered on SUV and pickup trucks, for which CSP is a main parts supplier. Due to the delay in the launch of new vehicle types by OEMs caused by the pandemic, the release of certain products at CSP will now take several years longer to realize than the period of the current medium-term management plan. However, CSP is acquiring new programs at a rate in line with our expectations. In addition, CSP has been steadily executing growth investments in accordance with the plan, including the establishment of a new plant in Texas.

Meanwhile, the continued provision of a relatively high level of unemployment benefits in the U.S. has made it difficult for CSP to secure a sufficient workforce to support its recovering plant operations. To address this issue, CSP has been adopting measures to improve the employee retention rate. In fiscal 2021, the tightening demand for labor resulting from unemployment benefits is expected to ease, and productivity is expected to improve as employees' proficiency



Automation at a CSP factory

levels become higher through stable employment. In addition, CSP is continuing to pursue initiatives toward plant automation and process improvement with the aim of further enhancing productivity.

Accordingly, CSP aims to regain positive operating income after amortization of goodwill by fiscal 2022.

Reinforcement of Our Business Foundation in Europe and China

In the composites business, we will strengthen the operations of CSP so that we can achieve a dominant position in the North American market. At the same time, working in unison with our bases in Europe and China, we aim to establish a stable supply structure across the globe.

In general, Europe, especially Germany, is leading the way with cutting-edge initiatives toward the development of electric vehicles and other next-generation automobiles, and prototypes that have been developed in the region are now starting to be rolled out around the world. Amid this trend, in February 2020 we established Teijin Automotive Center Europe GmbH (TACE) in order to strengthen collaboration with each of our composite bases in Europe and enhance our ability to make proposals to OEMs. TACE handles market cultivation efforts and technical research pertaining to automotive composite prototypes and next-generation vehicle development. Organically linking the R&D and marketing functions at each local composite base, TACE is playing an important role in not only acquiring new programs in Europe but also expanding technologies developed in the region to the Chinese market, where next-generation vehicles are quickly becoming more widespread. TACE will work to further enhance these types of efforts going forward.

During fiscal 2020, in China we turned CSP Victall (Tangshan) Structural Composites Co., Ltd. (CSP-Victall)—a joint venture between CSP and Qingdao Victall Railway Co., Ltd.—into a consolidated subsidiary. In addition to managing CSP-Victall effectively as a Group company, we will work to expand its business and improve its productivity through proactive introduction of Group technologies.

Efforts to Reduce Environmental Impact

We have been making efforts toward LCA, a process that calculates the environmental impact throughout the entire life cycle of a product. In fiscal 2021, we have commenced the full-scale implementation of LCA within our operations. Specifically, we are focusing our attention on disclosing CO₂ emission amounts from such products as glass fiber and carbon fiber composites, which are used for the outer plates and structural components of automobiles, starting from the manufacture of such materials, which are supplied to OEMs, all the way through to their disposal. In addition, we are engaging in numerous R&D projects that aim to develop recycling technologies for products, raw materials, and waste.

Initiatives of Our Technological Development Centers in the United States and Europe

In the composites business, we are stepping up collaboration with our bases in each region of operation with the aim of establishing solutions-based businesses. This collaboration is being pursued under such themes as the shift to multi-materials and modules and the utilization of IoT. To promptly promote technological development, we have divided development areas and functions between our bases in Japan, the United States, and Europe. We have also been working to establish a structure for our technological development centers in the United States and Europe.

At TACE, established in February 2020, we are building a structure for robust collaboration between our European bases

of CSP Europe (France), Inapal Plasticos SA (Portugal), and Benet Automotive s.r.o. (Czech Republic). By combining the design and evaluation technologies possessed by each individual base and handling the advanced roles of prototype creation, evaluation, and data analysis, TACE is swiftly making proposals for solutions geared toward the development of next-generation automobiles. Furthermore, TACE is equipped with marketing functions and functions for exploring the possibilities of new technologies and M&As, enabling it to accelerate initiatives with OEMs. In these ways, TACE is helping us enhance our ability to respond to a wide range of customer needs, including lightweight materials, high-strength materials, design, productivity, and cost efficiency.

In the United States, we opened the Advanced Technologies Center (ATC) in Michigan. By applying Teijin's insight on

composites and carbon fibers to CSP's mainstay material, glass fiber-sheet molding compounds (GF-SMC), we are focusing on the development of lightweight, high-strength components needed for next-generation automobiles such as electric vehicles and hybrid vehicles. At ATC, we are also promoting joint development with our R&D bases in Japan and Europe, thereby strengthening our proposal-making capabilities for multi-materials on a global basis.



Impact resistance demonstration and computer-aided engineering (CAE) experiments being performed at TACE (rendering)



Carbon Fiber Intermediate Materials for Aircraft

SWOT

Strengths

- Technological capabilities for intermediate materials for aircraft, which are expecting future growth (thermoplastic prepreg, non-crimp fabric)

Weaknesses

- Limited track record for the supply of current mainstream intermediate materials (thermoset prepreg)
- Long time frame from development to commercialization and profitability

Opportunities

- Needs to reduce exhaust emissions and improve fuel efficiency by reducing aircraft weight
- Need to reduce manufacturing costs

Threats

- Decline in aircraft demand
- Intensifying competition, commoditization

Achieving a Positive EBITDA within Three Years

In fiscal 2020, the carbon fibers business saw sales of *TENAX* carbon fibers drastically decline for aircraft applications due to reduced demand in the aircraft market. Accordingly, we reinforced sales efforts for non-aircraft applications, such as wind power generation and recreational applications.

Sluggish demand is expected to continue in the aircraft market for the next several years, and there have been delays in the new aircraft development programs of aircraft manufacturers. However, over the medium to long term, the

market is expected to recover and eventually grow. The need for lightweight materials in the mobility domain will likely continue, and we anticipate an increase in new demand for air mobility, including electric vertical takeoff and landing (eVTOL) aircraft. Accordingly, while focusing on the future, we are continuing to pursue the development of intermediate materials for aircraft centered on thermoplastic prepreg and non-crimp fabric, for which we boast a technological advantage over our competitors. Aircraft manufacturers demand not only affordable material prices but also solutions to such issues as reducing the time it takes to mold an airframe and enhancing productivity. For that reason, we are prioritizing investment in the development of thermoplastic prepreg and non-crimp fabric, which help enhance the efficiency of the production process, with the aim of acquiring a strong market share.

Meanwhile, environment-friendly demand is booming for general industrial applications such as wind power generation and pressure vessels, and we will take steps to steadily capitalize on this demand going forward. At our new prepreg plant in Vietnam, which commenced commercial operations in July 2021, we are reinforcing our production and sales activities for general industrial and recreational applications in the Asian market.

We will proceed with preparations for commencing the operation of a new carbon fiber plant in North America with the goal of beginning commercial production in 2022. The plant will initially focus on the production of general industrial and recreational

Business Strategy

Materials Business Field

applications, but it will expand to include the production of aircraft applications over the medium to long term.

Going forward, we will promote rigorous cost-cutting measures while monitoring such matters as the recovery in

the aircraft market, the status of new program acquisition, and profitability improvement on a regular basis. By doing so, we will aim to achieve a positive EBITDA in the carbon fibers business within three years.

Examples of Initiatives in the Intermediate Materials for Aircraft Business (2019–2020)

Initiative	Customer	Product
Acquire registration	The Boeing Company (intermediate advanced composite material for primary structural parts)	Thermoplastic prepreg
Delivery of aircraft	Airbus SE (A350 XWB primary structural parts)	Thermoplastic composites*
Acquisition of U.S.-based Renegade Materials Corporation	Aircraft and aircraft engine manufacturers	Heat-resistant thermoset prepreg
Qualifications	Airbus SE (A320neo wing spoilers)	Non-crimp fabrics and woven fabrics
Acquire material registration	Collins Aerospace (aircraft structural component manufacturer)	Thermoplastic composites
Conclusion of master agreement	Safran S.A. (aerospace and defense-related manufacturer)	Heat-resistant thermoset prepreg
Qualifications	Nikkiso Co., Ltd. (next-generation engine components, qualified for use in project by Airbus SE)	High-performance and rapid-curing prepreg

* Qualified in 2014 (world first)



Aramid

SWOT

Strengths

- Market leader in para-aramid fibers
- Cost competitiveness (integrated supply chain from raw materials to the supply of products) and high barrier of entry
- Highly automated and digitalized processes
- Front-runner in sustainable solutions and supply chain
- Robust client relationships

Weaknesses

- High percentage of production in Europe

Opportunities

- Needs for improving automotive fuel efficiency and durability, demand for replacing materials
- Dissemination of next-generation communications (5G)
- Needs for protective clothing and equipment to ensure safety and security
- Entry into the aerospace market with aramid honeycomb paper
- Improvement in productivity by achieving economies of scale through further capacity expansions

Threats

- Dependency on automotive market
- Emergence of competing manufacturers

Further Enhancement of Competitiveness

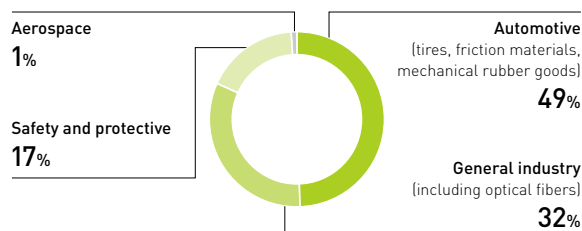
In fiscal 2020, *Twaron* para-aramid fibers, the major product in the aramid business, saw an overall decline in sales volumes for all applications, including automotive applications such as tire reinforcements and friction materials, as well as optical fibers. However, the product's sales eventually improved in line with the recovery in relevant markets.

With our para-aramid fibers, we boast a dominant presence in terms of quality and cost competitiveness and have secured the No. 1 global market share. As demand steadily increases for major applications such as automotive and optical fibers, we intend to increase the production capacity of para-aramid fibers at our two raw material and spinning factories in the Netherlands from fiscal 2022. Through this

effort, we expect to increase production capacity by 25% or more compared with levels in fiscal 2017. This in turn should help us maintain an annual growth rate in net sales of 5% to 7%, while steadily capitalizing on market growth.

Additionally, in conjunction with these efforts toward business expansion, we are pursuing operational excellence in the aramid business with the aim of enhancing the quality and efficiency of our operations on an ongoing basis. Going forward, we will strive to further enhance our competitiveness by using digital technologies to promote comprehensive supply chain management, from raw material procurement through to delivery, and plant automation.

Sales Volume Ratio by Application in Fiscal 2020



Efforts toward Sustainability

In the aramid business, we are working to reduce the environmental impact of our business activities, including CO₂ and waste emissions. At the same time, we are strengthening application development including through collaboration with our customers while focusing our efforts on providing Environmental Value Solutions using lightweight materials and contributing to the realization of a circular economy. For example, Teijin Aramid B.V., which handles the core of our operations in the Netherlands, is promoting the recycling of aramid-based, end-of-life products. In addition, the company has introduced an original converting system that can quantify the environmental impact and customer benefits,

including economic value, of using *Twaron*. In fiscal 2019, this system helped clarify the more than 215,000 tons of CO₂ emissions reduced through the use of *Twaron* in tires and conveyor belts. In fiscal 2020, Teijin Aramid announced the eco-datasheet, an LCA evaluation document for the company's products that discloses information on the sustainability of *Twaron*. The eco-datasheet includes product information pertaining to such matters as CO₂ emissions within the production process, recyclability, and the response to regulations related to chemical substances and the

environment in accordance with international standards. A recently conducted LCA in 2021 showed that Teijin Aramid has improved the carbon footprint of *Twaron* by 30% compared with 2014. This reduction is the result of the company's diligent efforts to improve the sustainability and production process of *Twaron* and to transition to 100% renewable energy. These kinds of efforts toward sustainability are helping to lead the way for our Groupwide initiatives toward sustainability and are making a positive impact on other Group businesses.

Arnhem Head Office of Teijin Aramid B.V.



SOLUTIONS

Environmental Value Solutions

Materiality 1 Climate change mitigation and adaptation

Environmental Impact Reduction at Our Plants and Offices

Teijin Aramid has purchased Guarantees of Origin (GO) for the electricity it consumes at its plants and offices. GO certify that consumed energy has been produced using sustainable methods. Teijin Aramid has purchased GO from the European Wind Energy Association for the energy consumed at its Arnhem head office, R&D centers, and the Delfzijl, Emmen, and Arnhem plants. Through this purchase, the company is working to ensure that the electricity it

consumes in the Netherlands comes from 100% renewable energy sources. The price of a GO is higher than average electricity prices, which makes purchasing a GO an investment toward producing and expanding the use of renewable energy.

Teijin Aramid also aims to create offices that are friendly to the environment and its employees. Guided by that aim, the company moved its head office in September 2020. The new head office utilizes the site of one of Teijin Aramid's old laboratories and was established with consideration to reducing environmental impact right from the construction stage. For example,

granulates from the demolition of the old laboratory were used to pave the head office's parking lot. In addition, the head office is fully equipped with features that help reduce the building's energy consumption, including solar panels, heat pumps, water-saving taps, external sun blinds, and heat recovery equipment. The building also makes use of a sustainable design that incorporates eco-friendly equipment, including charging points for electric cars and bicycles, a restaurant serving locally sourced food, and walls blanketed with plants.



Resin and Plastic Processing

SWOT

Strengths

- Technologies (interfacial property control for resin products, special design, etc.)
- World-leading, high-quality polycarbonate resins
- Marketing, sales, and customer support capabilities for a wide range of applications
- High-value-added product development capabilities

Weaknesses

- High percentage of production and sales in Japan, China, and ASEAN

Opportunities

- Dissemination of next-generation communications (5G)
- Need for high-performance materials in the EV and automated driving market
- Improvement in productivity through the digital transformation of production and sales

Threats

- Deteriorating supply-demand balance due to the emerging trend of increased facilities in China

Establishing a Business Structure That Is Not Easily Impacted by Market Conditions

In fiscal 2020, sales of polycarbonate resins, the mainstay

product in the resin and plastic processing business, recovered from the second half of the fiscal year and, by the end of the term, reached the same level as their sales in the previous fiscal year. In the second half, prices soared in the market for the key raw material bisphenol A (BPA), leading to a decline in the market spread. Despite this, we were able secure a certain level of profitability by successfully shifting to high-value-added PC resins, toward which we have been making ongoing efforts.

PC resins are one of the materials required for the popularization of electric vehicles and next-generation communication systems (5G), and we have established a structure spanning the three countries of Japan, China, and Thailand so that we can swiftly respond to the diverse needs for PC resins in each region. Through the promotion of application and technological development, including collaboration with customers, we are focusing on the provision of differentiated products and services, centered on resin compound products.



Plant of Teijin Corporation (Thailand) Limited

Healthcare Business Field

Business Introduction



New Healthcare Businesses

The Teijin Group is striving to leverage the strong connections it has formed with patients and medical professionals through the pharmaceutical and home healthcare businesses, as well as its deep knowledge of the healthcare industry and technological capabilities, in order to develop new healthcare businesses. Under Medium-Term Management Plan 2020–2022, we have established “innovative medical treatment,” “medical technologies and services to support self-reliance,” “functional foods business,” and “new business related to comprehensive community-based healthcare systems” as important areas of focus for new healthcare businesses. Going beyond fields covered by medical insurance, we aim to develop comprehensive healthcare service businesses, including preventative care/health promotion and rehabilitation/nursing care, that are deeply rooted in local communities.



Pharmaceuticals and Home Healthcare

In the pharmaceutical business, the mainstay drug *FEBURIC* was being sold in 79 countries and regions around the world as of June 30, 2021. In addition, the drug has earned the top market share*1 in Japan. In April 2021, we expanded our product portfolio in this business by taking over marketing approvals for four diabetes drugs from Takeda Pharmaceutical Company Limited.

In the home healthcare business, we boast the strengths of a service structure that can provide support to patients on a 24-hour, 365-day basis and a customer base that is the largest in the home healthcare industry. In Japan and overseas, we provide home healthcare services to approximately 450,000 patients. We have also secured a leading market share*2 in Japan for therapeutic oxygen concentrators for home oxygen therapy (HOT) as well as for continuous positive airway pressure (CPAP) ventilators for the treatment of sleep apnea syndrome (SAS), a market that has been rapidly growing in recent years.

*1 Copyright©2021 IQVIA.

Source: In-house analysis based on IQVIA JPM, April 2020–March 2021
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*2 Estimated from external reports and Teijin's rental volume

SWOT

Strengths

- Product creativity and market cultivation capabilities focused on unmet needs
- Robust sales base established in the pharmaceutical and home healthcare businesses
- High-quality services centered on patients
- Unique products and services created through the use of technologies from the Material and IT businesses

Weaknesses

- Internal ability to expand in the global market

Opportunities

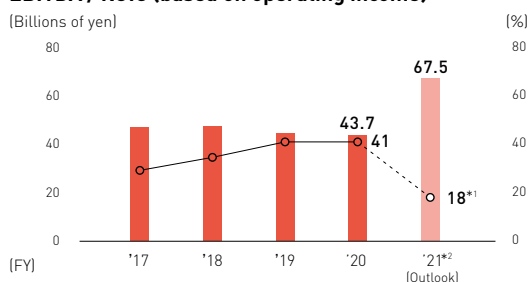
- Needs for comprehensive community-based healthcare and home healthcare that require multidisciplinary collaboration
- Personalized medical treatment
- Progression in the digitalization of medical treatment
- Needs for extending healthy life span, preventative care, and health promotion

Threats

- Downward revisions to drug prices and medical service fees based on government policies to curtail medical costs in Japan
- Increase in R&D expenses related to new drugs and intensifying R&D-related competition



EBITDA / ROIC (based on operating income)

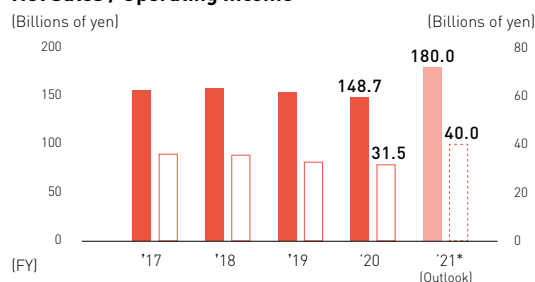


■ EBITDA (left scale) — ROIC based on operating income (right scale)

*1 Calculated with the inclusion of a projected increase in investment capital at the beginning of fiscal 2021 due to the transfer of marketing approvals of diabetes drugs

*2 Outlook as of May 2021

Net Sales / Operating Income



■ Net sales (left scale) □ Operating income (right scale)

* Outlook as of May 2021

Message from the President of the Healthcare Business

Working Groupwide to Strengthen Initiatives That Go Beyond Business and Organizational Barriers with the Aim of Becoming a Comprehensive Community-Based Healthcare Services Provider



Naohiko Moriyama

Executive Officer, Member of the Board
President, Healthcare Business of Teijin Group
General Manager,
Healthcare New Business Division

The Teijin Group aims to become a comprehensive community-based healthcare services provider offering products and services that cater to each individual process within the entire healthcare cycle—from preventative care/health promotion to medical treatment through to rehabilitation/nursing care. In the Healthcare Business, we have cultivated a unique business foundation and formed strong connections with patients and medical professionals across Japan, centered on pharmaceuticals and home healthcare, for over 40 years. While further enhancing these tangible and intangible assets, we will provide pharmaceuticals, medical devices, medical materials, food products, and IT services in a comprehensive manner within our healthcare business platform.

To do so, we must secure broader capabilities and greater adaptability within our sales and R&D activities. Since commencing the organizational integration of the pharmaceuticals and home healthcare businesses in October 2019, we have been making steady progress with efforts adopted under the medium-term management plan, including diversifying the functions of sales staff, establishing multidisciplinary team sales, combining R&D technologies, and enhancing productivity through functional integration. Going forward, we will pursue a sales model that is uniquely Teijin by drawing on the promotional capabilities of our medical representatives (MRs) in the pharmaceutical business and the patient support capabilities of our multidisciplinary teams in the home healthcare business, which comprise sales staff, home healthcare providers, visiting nurses, clinical laboratory technicians, physical therapists, and occupational therapists.

In the remaining two years of the plan, we will work steadily to expand sales of pharmaceuticals and medical devices, including the diabetes drugs for which we took over marketing approvals from Takeda Pharmaceutical, focusing on the

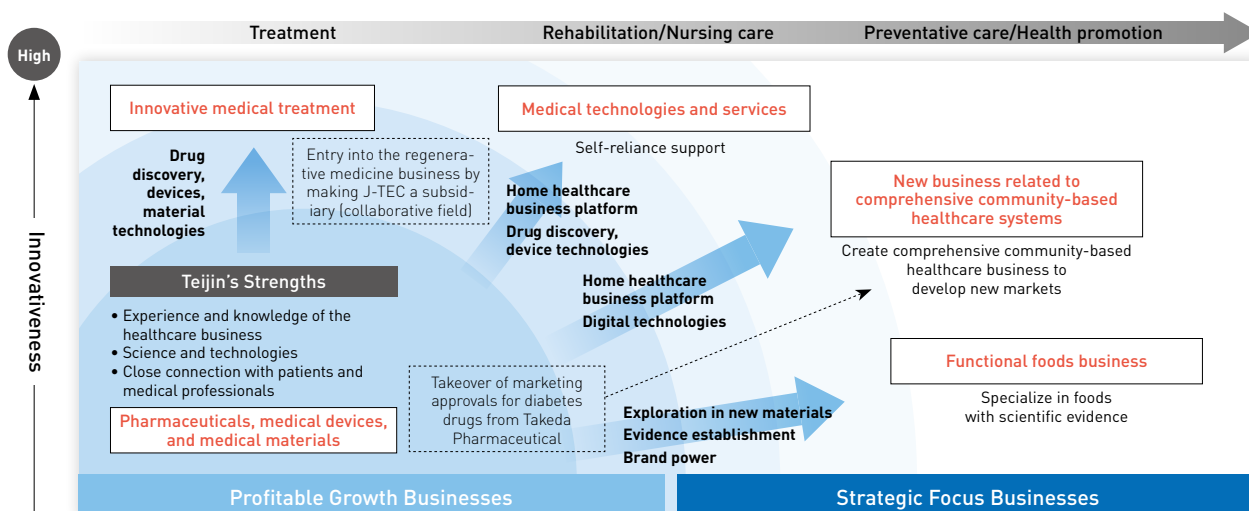
pressing issue of the “*FEBURIC* cliff.” At the same time, we will concentrate our efforts on cultivating new businesses in Strategic Focus fields such as comprehensive community-based healthcare, functional foods, and medical materials. To establish a foundation for comprehensive community-based healthcare systems, we must undertake efforts to digitalize our physical customer contact points, one of our areas of expertise, amid the rapid changes occurring in the business environment and the acceleration of remote and digital sales and medical treatment brought about by the COVID-19 pandemic. To that end, we will move forward with such efforts as strengthening our collaboration with Infocom Corporation and other partner companies, expanding our data platforms, and creating digital healthcare services that encourage changes in patient behavior. Furthermore, we will reinforce our pipeline for regenerative medical products together with Japan Tissue Engineering Co., Ltd. (J-TEC), which recently became a subsidiary, and expand collaborative businesses with the Material Business, thereby accelerating the creation of innovative medical treatment.

Going forward, it will be even more important for corporations to create the things that people truly need and make greater contributions to society. As president of the Healthcare Business, I will play a leading role in ensuring that all employees maintain a serious understanding of the significance and purpose of their work and strive to go beyond business and organization barriers to pursue initiatives on a Groupwide basis.



P.43 The Teijin Group's Innovations
▶ Collaboration with J-TEC

Strategies in the Healthcare Business Field





New Healthcare Businesses

Aiming to become a comprehensive community-based healthcare services provider, we are taking steps to develop products that meet patients' needs and establish a business foundation that underpins these products. As part of this process, we have started to promote initiatives toward orthopedic implantable materials. Although sales volumes of orthopedic implantable materials declined in the first quarter of fiscal 2020 due to surgery delays caused by the pandemic, these materials recorded a solid full-year performance due to a rise in the number of surgeries from the second quarter on and the expanded sales of new products. Furthermore, we are making efforts toward functional foods and the other new healthcare businesses listed below.

Functional Foods Business

Drawing on the abundance of evidence we have established through drug-related R&D activities and our technological ability to discover candidate substances, we are working to develop applications centered on prebiotic material and probiotic material and enhance our product lineup of these materials. At the same time, we are rolling out sales strategies centered on e-commerce.

New Business Related to Comprehensive Community-Based Healthcare Systems

We have established a solid platform in home healthcare comprising a 24-hour call center, in-home nursing care stations, and a nationwide sales and service network, among other features. Drawing on this platform as our foundation, we aim to create new businesses that also combine the products and services of other companies. To that end, we are actively pursuing M&As and capital and business alliances to complement areas in which we are lacking on our own. In fiscal 2020, we entered into business and capital alliances with PREVENT Inc., which offers such services as

support for severity prevention of lifestyle diseases such as diabetes by leveraging medical data analysis and monitoring devices, and 3Sunny, Inc., which provides support services for hospitalization and discharge adjustment and services for introducing patients to nursing care facilities, among others. While combining the know-how and technologies of other companies with ours, we will strive to create new markets and make even greater contributions to local communities.

Innovative Medical Treatment and Medical Technologies and Services

Efforts to Develop/Acquire New Medical Devices

In April 2020, we invested in a U.S.-based healthcare venture capital fund. Through this fund, we are promoting strategic investment and incubation activities geared toward creating groundbreaking products and services.

New Initiatives toward Treating Depression

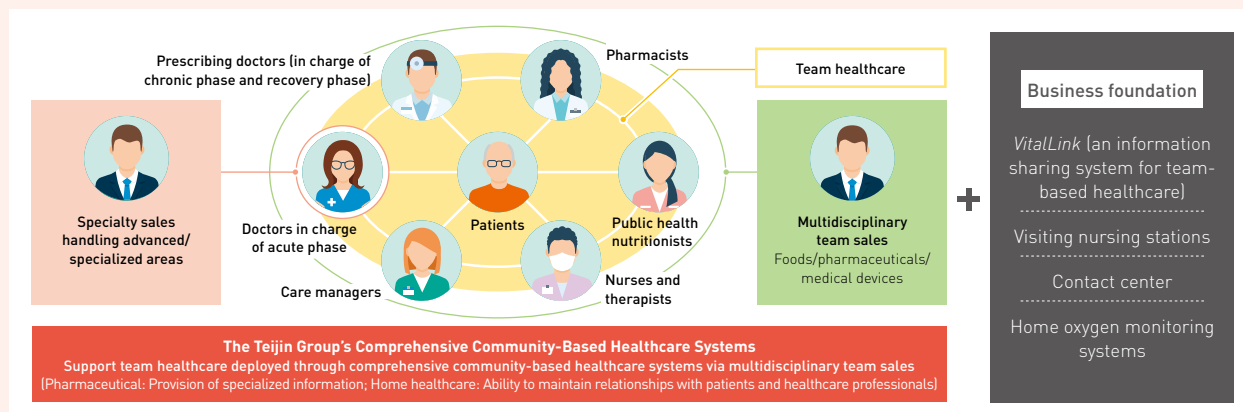
In March 2021, we signed a contract with Jolly Good Inc. to jointly develop a cognitive-behavioral-therapy virtual-reality (CBT-VR) system for anti-depression therapy. Going forward, we will conduct clinical trials for CBT-VR to confirm its safety

FOCUS

► Future Efforts to Establish Comprehensive Community-Based Healthcare Systems

To provide support to elderly people in local communities amid a rapidly aging society, it is essential to establish comprehensive community-based healthcare systems under which people belonging to a wide range of professions pertaining to healthcare, nursing care, and lifestyle support share information and collaborate seamlessly. Accordingly, the Teijin Group will draw on its business foundation to provide support for team healthcare in local communities. This support will pivot around multidisciplinary team sales, comprising members such as MRs, home healthcare sales staff, home

healthcare providers, visiting nurses, physical therapists, and sales personnel engaged in specialty sales, which handle advanced and specialized areas such as depression and rehabilitation. We view the diabetes drugs taken over from Takeda Pharmaceutical as pharmaceuticals that will provide us with a base for establishing these kinds of healthcare systems, and going forward, we will aim to enhance our solutions within the healthcare cycle of diagnosis, treatment, and prevention by pursuing synergies between these drugs and other products.



and efficacy with the aim of obtaining regulatory approval.

Support for the Self-Reliance of Patients Who Need Rehabilitation Due to a Stroke or Other Medical Condition

We are rolling out a sales promotion that packages *Xeomin*, a

type A botulinum neurotoxin used for treating upper limb/lower limb spasticity, together with *ReoGo-J*, a rehabilitation robot for upper limb paralysis, and *WalkAide*, a neuromuscular electrical stimulation device for rehabilitation.

Profitable Growth

Pharmaceuticals and Home Healthcare

In fiscal 2020, sales volumes of *FEBURIC* and *Somatuline** rose in the Japanese market, despite the impact of drug price revisions. In the HQT market, an increased number of patients chose to use home healthcare services to avoid in-hospital COVID-19 infection. Together with other circumstances, including the more widespread use of portable oxygen concentrators, the increase in the number of home healthcare users resulted in a rise in the number of rented units of HQT equipment. Regarding the demand for CPAP therapy, the COVID-19 pandemic caused a decline in the number of patients hospitalized for examination and slowed the expansion of the market compared with fiscal 2019. However, the market for CPAP devices for use by medical practitioners has been growing, with the number of rented CPAP devices continuously increasing.

In April 2021, we took over marketing approvals for four diabetes drugs (*Nesina*, *Liovel*, *Inisync*, and *Zafatek*) from Takeda Pharmaceutical. In addition to these drugs, treating diabetes requires guidance on lifestyle and diet and severity prevention. To that end, we will combine these drugs with services for severity prevention, which we have been pursuing

in our new business related to comprehensive community-based healthcare, as well as illness prevention methods, such as functional foods. By doing so, we believe it will be possible to provide comprehensive treatment solutions.

In fiscal 2021, we will work to expand the sales of these four diabetes drugs while also aiming to further increase sales of existing drugs such as *FEBURIC*. Regarding the osteoporosis treatment ITM-058, for which we obtained manufacture and sales approval in March 2021, we will promote the development of drugs that respond to the limit on the number of prescription days for pharmaceuticals. For home healthcare, in addition to HQT and CPAP therapy, we will enhance our product and service portfolio by ascertaining changes in the needs of the medical front lines and patients. As the impact of the COVID-19 pandemic has yet to subside, we are working to not only secure the safety of healthcare professionals and our employees but also strengthen our collaboration with local governments in an effort to ensure a stable product supply.

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

Product and Service Pipelines and Strengthening Measures

We offer an expanded range of products such as pharmaceuticals, medical devices, and functional foods through our multidisciplinary team sales.

Businesses	2020	2021	2022	2023-2025	2026 ~
Functional foods	Supplements <i>WASAbis</i> *1	Probiotic <i>UREX</i> *2	New products such as prebiotics*3 and probiotics*4		
Implantable medical materials		New/improved artificial joints and osteosynthesis materials	Cardiovascular and vascular repair patch	New/improved artificial joints and osteosynthesis materials	Cardiovascular and vascular repair patch application products
Regenerative medical products	Autologous cultured corneal epithelium	Autologous cultured oral mucosal epithelium	Promotion of collaborative projects with J-TEC (CDMO, etc.) Please see page 43 for more details. Autologous cultured epidermis containing melanocytes Allogeneic cultured epidermis Autologous cultured cartilage Autologous cultured CAR-T cells		
Comprehensive community-based healthcare		Development of new services by leveraging M&As and alliances Services for severity prevention of lifestyle diseases Visiting nurse web service Hospitalization and discharge coordination support service			Establishment of a comprehensive community-based healthcare business platform Through our comprehensive community-based healthcare foundation, which we established with the functional integration of the pharmaceutical and home healthcare businesses, and multidisciplinary team sales, we are rolling out a broad range of products and services and providing comprehensive health and medical services to individuals and local communities.
Pharmaceuticals and home healthcare devices	Functional integration of pharmaceuticals and home healthcare Launch of new drugs/Development of new medical devices and services Maximization of existing product value				

*1 *WASAbis* is a supplement containing 6-methylsulfinylthexyl isothiocyanate (6-MSITC) derived from Japanese horseradish. It has been reported that 6-MSITC has the ability to improve judgment (the ability to process information accurately) and attentiveness, which are cognitive functions that have a tendency to decline among middle-aged and elderly people who do not engage in routine exercise. *2 *UREX* is a lactic acid bacteria formulation that improves the vaginal environment and regulates vaginal health. *3 Prebiotics are difficult-to-digest food components that offer useful benefits to the intestines and can help improve the intestinal environment by helping increase healthy bacteria in the large intestine and improving intestinal activity. *4 Probiotics are live microorganisms that can offer useful benefits when consumed in appropriate amounts.



Fibers & Products Converting Business



Business Introduction

Teijin Frontier Co., Ltd., the Teijin Group's core company for the Fibers & Products Converting Business, is a one-of-a-kind hybrid company in the industry, possessing the functions of both a manufacturer and a general trading company. Teijin Frontier boasts an extensive supply chain, involving itself in everything from the analysis of market needs and R&D activities on materials through to production, processing, and sales. In addition, the company rolls out an extensive lineup of products and services, spanning from clothing to industrial materials, on a global basis.

SWOT

Strengths

- Various application development and a diversified customer base
- Strategic product allocation between parent factory (development and production of cutting-edge materials) and OEMs (optimized cost and production efficiency) for realizing a speedy and efficient supply system
- Active development of eco-friendly businesses

Weaknesses

- Improvement in basic profitability and prompt contribution to profits by new businesses

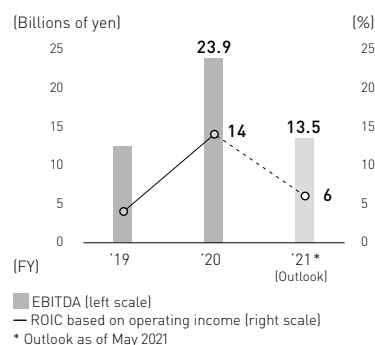
Opportunities

- Growing needs for fuel efficiency, compactness, and safety in mobility
- Reinforcement of social measures toward environmental issues, natural disasters, and infrastructure degradation
- Growing market for infection prevention and stay-at-home demand

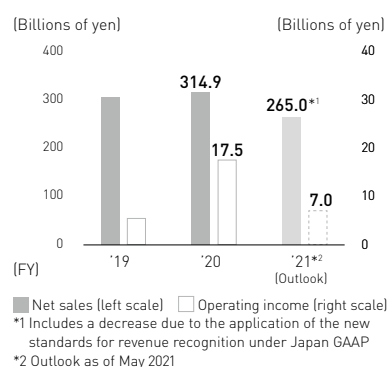
Threats

- Greater uncertainty regarding world affairs due to COVID-19 and the deteriorating relationship between the United States and China
- Decline in automobile demand
- Stagnation in the clothing market due to unfavorable weather

EBITDA / ROIC (based on operating income)



Net Sales / Operating Income



In fiscal 2020, the COVID-19 pandemic hurt sales of textiles and heavy clothing, but boosted demand for medical protective equipment (such as gowns) for use by medical professionals. This allowed the Fibers & Products Converting Business to contribute significantly to the Group's business performance through the provision of such equipment. In addition, sales of clothes that satisfied stay-at-home demand were robust, while sales of masks with improved infection-control functions, short polyester fibers for water treatment use, and other products also remained strong. Sales of automotive parts, which were poor at the beginning of the fiscal year, started trending

favorably in the second half of the term. This, plus the decrease in SG&A expenses due to limited business activities, also contributed to the Group's business performance.

In fiscal 2021, we will step up efforts toward business expansion in growth fields, such as mobility, the environment, infrastructure, and healthcare, as well as the cultivation of new businesses, including the development of wearable materials centered on sensing technologies. At the same time, we will strive to enhance the business's basic profitability through cost structure reforms.

TOPIC Production and Provision of Medical Gowns

As COVID-19 spread across Japan, Teijin Group companies both inside and outside Japan united together to promptly undertake the mass production and supply of medical gowns to protect healthcare professionals. This initiative was implemented in response to requests from the Ministry of Economy, Trade and Industry and the Ministry of Health, Labour and Welfare to help improve the chaotic situation facing those working on the medical front lines. As a result of this initiative, we were able to supply the Japanese government with a

total of over 100 million medical gowns, starting from April 2020, by leveraging the functions of Teijin Frontier Co., Ltd., which has global procurement capabilities covering everything from materials to products. Furthermore, to quickly resolve medical supply shortages, we publicly released pattern papers for two types of gowns free of charge, which were used by a large number of suppliers. Also, to prepare for the tough conditions arising from the prolonged COVID-19 pandemic, such as another shortage of medical gowns and

delays in procuring supplies from overseas, we established a domestic network that allows us to produce and supply medical gowns in a stable manner. We also set up a contact network with partner factories in Japan, which graciously agreed to prioritize the sewing of medical gowns in cases of emergency. By leveraging these networks and sharing the production know-how of Teijin Frontier, we have set up a structure that can promptly produce medical gowns in response to procurement requests from the government and other organizations.



IT Business



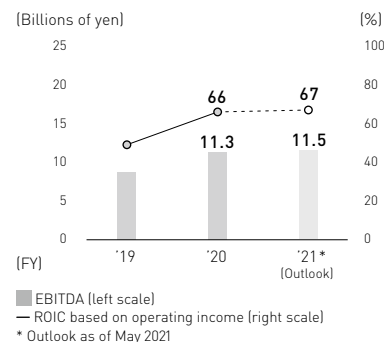
Business Introduction

Our IT Business centers on Infocom Corporation and comprises two business fields: digital entertainment and business solution. With digital entertainment, Infocom provides customers with such services as the *Mecha Comic* e-comics distribution service, leveraging its know-how and track record built from the early days of the mobile phone business. In the e-comics market, *Mecha Comic* has grown to become one of Japan's largest stores for digital comics. For business solution, Infocom possesses know-how and developmental technologies cultivated in the medical industry and leverages these strengths to provide high-value-added services, such as system and packaged products for corporate, medical, and public institutions.

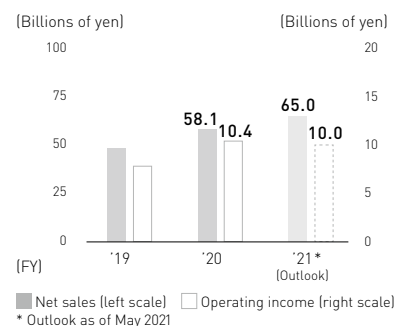
In fiscal 2020, the business solution field was affected by the COVID-19 pandemic especially in terms of services for medical institutions. However, sales of e-comics services in the digital entertainment field remained strong against the background of an increased e-comics readership. As a result, the overall IT Business recorded record highs for both sales and profits.

In fiscal 2021, for digital entertainment, we will aim to secure an even more robust position as an e-comics brand by expanding our content, starting with our original comics, and strengthening marketing activities based on data analysis that utilizes AI. As for business solution, we will roll out new services in the nursing care and health domains and expand its system services for hospitals in Southeast Asia. Through these efforts, we will enhance its services in the healthcare business.

EBITDA / ROIC (based on operating income)

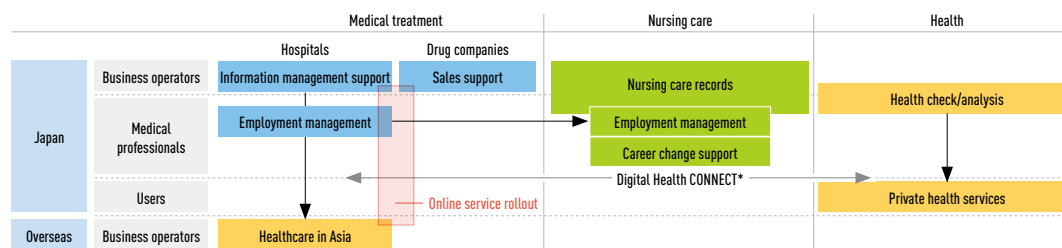


Net Sales / Operating Income



Core Business Strategy (Healthcare)

- New fields
- Focus fields
- Existing fields
- Remote fields



* A program for new business creation in the healthcare field, launched in 2015 and jointly operated with the SOMPO Group since 2017

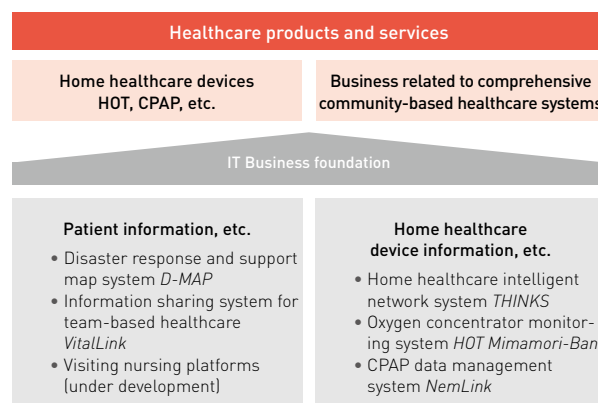
SOLUTIONS

Demographic Change and Increased Health Consciousness Solutions

Materiality 4 Realization of healthy and comfortable living for people

An IT Business Foundation That Underpins the Healthcare Business

The Teijin Group's Healthcare Business has offered numerous solutions useful for medical treatment in collaboration with Infocom Corporation, which oversees the IT Business. Collaboration between the Healthcare Business and the IT Business has led to the creation of various solutions, including *D-MAP* (Disaster Mapping Assistance Partner), a disaster response and support map system for home healthcare during times of emergency; *VitalLink*, an information sharing system for team-based healthcare used between medical professionals; and monitoring systems that work in conjunction with home healthcare devices. Going forward, we will continue to promote collaboration with Infocom as we work to further enhance our products and services and strengthen our IT Business foundation to support the expansion of comprehensive community-based healthcare systems.



The Teijin Group's Innovations

Frameworks for Creating Continuous and Genuine Business Opportunities and Accelerating Market Development

Envisioning tomorrow, the Teijin Group has continued to take on the challenge of creating products and services that will support the society of the future. As society undergoes a transformation at unprecedented speeds due to the evolution of technology, we will leverage the distinctive characteristics found in our diverse business fields of Materials, Healthcare, and IT. We will also provide solutions to social issues through the three fields of "Environmental Value," "Safety, Security, and Disaster Mitigation," and "Demographic Change and Increased Health Consciousness."

The Teijin Group views innovation as a series of activities involved in building a business, ranging from product and service creation to profit making. In order to address social needs and issues from a global perspective, we aim to leverage the unique comprehensive strengths and agility of the Teijin Group. Drawing on our research and development (R&D) network, which comprises 12 R&D laboratories overseas and 12 in Japan, we are invigorating our organization by strengthening collaboration between Group companies. At the same time, we are incorporating frameworks to accelerate innovations by respecting the diverse backgrounds of all employees and enabling them to exercise their individual abilities while

fostering a sense of Groupwide unity. Additionally, we are striving to reinforce our R&D capabilities through the utilization of materials informatics (MI), which is based on IoT monitoring and AI technologies, as well as healthcare big data, among other technologies. We are also actively leveraging collaboration not just within the Group but also with external organizations. Through these means, we are working to spur innovation at a greater pace than ever before.

For the Group's intellectual property (IP) strategy, we are identifying core technologies that have the potential to become the foundation of each business based on our detailed analysis of the external business environment and are acquiring intellectual properties accordingly. By doing so, we have established a robust IP portfolio that helps us secure our competitive edge. For our analysis of IP information pertaining to the creation of business strategies, we are incorporating IP landscapes and other methods and actively making use of ICT to gather both patent and non-patent information, which we then use to conduct an analysis of technological trends and overall competitiveness. These efforts help facilitate business-related decision-making.

Developing Technologies and Markets to Support the Society of the Future

● Environmental Value Solutions

The Teijin Group is striving to tackle various issues with a view to realizing a sustainable world. To that end, we are working to reduce CO₂ emissions by developing high-performance lightweight materials and components geared toward aircraft and automobiles that help lower fuel consumption. For example, we develop lightweight fiber-reinforced plastic components with high tenacity as well as tire cords with high tenacity and high rigidity. We also develop such materials as high-performance fibers used as friction materials in the braking systems of automobiles. In addition, we are promoting the development of lightweight materials related to next-generation automobiles at Teijin Automotive Center Europe GmbH (TACE), which handles such

functions as the design of automotive composites as well as the planning and prototyping of multi-materials, in Europe, known for its advancements in environmental protection. As for efforts toward clean energy, we are engaged in the development of lightweight hydrogen pressure vessels and pipelines in addition to materials and components for next-generation batteries. Also, we are working to address technological issues related to the recycling of chemicals and composites. As part of these efforts, we established the European Sustainable Technology Innovation Center (ESTIC) in Europe, which serves as a development base focused on eco-friendly fields. In this way, we are further contributing to the development of a circular economy.

● Safety, Security, and Disaster Mitigation Solutions

We are taking steps to ensure the safety and peace of mind of people and local communities. In terms of technology related to earthquake countermeasures, we are promoting the development of high-tenacity, highly flexible aramid fibers and carbon fibers for use as reinforcements to enhance the earthquake resistance of concrete

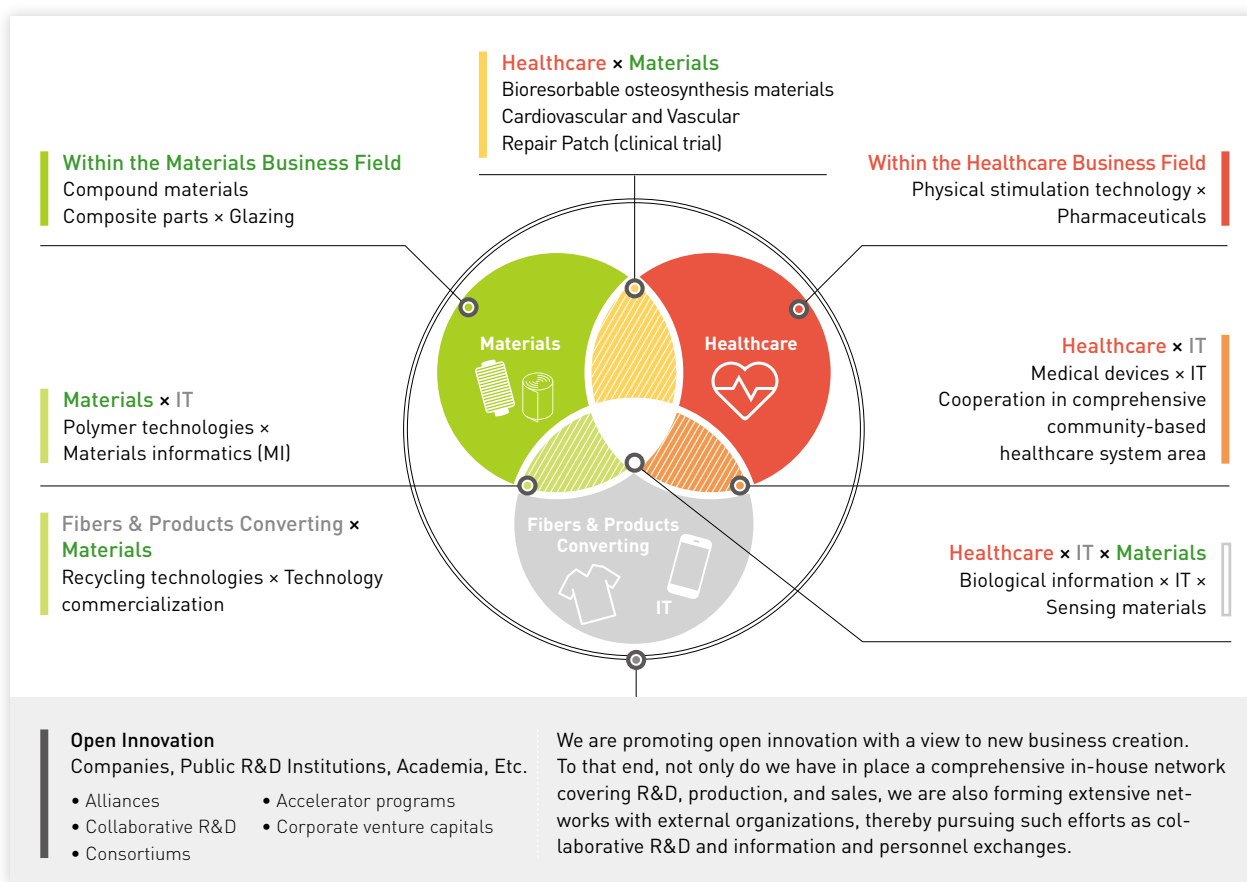
structures. In addition, we engage in the manufacture and sale of aramid fibers with outstanding flame resistance, which are used in fireproof clothing to protect firefighters. At the same time, we leverage IT technologies and sensing technologies to develop firefighting uniforms that help avoid the risk of heatstroke. Through such efforts, we are further pursuing the shift toward high-performance materials.

● Demographic Change and Increased Health Consciousness Solutions

To support healthy and comfortable lifestyles, not only do we promote R&D activities on pharmaceuticals, home healthcare devices, and artificial joints, we also put our long-cultivated technologies and know-how into practice to develop functional food ingredients, which are not covered by medical insurance. Furthermore, with the aim of building community-based healthcare platforms, we have established a 24-hour call center, in-home nursing care stations, and *VitalLink* (an information sharing system for team-based healthcare). Through such efforts, we are evolving our highly unique home healthcare platforms. By expanding these platforms to cover areas ranging from

pre-symptomatic care to healthcare, rehabilitation, and nursing care, we are striving to develop a lineup of products and services that corresponds to a wide variety of health conditions. Moreover, with the value of healthcare solutions increasing around the world through the combination of products and services and digital technologies, we launched the Medtech Convergence Fund, a U.S.-based healthcare venture capital fund, in order to strengthen long-term partnerships aimed at expanding the Healthcare Business in the global market. Through this fund, we will promote joint incubation activities and work to further revitalize R&D functions for creating innovative healthcare products and services.

Enhancing Unique, Innovative Products and Services through Collaboration Within and Outside the Teijin Group



FOCUS

► Collaboration with J-TEC

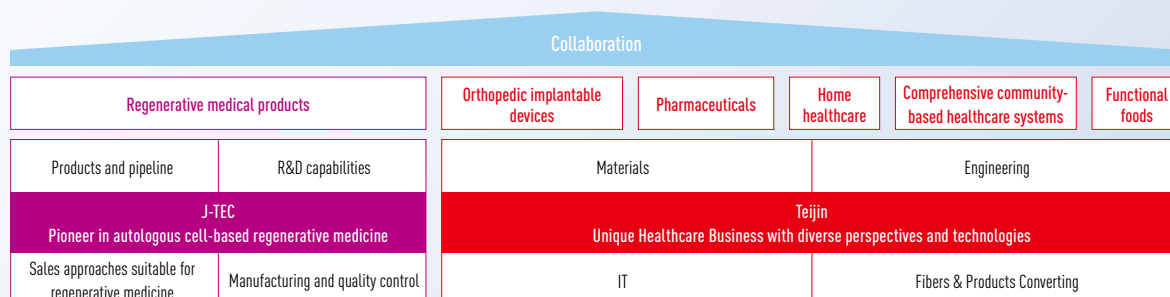
In March 2021, we welcomed Japan Tissue Engineering Co., Ltd. (J-TEC), a pioneer in regenerative medicine in Japan, into the Teijin Group. Through collaboration between our own businesses and external organizations, we aim to expand innovative products and services that are difficult to create strictly with our own businesses. Going forward, we will work with J-TEC to reinforce the pipeline for regenerative medical products and enter into CDMO (Contract Development and Manufacturing Organization) services for regenerative medical products.*1

Regenerative medical products are believed to become a pillar that supports ever-diversifying novel drug modalities*2 and has the potential to expand medical treatment options for diseases for which there has been no effective treatment in the past. As the

market for regenerative medical products is expected to grow going forward, we will work to develop regenerative medicine-related businesses that serve as a field of integration in which we can fully leverage J-TEC's technologies, know-how, and experience, together with the Teijin Group's technologies and business foundations in the Healthcare and Materials business fields as well as the Group's engineering capabilities. By doing so, we will accelerate the "innovative medical treatment" initiative adopted under Medium-Term Management Plan 2020-2022.

*1 Services that accept delegation of development and manufacture of regenerative medical products from companies, universities, and research institutions

*2 Pharmaceutical treatment methods involving the use of low molecular weight compounds, peptide drugs, protein drugs including antibody drugs, nucleic acid drugs, and regenerative medical products including gene therapy



Overview of J-TEC and Its Main Products

J-TEC has established a system for R&D, production, quality control, and sales underpinned by its abundance of expertise and experience. With this system, J-TEC has established a firm position in the field of regenerative medicine in Japan. J-TEC comprises primarily three businesses: the Regenerative Medicine Business, which involves the development, manufacture, and sale of regenerative medical products; the Custom Development & Manufacturing Business, which takes on contracts for development and manufacturing activities related to regenerative medical products; and the R&D Support Business, which handles the development, manufacture, and sale of cultured human tissues.

J-TEC's regenerative medical products are used in "autologous transplant" cases, where living cells are taken from the patient themselves and then are cultured and transplanted back into the same patient. The company supplies these products in a stable manner to medical institutions that need them. J-TEC aims to acquire an even larger market for the lineup of regenerative medical products for which it has obtained manufacture and marketing approval. Guided by that aim, the company is working to not only expand the indications for each of its products but also establish various systems with the goal of expanding production capacity and sales volumes. Furthermore, in terms of new product pipelines, J-TEC is making efforts toward CAR-T cell* therapy (use of autologous CAR-T cells to treat acute lymphocytic leukemia) and promoting the development of allogeneic cultured epidermis.

* Chimeric antigen receptor (CAR)-T cells that have been introduced to the gene to specifically attack cancer cells

J-TEC's Regenerative Medical Products

Japan's first
regenerative
medical product



Targeted indications

- Severe burns
- Congenital giant pigmented nevus
- Epidermolysis bullosa

Japan's second
regenerative
medical product



Targeted indications

- Traumatic cartilage defect
- Osteochondritis dissecans

Japan's first
regenerative
medical product in
the ophthalmology
field



Targeted indications

- Corneal epithelial stem cell deficiency

In June 2021, J-TEC acquired manufacture and marketing approval for *Ocural*, a regenerative medical product that uses oral mucosal epithelial cells for the treatment of corneal epithelial stem cell deficiency, marking the fourth regenerative medical product for which J-TEC has received such approval.

Promotion of Collaboration Projects

In terms of the Group's corporate organization, in fiscal 2021 we established the Corporate Business Incubation Division as well as the Regenerative Medicine Business Department, which serves underneath the Corporate Business Incubation Division. In this department, we are promoting collaboration projects with J-TEC. These projects involve expanding our lineup of products and

medical treatment services by combining the regenerative medical products of J-TEC with our healthcare technologies and business foundations, including in the orthopedics domain. At the same time, we are working to further enhance safety, efficiency, and the level of patient satisfaction. In the future, we aim to provide tailor-made medical treatment solutions that cater to the condition and needs of each patient.

	Technologies and Business Foundations	Collaboration Projects	Anticipated Synergies
Business Expansion	J-TEC Insight and manufacturing skills for regenerative medical products and business know-how Teijin Networks in the healthcare industry, use of existing facilities, and introduction of technologies	Expansion of CDMO services for regenerative medical products	J-TEC Teijin Enhance the competitiveness of the regenerative medicine business and CDMO services for regenerative medical products and improve construction capacity
Productivity Improvement	J-TEC Insight, manufacturing skills, and production experience related to regenerative medical products Teijin Drug manufacturing skills, materials, and engineering/IT	Innovation through mechanization and rationalization of production processes Use of Teijin Group material technologies in regenerative medical products	J-TEC Teijin Reduce costs by innovating the production process and revamping production facilities
Sales Capability Reinforcement	J-TEC Ability to negotiate with authorities, product promotion to medical specialists, and supply chain management Teijin Broad academic support for medical institutions and sales know-how	Collaboration in the clinical development, sale, and transport, etc., of regenerative medical products	J-TEC Increase sales of J-TEC products
Global Expansion	Teijin Introduction of technologies from overseas, support for expanding business globally, and arrangements to work with overseas companies	Introduction of overseas technologies and overseas business expansion	J-TEC Accelerate innovation and expand business globally

Promotion of Diversity and Inclusion



★ Independently assured indicator

To promote our business activities globally, it is essential to make full use of the abilities of diverse human resources who differ in race, religion, gender, cultural background, or other attributes. To invigorate the Teijin Group's organization and accelerate innovation, we will further promote diverse workstyles, the advancement of women, and diverse human resources. Through these efforts, we aim to be an organization that can leverage the capabilities of human resources with various values and experience, to the greatest extent possible, and that can spur diverse collaborations.

Diversity and Inclusion
https://www.teijin.com/csr/materiality5/diversity_inclusion.html

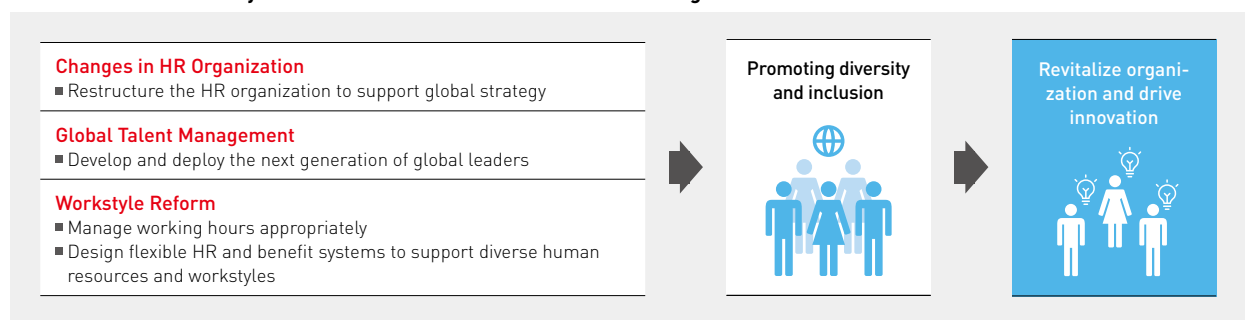
Diversity and Inclusion under the Medium-Term Management Plan

The Teijin Group has maintained the belief that making full use of the abilities of diverse human resources helps enhance its creativity and promote innovation. Since establishing the Diversity Office in 2000, we have been actively engaging in such efforts as recruiting global personnel and promoting the advancement of women.

Although our initiatives toward diversity and inclusion have

thus far focused on Japan, in light of the globalization of our businesses, we are currently expanding these efforts on a worldwide basis. Under our Medium-Term Management Plan 2020–2022, we have created regional strategies that address the issues in each region of operation and established Groupwide diversity and inclusion KPIs.

Main Actions for Diversity and Inclusion under the Medium-Term Management Plan



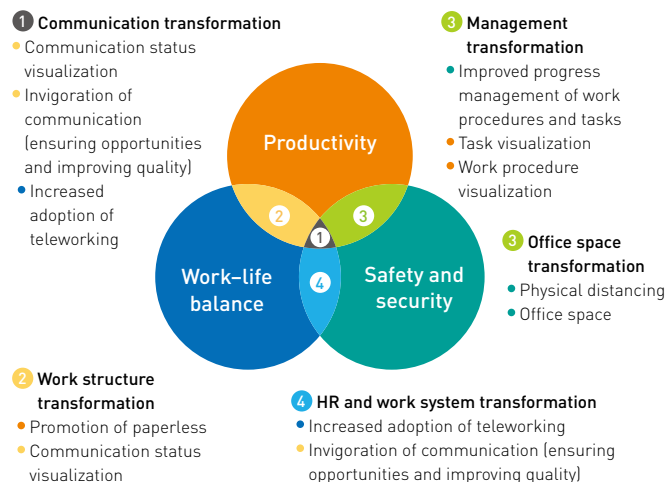
KPIs			October 2019* ⁶	April 2020* ⁶	April 2021* ⁶	April 2023* ⁶ (Milestone)	April 2031* ⁶
Diversity of executives* ¹	Female executives		3	4	4	6 or more	10 or more
	Non-Japanese executives		3	5	5	6 or more	12 or more
Key goals for women's advancements* ²	Japan* ³	Managers (or higher)	117	127	143★	174	300 or more
	U.S.	Senior managers* ⁴	2	2	2	4	10
	EU	Global core talent* ⁵	0	1	1	3	10
	China	Senior managers* ⁴	—	4* ⁷	4	9	12
	ASEAN	Senior managers* ⁴	—	5* ⁷	5	5 or more	8 or more

*¹ Board of Directors, statutory auditors, Group executive officers, and Group corporate officers *² Key goals are set based on regional situations (Targets in China and ASEAN were set in September 2020.). *³ Major subsidiaries in Japan: Teijin Limited, Teijin Pharma Limited, Teijin Frontier Co., Ltd., Infocom Corporation *⁴ President or his/her direct report in a Group company *⁵ Human resources of female senior managers selected and certified as executive candidates *⁶ As of October 1 and April 1, respectively *⁷ As of August 1, 2020, the most recent data at the time when KPIs were established

Major Initiatives in Fiscal 2020

Workstyle Reform

In fiscal 2020, the measures we implemented to address the COVID-19 pandemic gave us an opportunity to expand the utilization of teleworking, primarily at our head offices in Tokyo and Osaka. Giving consideration to new workstyles that respond to the new normal era in which coming to the office is not a prerequisite, we started to undertake efforts to change the mind-sets of our employees and reform our work processes. Specifically, we held multiple cross-organizational discussions on the five themes of “paperless,” “work visualization,” “communication,” “office space and physical distancing,” and “systems and evaluations.” Guided by these themes, we implemented measures to address a large number of issues. For example, with regard to communication, we are promoting an



Promotion of Diversity and Inclusion

initiative in which we hold surveys of employees who primarily work on a remote basis with the aim of visualizing the status of communication within departments. Based on the results of these surveys, we then create the necessary action plans for each department. Going forward, we will work on a Groupwide basis to establish better, more efficient workstyles while promoting a shift toward digitalization.

"Power of Culture Project"

The Teijin Group maintains the belief that corporate culture has a close relationship with innovation. Guided by this belief, we aim to foster a new corporate culture that is agile, innovative, and inclusive. To that end, we launched an initiative to transform our corporate culture, the "Power of Culture Project," in September 2020. Under this project, we aim to clarify the desired corporate culture for the Group and promote reforms geared toward realizing that culture. As the first stage of this project, in fiscal 2020 all corporate officers in Japan and overseas gathered together to discuss the kind of new corporate culture we should foster and what actions need to be reinforced to foster such a culture. As a result of this discussion, the Group's management agreed to the new Teijin Leadership Charter, thereby demonstrating its commitment to reform. The Teijin Leadership Charter forms the basis of our various efforts toward HR programs and diversity and inclusion, including new leadership development programs and the Global Engagement Survey, which is slated to be held in

fiscal 2021. Going forward, we will promote the Power of Culture Project over a three-year period, expanding the number of people targeted by the project over this period.

Leadership Development Programs (Core Human Resource Cultivation)

Based on the results of the discussions we held as part of the Power of Culture Project, we established new leadership development programs in fiscal 2020. The new programs incorporate strategic assignments, external personnel evaluations, and mentoring as well as KPIs on female and non-Japanese employee participation. In fiscal 2021, all corporate officers will undertake mentor training with the aim of having them become mentors to top-class personnel.

Global Engagement Survey

In fiscal 2020, we proceeded with preparations for the Global Engagement Survey, which we will implement in fiscal 2021. This survey aims to help us ascertain the level of employee engagement, clarifying the gaps between our existing corporate culture and our desired one, and engage in actions toward making improvements. Establishing an inclusive environment in which all employees can demonstrate their skills to the greatest extent possible will enable our employees to contribute to the success of our business activities and the realization of our long-term vision.

CHO Message

Accomplishments in Fiscal 2020 and Issues Going Forward

Despite the hardships caused by the COVID-19 pandemic in fiscal 2020, the crisis has unleashed creativity and created opportunities to pursue new ways of working that were difficult to promote and implement before the pandemic hit. In addition, we made progress with a great number of projects, including commencing the "Power of Culture Project" introduced above, establishing a new leadership development program, and carrying out a pilot analysis of the global gender pay gap. In terms of our human resource systems, we completed and approved the design of a new system that transitions from the traditional seniority-based human resource system to one that focuses on capabilities.

Meanwhile, business trips and in-person training sessions came to almost

a complete standstill due to the impact of the pandemic. Also, the global assignments that we had planned for our personnel were either significantly delayed or could not be realized at all. Although we were able to replace several classroom-based training sessions with virtual or blended training sessions, certain types of strategic leadership training cannot be done virtually. Consequently, we are facing delays in the promotion of non-Japanese and female executives. Likewise, the international training program for new employees and the global internship program for junior talent needed to be postponed until fiscal 2021.

In fiscal 2021, we will further reinforce the initiatives we started to implement in fiscal 2020 to make Teijin more agile, innovative, and inclusive. In addition, to strengthen our diversity and inclusion (D&I) activities on a global scale, we will establish dedicated D&I roles and

positions, which will lead and promote global and regional D&I activities. Most importantly, we will strengthen our efforts to identify and promote high-potential female and non-Japanese talent with a view to achieving our D&I milestones for fiscal 2022.

Karola Japke

Teijin Group Corporate Officer
Chief Human Resources Officer



Initiatives for the Global Environment



Response to Climate Change (Disclosure based on TCFD recommendations)

In Medium-Term Management Plan 2020–2022, the Group has designated “climate change mitigation and adaptation” as an important issue (materiality). Accordingly, the Group is leveraging lightweight and energy-efficient technologies to contribute to decarbonization. At the same time, the Group is making efforts to reduce greenhouse gas emissions from its business activities.

Climate Change Initiatives
https://www.teijin.com/csr/environment/climate_change.html

Governance

Under the guidance and supervision of the Board of Directors, the Teijin Group is making efforts to address climate change-related issues as part of its efforts toward sustainability and risk management, and has put the Chief Social Responsibility Officer (CSRO) in charge of these efforts. The direction, planning, and progress of the Group’s climate change efforts are deliberated by the organizations mentioned on the right. The Board of Directors provides instruction on these efforts.

- Deliberations on basic plans and reports of their progress take place at the Total Risk Management (TRM) Committee. The details of these discussions are then reported to the Board of Directors (twice a year).
- The CSRO reports the status of his/her function execution to the Board of Directors (once a year).

Strategy

When formulating the medium-term management plan, we analyzed opportunities and risks by referencing the SDGs and considering our vision for the Group in 2030 and then thinking backwards on how to achieve that vision. During this analysis, we identified climate change-related opportunities for each business and incorporated them into our business strategies. We have decided to allocate resources (capital expenditures and other investments) to Environmental Value Solutions (including solutions for climate change mitigation such as lightweight solutions) and Safety, Security, and Disaster Mitigation Solutions

(including solutions for climate change adaptation) with the aim of expanding our businesses. In addition, we analyzed the impact of climate change risks on our operations from the three perspectives listed below. Based on this analysis, we have established long-term environmental targets and are making efforts to reduce our CO₂ emissions accordingly. In fiscal 2020, we formulated a road map for achieving these targets. We also raised our target for CO₂ emissions reduction in Scope 1 and Scope 2 in July 2021 and formulated a new target for CO₂ emissions reduction in Scope 3.

Climate Change-Related Opportunities and Risks

Category		Major opportunities	Time frame	Major initiatives
Opportunities concerning products and services		• Increase in profits through the provision of solutions that contribute to “climate change mitigation and adaptation”	Short term–long term	• Provision of Environmental Value Solutions that leverage lightweight and energy-efficient technologies
Opportunities concerning resilience			Short term–long term	• Provision of Safety, Security, and Disaster Mitigation Solutions that help reduce damage and facilitate a prompt recovery in the event of a natural disaster

Category		Major risks	Time frame	Major initiatives
Transitional risks	Policies and legal regulation	• Increase in costs due to the introduction of a carbon tax, EU Emissions Trading Scheme, etc.	Short term–long term	• Monitoring of trends in various policies and regulations • Introduction of internal carbon pricing system targeting capital expenditures that can lead to an increase/decrease in CO ₂ emissions
	Market and reputation	• Decrease in corporate value and worsening of reputation due to an increase in Group CO ₂ emissions	Medium term–long term	• Management of CO ₂ emissions of Group companies both in Japan and overseas, including affiliated companies • Formulation of road map for achieving long-term environmental targets
Physical risks	Acute and chronic risks	• Suspension of business activities as a result of climate change, including increased intensity of natural disasters such as typhoons and floods, long-term temperature increases, and rising sea levels	Short term–long term	• Regular review of BCP and implementation of various disaster prevention drills

Scenario Analysis Related to Climate Change

After identifying businesses and industries that have the potential to be significantly impacted by climate change, the Teijin Group has been conducting an analysis of the level of this impact based on the 2°C scenario and the 4°C scenario,* referencing *World Energy Outlook*, published by the International Energy Agency (IEA).

In fiscal 2020, we reviewed our base scenario in light of the

changing trends in the aviation industry due to the COVID-19 pandemic and revised our plans for profits in the carbon fibers business following the decline in demand for carbon fiber intermediate materials for aircraft. Going forward, we will continue to closely monitor trends as we examine appropriate investment timing and resource allocation.

* 2°C scenario: IEA WEO Sustainable Development Scenario/IEA WEO 450;
 4°C scenario: IEA WEO Stated Policies Scenario

Risk Management

Groupwide Management Methods for Climate Change Risks

Physical risks and transitional risks due to climate change are managed under our TRM system and analyzed along with other risks through TRM risk assessment. In this way, we identify important risks.

Initiatives for the Global Environment

Risk Management Structure

1. Implementation of risk management in accordance with the frontline operations of each business
2. Confirmation and instruction by the CSRO on the risk management status of each business via the CSR Committee and the CSRO Review
3. Reports and proposals related to Groupwide risk management by the CSRO at the TRM Committee, followed by discussion and instruction
4. Reporting of the contents of the discussions at the TRM Committee to the Board of Directors by the CSRO; deliberation on basic TRM plans

Metrics and Targets

Under Medium-Term Management Plan 2020–2022, the Teijin Group has established long-term targets for reducing its environmental impact. To accelerate efforts to realize net zero CO₂ emissions, in July 2021 we raised the fiscal 2030 target for Groupwide greenhouse gas (GHG) emissions from a 20% reduction compared with fiscal 2018 to a 30% reduction.

We also established a new target for reducing GHG emissions in the supply chain*¹—a 15% reduction by fiscal 2030 compared with fiscal 2018. With the aim of having these targets approved by the Science Based Targets initiative, we adopted calculation methods based on the GHG Protocol as opposed to the calculation methods previously used, which were based on the Law Concerning the Promotion of the Measures to Cope with Global Warming.

Avoided CO₂*² Emissions*³

We aim to reduce CO₂ emissions throughout the entire supply chain by using our long-cultivated technologies for reducing weight and increasing efficiency. Also, we calculate the impact of using our products on reducing CO₂ emissions in the downstream supply chain as “avoided emissions.” By fiscal 2030, we aim to make the amount of our avoided emissions larger than our total emissions*⁴ (Scope 1 + Scope 2 + upstream Scope 3). In fiscal 2020, our avoided emissions decreased 50% compared with the previous year, to 1.65 million t-CO₂, as demand declined primarily for automobile and aircraft applications due to the impact of the COVID-19 pandemic.



Group CO₂ Emissions

Through the early phase-out of all coal-fired power generation and the gradual transition to renewable energy sources for our electricity, we are working to decouple our business growth from GHG emissions. In fiscal 2020, Group CO₂ emissions decreased 4% compared with the previous year, to 1.37 million t-CO₂★, due to a decrease of 0.15 million t-CO₂ resulting from our low operating rate caused by the COVID-19 pandemic and the transfer of the film business, which offset an increase of 0.09 million t-CO₂ following our transition to emission calculation methods based on the GHG Protocol. This result represented a 7% decrease*⁵ in emissions compared with fiscal 2018.

Target (Scope 1 + Scope 2):

Fiscal 2030 **30% reduction** (vs. 1.48 million t-CO₂*⁵ in fiscal 2018)

Fiscal 2050 **Net zero emissions**

Results:

Fiscal 2020 **1.37 million t-CO₂** (7% reduction compared with fiscal 2018)

Supply Chain CO₂ Emissions

Our target for supply chain CO₂ emissions covers Scope 3 emissions in Category 1 (purchased goods and services) except trading businesses. In fiscal 2020, our supply chain CO₂ emissions decreased 5% compared with fiscal 2018 due to the decline in production activities resulting from the impact of the COVID-19 pandemic.

Target:

Fiscal 2030 Reduction of **15%** compared with fiscal 2018

Results:

Fiscal 2020 Decline of **5%** compared with fiscal 2018

*1 Covers Scope 3 emissions in Category 1 (purchased goods and services) except trading businesses

*2 Includes CO₂, methane, and N₂O

*3 Calculated as the amount of avoided CO₂ emissions that the Company's products have contributed to in the supply chain downstream

*4 Total CO₂ emissions Groupwide and in the supply chain upstream

*5 Comparisons with data from the base year, fiscal 2018, that have been recalculated based on the GHG Protocol

TOPIC Introduction of Internal Carbon Pricing System

In fiscal 2020, the Teijin Group introduced an internal carbon pricing (ICP) system* targeting capital expenditure plans throughout the Group that can lead to an increase/decrease in CO₂ emissions. Under the new ICP system, we apply a uniform internal carbon price (€50/t-CO₂) Groupwide and globally, thereby quantifying CO₂ emissions as costs that we can consider when making investment decisions. Through the launch of this system, we will promote capital expenditure plans that help reduce CO₂ emissions with the aim of achieving our long-term goals for CO₂ emissions reduction and to prepare the Company for expected future rises in global carbon prices.

* A system that creates economic incentives to reduce CO₂ emissions by establishing internal carbon prices to quantify CO₂ emissions as costs, thereby promoting internal efforts to respond to climate change

Other Initiatives

The Group has established 2030 targets for not only CO₂ emissions but also water, hazardous chemical substances, and landfill waste. We formulated the road map for achieving these targets and are implementing initiatives accordingly. In fiscal 2020, water intake volume, hazardous chemical substance emissions, and landfill waste volume decreased due to our lower operating rates caused by the COVID-19 pandemic. Please visit our Sustainability website for the specific details of initiatives we are implementing to achieve these targets.

Reducing Water Consumption

We are expanding the number of products that use less water during the production process and making efficient use of water in our business activities. In these ways, we aim to achieve our targets for reducing the amount of freshwater intake with a focus on curtailing water use at manufacturing sites and other locations that use high volumes of water, including the Mishima Factory in the carbon fibers business and each domestic and overseas Group company in the Fibers & Products Converting Business. In fiscal 2020, the freshwater intake volume decreased 10% compared with the previous year, to 62.7 million tons★, which constituted a 4% improvement per sales unit over fiscal 2018.

Freshwater Intake Volume per Sales Unit

Target: Fiscal 2030
30% improvement
vs. fiscal 2018 (7.81 thousand tons/¥100 million)
Results: Fiscal 2020
7.50 thousand tons/¥100 million
(4% improvement over fiscal 2018)

Reducing Hazardous Chemical Substance Emissions

In addition to steadily responding to various regulations, we are striving to improve yield rate within processes that use hazardous chemical substances. In fiscal 2020, we established measures to reduce and prevent leaks of hazardous chemical substances in each business, including the carbon fibers and resin and plastic processing businesses. As a result of these measures, as well as the impact of the COVID-19 pandemic, our hazardous chemical substance emissions decreased 18% compared with the previous year, to 660 tons★, making for a 22% improvement per sales unit compared with fiscal 2018.

Hazardous Chemical Substance Emissions per Sales Unit

Target: Fiscal 2030
20% improvement
vs. fiscal 2018 (101.6 kg/¥100 million)
Results: Fiscal 2020
78.9 kg/¥100 million
(22% improvement over fiscal 2018)

Reducing Landfill Waste Volume

We are working to reduce landfill waste volume by reusing waste and transitioning to the recycling of materials, chemicals, and thermal substances. We are moving forward with specific efforts to reduce landfill waste volume at Continental Structural Plastics Holdings Corporation (CSP), which generates a particularly large volume of waste, including reducing the volume of plastic waste by improving the yield rate at each of CSP's factories. In fiscal 2020, our landfill waste volume decreased 18% compared with the previous year, to 13.4 thousand tons★, representing an 18% improvement per sales unit compared with fiscal 2018.

Landfill Waste Volume per Sales Unit

Target: Fiscal 2030
10% improvement
vs. fiscal 2018 (1.9% tons/¥100 million)
Results: Fiscal 2020
1.60 tons/¥100 million
(18% improvement over fiscal 2018)

Environmental Data

KPI KPIs for Fiscal 2030 Targets

	Scope	Unit	FY2018	FY2019	FY2020
Greenhouse Gas Emissions					
Total CO ₂ *1 emissions*2	Japan and Overseas	Million t-CO ₂	5.54	5.35	5.18
Avoided CO ₂ emissions*3	Japan and Overseas	Million t-CO ₂	3.45	3.28	1.65
Group CO ₂ emissions*4 ★	Japan and Overseas	Million t-CO ₂	1.48	1.43	1.37
Scope 1 ★	Japan and Overseas	Million t-CO ₂	—	—	0.71
Scope 2 ★	Japan and Overseas	Million t-CO ₂	—	—	0.66
Scope 3	Japan and Overseas	Million t-CO ₂	—	—	3.81
Air Quality					
NOx emissions ★	Japan and Overseas	Thousand t	1.65	1.55	1.14
SOx emissions ★	Japan and Overseas	Thousand t	2.45	2.49	2.24
VOC emissions ★	Japan and Overseas	Thousand t	1.99	1.66	1.46
Water					
Freshwater intake volume*5 ★	Japan and Overseas	Million t	69.4	69.9	62.7
Freshwater intake volume per sales unit	Japan and Overseas	Thousand t/¥100 million	7.81	8.18	7.50
Water discharged volume ★	Japan and Overseas	Million t	65.7	61.7	58.2
Hazardous Chemical Substances					
Hazardous chemical substance emissions*6 ★	Japan and Overseas	t	903	803	660
Hazardous chemical substance emissions per sales unit	Japan and Overseas	kg/¥100 million	101.6	94.1	78.9
Waste					
Landfill waste volume ★	Japan and Overseas	Thousand t	17.4	16.3	13.4
Landfill waste volume per sales unit	Japan and Overseas	t/¥100 million	1.9%	1.91	1.60
Total waste volume ★	Japan and Overseas	Thousand t	80.0	83.8	79.1

*1 Includes CO₂, methane, and N₂O *2 Total CO₂ emissions Groupwide and in the supply chain upstream *3 Calculated as the amount of avoided CO₂ emissions that the Company's products have contributed to in the supply chain downstream *4 Data for fiscal 2018 and fiscal 2019 was calculated based on the Law Concerning the Promotion of the Measures to Cope with Global Warming, while data for fiscal 2020 was calculated based on the GHG Protocol. Although we deducted the amount of CO₂ emissions equivalent to the amount of energy sold to other companies from the data for fiscal 2018 and fiscal 2019, this amount has not been deducted from the data for fiscal 2020. In addition, the scope of calculation for fiscal 2020 includes non-energy-derived CO₂ emissions from carbon fiber production, calculated based on the chemical reaction balance. With regard to coefficients for fuel, we use emissions coefficients based on the Law Concerning the Promotion of the Measures to Cope with Global Warming for all of the data from fiscal 2018 to fiscal 2020. As for emissions coefficients for electricity, we use adjusted emissions coefficients of individual electric power companies for power purchased in Japan. For power purchased overseas, we use power company-specific coefficients, in principle. However, in cases where the power company-specific coefficient is unknown, we apply the latest available IEA country-specific emissions coefficient. *5 The amount of freshwater intake is the total of industrial water, groundwater, and tap water. *6 Among the Class 1 designated chemical substances under the Law Concerning Reporting, etc. of Releases to the Environment of Specific Chemical Substances and Promoting Improvements in Their Management and chemical substances indicated by the Japan Chemical Industry Association, chemical substances harmful to aquatic environments and the ozone layer are subject to the calculation of atmospheric, water, and soil emissions.

Board of Directors, Statutory Auditors, and Other Members of Management

(As of July 2021)

Board of Directors



**President and CEO,
Representative Director of the Board
Jun Suzuki**

1983 Joined Teijin Limited
2011 President, Teijin Holdings Netherlands B.V.
2012 Corporate Officer, Teijin Limited
Chief Marketing Officer, Director of BRICs Business
2013 Executive Officer, Director, Teijin Limited
General Manager, Advanced Fibers and Composites Business Group
2014 President and CEO (Chief Executive Officer) (incumbent)
Representative Director (incumbent)



**Executive Officer,
Representative Director of the Board
Akihisa Nabeshima**

1982 Joined Teijin Limited
2015 Corporate Officer, Teijin Group
2017 Executive Officer, Teijin Group
General Manager, Healthcare Business Group
President, Teijin Pharma Limited
2019 President, Healthcare Business of Teijin Group
Executive Officer, Director, Teijin Limited
2021 Executive Officer, Representative Director, Teijin Limited (incumbent)
Chief Financial Officer (incumbent)



**Executive Officer,
Member of the Board
Toshiya Koyama**

1986 Joined Teijin Limited
2013 Corporate Officer (Rijl), Teijin Group
General Manager, New Materials Business Development Department
Chief Representative, Teijin Electronics Korea Co., Ltd.
2015 Corporate Officer, Teijin Group
2017 Executive Officer, Teijin Group General Manager, Material Business Group
2020 President, Material Business of Teijin Group
Executive Officer, Director, Teijin Limited (incumbent)
2021 Chief Social Responsibility Officer (incumbent)



**Executive Officer, Member of the Board
Eiji Ogawa**

1985 Joined Teijin Limited
2016 Corporate Officer, Teijin Group
General Manager, Resin and Plastic Processing Business Unit
2019 Chief Officer (Corporate Strategy) (incumbent)
2020 Corporate Officer, Director, Teijin Limited
2021 Executive Officer, Director, Teijin Limited (incumbent)



**Executive Officer, Member of the Board
Naohiko Moriyama**

1990 Joined Teijin Limited
2017 Corporate Officer, Teijin Group
Responsible for Healthcare Business of Teijin Group
2019 General Manager, Healthcare New Business Division
2021 Executive Officer, Teijin Group
President, Healthcare Business of Teijin Group (incumbent)
General Manager, Healthcare New Business Division (incumbent)
Executive Officer, Director, Teijin Limited (incumbent)



**Executive Officer, Member of the Board
Akimoto Uchikawa**

1990 Joined Teijin Limited
2017 Corporate Officer, Teijin Group
Responsible for Material Business of Teijin Group
Assistant to General Manager, Fibers and Products Converting Business Group (for Technology, Production, Restructuring Initiatives)
2018 Management Coordinator for the President, Material Business of Teijin Group (for Technology, Production, Restructuring Initiatives)
2020 General Manager, Composites Business Unit
2021 Executive Officer, Teijin Group
President, Material Business of Teijin Group (incumbent)
Executive Officer, Director, Teijin Limited (incumbent)



**Independent Outside Director
Fumio Ohtsubo**

1971 Joined Matsushita Electric Works, Ltd. (currently, Panasonic Corporation)
2006 President, Representative Director of Matsushita Electric Works, Ltd.
2012 Chairman of the Board, Representative Director, Panasonic Corporation
2013 Special Advisor, Panasonic Corporation (incumbent)
2016 Director, Teijin Limited (incumbent)
Member of the Advisory Board, Teijin Limited (incumbent)



**Independent Outside Director
Yukako Uchinaga**

1971 Joined IBM Japan, Ltd.
2004 Senior Executive Officer, Director, IBM Japan, Ltd.
2007 Board Chair, Japan Women's Innovative Network (NPO) (incumbent)
2009 Executive Vice President, Director, Benesse Holdings, Inc.
2013 President & CEO, Globalization Research Institute Co., Ltd. (incumbent)
2018 Director, Teijin Limited (incumbent)
Member of the Advisory Board, Teijin Limited (incumbent)



**Independent Outside Director
Yoichi Suzuki**

1975 Joined Ministry of Foreign Affairs of Japan (MFA)
2008 Director-General for Economic Affairs of MFA
2010 Ambassador to Singapore
2013 Ambassador to France
2016 Government Representative and Ambassador in charge of the Kansai region
2017 Ambassador for International Economic Affairs and Chief Negotiator for the Japan EU EPA
2018 Director, Teijin Limited (incumbent)
Member of the Advisory Board, Teijin Limited (incumbent)



**Independent Outside Director
Masaru Onishi**

1978 Joined Japan Airlines Co., Ltd.
2011 President, Representative Director, Japan Airlines Co., Ltd.
2012 Chairman, Representative Director, Japan Airlines Co., Ltd.
2014 Chairman, Director, Japan Airlines Co., Ltd.
2018 External Affairs Representative, Japan Airlines Co., Ltd.
2019 Director, Teijin Limited (incumbent)
Member of the Advisory Board, Teijin Limited (incumbent)

Statutory Auditors



Full-Time Statutory Auditor
Masanori Shimai

1987 Joined Teijin Limited
2010 General Manager, Business Strategy Office
2016 General Manager, Accounting Department
2017 General Manager, Material Business Strategy Division
2019 Statutory Auditor (incumbent)



Full-Time Statutory Auditor
Akio Nakaishi

1987 Joined Teijin Limited
2016 Corporate Officer, Teijin Group
General Manager, Carbon Fibers & Composites Business Unit
President, Toho Tenax Co., Ltd.
2017 Corporate Officer, Teijin Group
General Manager, Composites Business Unit
2020 Statutory Auditor (incumbent)



Independent Outside Statutory Auditor
Gen Ikegami

1983 Registered as a Certified Public Accountant
1992 Registered as CPA in the state of California, USA
2000 Representative Partner, Audit Corporation Ota Showa Century
2002 Board Member, International Auditing and Assurance Standards Board (IAASB)
2005 Board Member, International Federation of Accountants (IFAC)
2010 Vice President, The Japanese Institute of Certified Public Accountants
2015 Representative of Gen Ikegami CPA Office (incumbent)
Statutory Auditor, Teijin Limited (incumbent)
2016 Advisor, The Japanese Institute of Certified Public Accountants



Independent Outside Statutory Auditor
Hitomi Nakayama

1991 Admitted to the Bar (Daini Tokyo Bar Association)
Joined Kasumigaseki-Sogo Law Offices
1994 Partner Lawyer, Kasumigaseki-Sogo Law Offices (incumbent)
2011 Vice President, Daini Tokyo Bar Association
2013 Executive Governor, Japan Federation of Bar Associations
2017 Statutory Auditor, Teijin Limited (incumbent)



Independent Outside Statutory Auditor
Jun Arima

1982 Joined Ministry of International Trade and Industry (MITI; currently, Ministry of Economy, Trade and Industry (METI))
1996 Counsellor, Permanent Delegation of Japan to the OECD (Energy Advisor)
2002 Head, Country Studies Division, International Energy Agency (IEA)
2006 Director, International Affairs Division, Agency of Natural Resources and Energy (ANRE)/METI
2007 Counsellor, International Energy Negotiation; ANRE/METI
2008 Deputy Director General for Global Environmental Affairs, METI
2011 Director General, Japan External Trade Organization (JETRO), London Special Advisor on Global Environmental Issues, METI
2015 Professor, Graduate School of Public Policy, University of Tokyo (incumbent)
2020 Statutory Auditor, Teijin Limited (incumbent)

Chief Officers

Chief Officer (Corporate Strategy)	Eiji Ogawa
Chief Financial Officer	Akihisa Nabeshima
Chief Social Responsibility Officer	Toshiya Koyama
Chief Human Resources Officer	Karola Japke
Chief Officer (Engineering)	Teruo Aoyagi
Chief Information Officer	Tsutomu Morioka
Chief Officer (Global Business Strategy)	Tsutomu Igawa
Chief Officer (Legal, Intellectual Property)	Akihiko Uchiyama
President, Material Business of Teijin Group	Akimoto Uchikawa
President, Healthcare Business of Teijin Group	Naohiko Moriyama

Business Group General Managers

Material Technology Center	Ton de Weijer
Aramid Business Unit	Peter ter Horst
Resin and Plastic Processing Business Unit	Noboru Yamanishi
Carbon Fibers Business Unit	Shukei Inui
Composites Business Unit	Steve Rooney
Management Coordinator for the President, Healthcare Business of Teijin Group	Ichiro Watanabe
Fibers & Products Converting Business Group	Yasunari Hirata
IT Business Group	Norihiro Takehara

Messages from the Outside Officers

Management Issues Facing the Teijin Group in the Achievement of Its Long-Term Vision

Promoting Diversity to Spur Innovation through Synergies between Businesses under a Rapidly Changing Business Environment

Yukako Uchinaga

Outside Director

Promoting Synergies between Different Businesses as the Means to Achieving Differentiation

What I expect from Medium-Term Management Plan 2020–2022 is the creation of synergies between businesses. I therefore give high praise to Teijin for clarifying under the plan how they will combine the strengths of the Material, Healthcare, Fibers & Products Converting, and IT businesses to spur innovation. Successfully integrating the strengths of these businesses, which all adopt different business models, will serve as a significant means for realizing differentiation. I was also impressed with the establishment of the Innovation Promotion Organization within the Corporate Strategy Division. Going forward, Teijin needs to thoroughly consider how likely it will be to achieve success with these initiatives, the extent to which it wishes to pursue them, and what steps need to be taken to ensure successful results.

The Teijin Group engages in a broad range of businesses at locations all over the world. When I first was appointed as an outside director in 2018, I pointed out the independent nature of each business and the lack of consistency between each business and location in terms of personnel exchange and IT infrastructure. To generate synergies between businesses, Teijin should certainly draw on the benefits of having a diverse range of human resources play an active role. I also

believe Teijin should standardize its IT infrastructure across businesses in a consistent manner. To that end, I hope to see the Company create frameworks for effectively utilizing Groupwide management resources and promoting innovation.

Understanding Diversity as the Requirement for Innovation

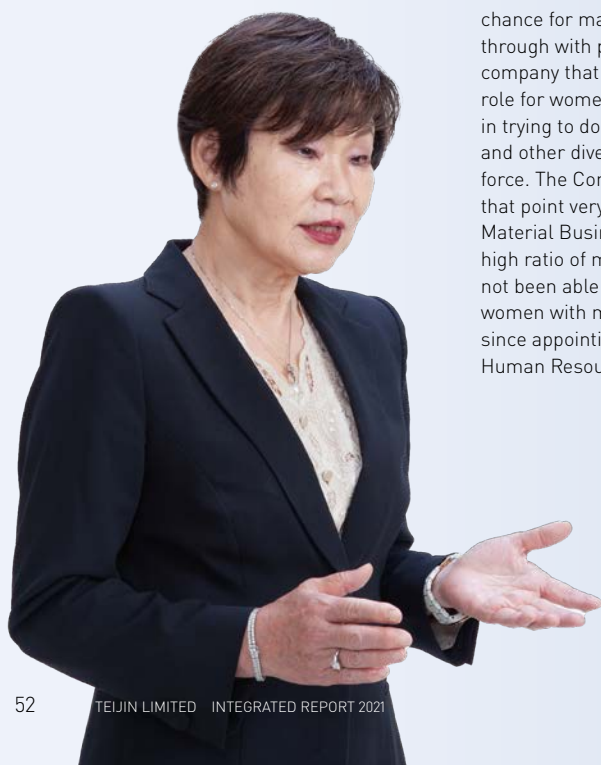
I understand that diversity is a particularly important issue in terms of spurring innovation. For a company to survive amid the intense changes occurring in the world and the rapid progression of technologies, it needs to secure the source for innovative thinking—diversity. In other words, creating something new requires people who have not experienced the success of old business models as well as people who have achieved success through completely different experiences. For that reason, a diverse group of people need to be involved in the decision-making process. However, in a country like Japan, which has a very singular culture, rapid diversification can give rise to resistance, which can hinder the success of diversity efforts. I feel that promoting the active role of women is the first step to achieving greater success with diversity promotion. The large number of women who belong to Teijin have a thorough understanding of Japan and the Company, even without having experienced any successes with old approaches, and are not afraid to speak their minds. In that sense, promoting the active role of women provides an optimal chance for making the first major breakthrough with promoting diversity overall. A company that cannot promote an active role for women certainly will face difficulty in trying to do the same for non-Japanese and other diverse members of the workforce. The Company's CEO understands that point very well. With that said, the Material Business has historically had a high ratio of men and, in the past, it had not been able to promote active roles for women with much success. However, since appointing Karola Japke as Chief Human Resources Officer, the situation

for Teijin has changed, with various initiatives being implemented based on Ms. Japke's accurate understanding of diversity and a broader global perspective.

The Teijin Group comprises a large number of personnel across the globe, and going forward the Group needs to promote the active role of non-Japanese employees. To that end, while giving consideration to the circumstances in each region of operation, Teijin needs to integrate such aspects as job position, payroll system, and scope of authority on a Groupwide basis to ensure that personnel can be transferred smoothly between Japan, Europe, the United States, and Asia. I have high expectations of the efforts Ms. Japke is making to create globally shared human resource systems to help address this issue. As I wish to see the Company promptly and thoroughly promote the standardization of such systems, I am providing Teijin with materials for making considerations in this endeavor.

Making Progress toward Long-Term Goals by Visualizing KPIs

To realize the Group's long-term vision, KPIs that monitor the path toward achieving the goals are essential. At the moment, Teijin has established both financial and non-financial long-term goals, which serve as the ultimate results the Company wishes to achieve. However, there are still some unclear aspects in terms of what specific KPIs the Company is using at the business level, as achieving the targets in each individual business is essential for realizing the overall long-term goals. I am confident the personnel responsible for accomplishing these goals have a firm understanding of whether or not the Company will reach the goals' targeted values and what needs to be done to ensure that the Company does indeed reach these values. However, establishing specific KPIs to analyze and monitor progress makes it far easier to clearly assess the situation. By clarifying such KPIs and pursuing them accordingly, the Company can accelerate efforts aimed at reaching its long-term goals.



Encouraging Discussion on Long-Term and Strategic Issues with an Understanding of the Changes in the Global Society in Order to Realize Teijin's Long-Term Vision

Yoichi Suzuki

Outside Director

Enhancing Global Governance as One Teijin

I fully support the Teijin Group's approach of pursuing its corporate philosophy and long-term vision and actively addressing the Sustainable Development Goals (SDGs). One issue I feel the Group should tackle in this approach is enhancing governance in a thorough and consistent manner across the Group as it continues to promote global business expansion. To raise Groupwide profitability and move toward achieving its long-term vision, I believe enhancing global governance with a sense of speed will help the Group generate synergies in its various business domains as One Teijin.

At meetings of the Board of Directors, the outside directors and outside statutory auditors freely voice their opinions and receive straightforward responses from the inside directors, including the CEO. I feel that Teijin has an overall high level of transparency. However, to address the diversifying value systems across the globe, there is a need to add people to the Board who have completely different ways of thinking, such as non-Japanese people, women, and young people. I recognize the succession to the next CEO as a major issue, and it is my hope that the managerial ranks of the next generation of Teijin have an even higher level of internationality and broader range of views than the previous generation.

Implementing Swift and Concrete Initiatives with an Awareness of the Risk of Not Taking Risks

The fact that Teijin was only slightly impacted by the COVID-19 pandemic in the first year of the current medium-term management plan is a testament to the Company's core earning power. However, the initiatives that came to a standstill in the first year of the plan due to the pandemic need to be greatly sped up in the second and third year. Although the Company faced many issues after acquiring Continental Structural Plastics Holdings Corporation (CSP), we are now starting to see the acquisition take shape into Teijin's composites business. I would like to see Teijin move forward with more specific efforts, including in Europe, so that it can reach a level where it can

confidently assert the future potential of the automotive composites business. Furthermore, in terms of the carbon fibers business, the Company needs to consider such major issues as how it should view the world in the Post-COVID-19 Era and whether it should develop carbon fiber for other applications, as well as intermediate materials for aircraft use, under a flexible approach or rather carry out a revision of the overall plan for this business. In addition, while I view the establishment of comprehensive community-based healthcare systems as an excellent initiative, the Company needs to better display a sense of speed and clarify the scale of these systems in a more specific manner.

For the expansion of collaborative businesses, Teijin has announced its policy of cultivating future profit sources. However, the Company has yet to visualize how it will boost profitability with this initiative, and seems to still be exploring optimal business models. With the acquisition of Japan Tissue Engineering Co., Ltd., I feel there is great potential to make progress with collaborative businesses in the Material and Healthcare businesses and, as such, I would like to see the Company proactively engage in efforts to do so. Investors have pointed out that they are unable to clearly see what will serve as a growth driver in the future after the current medium-term management plan is completed. To that end, I will provide support to help Teijin specifically address these concerns. Changes around the world are occurring at an even greater pace. Under such an environment, I believe it is important for Teijin to implement initiatives with an awareness of the risk of not taking risks, while not being overly cautious and allowing some room for failure through a trial-and-error process.

Deepening Discussion with an Understanding of the Changes in the Global Society

I observed international society for 43 years as a diplomat. I have been part of negotiations to formulate international rules, such as the Japan-EU Economic Partnership Agreement, and I have spent many years living in Europe, the United States, and Asia. Drawing on the perspectives I have cultivated from this experience, I believe my role as an outside director is to raise questions on risks

such as changes to the various systems surrounding Teijin's business and questions on social awareness and diverse values that seem to change by the moment.

The world has become even aware of national borders due to the COVID-19 pandemic. The pandemic has also changed beliefs toward globalization and the behavior of people. In addition, it is now more important than ever to engage in business activities while observing the international situation, including the worsening relations between the United States and China and the enactment of various regulations related to CO₂ emissions in the EU, and hedging risk accordingly. To that extent, the Board of Directors should devote more time to discussing long-term and strategic issues with an understanding of these kinds of social changes. At Board meetings, I would like to actively discuss such matters as how social needs will change, how society will evaluate the solutions that Teijin provides, and how Teijin should best promote itself to society. In a similar manner as public diplomacy,* I believe that promoting business activities with an awareness of how society will be satisfied with, accept, and support the goals of Teijin and the value it provides will help Teijin's products and services be actively integrated into the society of the future.

* A diplomatic activity to create a beneficial international environment for one's own country by using soft power, such as public relations and cultural and personnel exchange, to directly appeal to the public opinion of a partner country.



Messages from the Outside Officers

Management Issues Facing the Teijin Group in the Achievement of Its Long-Term Vision

Contributing to Enhancing Corporate Governance as the Teijin Group Moves Forward with Globalization

Gen Ikegami

Outside Statutory Auditor

Understanding the Importance of Auditing Overseas Offices

As the ratio of overseas businesses in the Teijin Group continues to rise, it is important to enhance the Group's corporate governance, including at overseas offices. As an accountant, I have experience in conducting audits at Japanese companies with a large number of overseas subsidiaries and with handling on-site audits at overseas accounting offices. Drawing on this experience, I am conducting audits of the Group based on my long-cultivated personnel perspectives, including collaborating with the Company's audit corporation.

It is difficult for us to visit overseas offices frequently. In addition, as many local companies already have their own established systems and cultures, there is a need to adjust auditing procedures in a manner that accounts for these factors. For example, when I was conducting an audit of a Japanese company in the past, I made efforts to ascertain the conditions at that company's overseas offices while remaining in Japan by making use of an overseas accounting office. I have been examining the work procedures of Teijin's audit corporation to see if it is employing similar tactics and sharing my various opinions regarding these procedures. In addition, the Committee of Teijin Group Statutory Auditors, which comprises auditors of Group companies and members of the Corporate Audit Department, holds meetings once every two months. At these meetings, I receive reports on such matters as Group companies' audits of their overseas subsidiaries for which each member of the committee is responsible. This kind of framework is extremely useful to me as an outside statutory auditor. In particular, enabling the outside statutory auditors to receive reports from the full-time statutory auditors of Teijin's head offices, who participate in important meetings within the Group and are well-versed in internal affairs, is something that has greatly contributed to enhancing the effectiveness of the Group's governance. Teijin has two full-time statutory auditors with very different backgrounds, one with a background in management and the other with experience in technological fields, and hearing them summarize circumstances that are not easily understood from an outside position, including the background of such circumstances, has significantly deepened my understanding of the Company and allowed me to engage in more meaningful debate.

Holding Discussions on Risks Facing Management

As for the management of major risks, the Total Risk Management (TRM) Committee makes proposals on matters such as TRM basic policies and annual risk management plans, which are then deliberated on and determined by the Board of Directors. The Board of Directors holds discussions on the risk evaluation process and the continuity of that process as well as on the response to risks related to business execution, among other matters. In this way, I believe the Board is responding appropriately to each individual risk. In fiscal 2020, the Board spent a great deal of time discussing such matters as risks related to COVID-19, M&As and subsequent post-merger integration (PMI), the impairment loss in the carbon fibers business, and the business expansion of CSP, and I understand that this reflects how the Company views these matters as significant risks.

In regard to key audit matters (KAMs), which started to be introduced from the 2021 audit report, opportunities were created for the outside statutory auditors to hold discussions on such matters with the accounting auditors on a regular basis. While our initial discussion covered a broad range of topics, we narrowed down the themes of discussion in subsequent meetings and, as a result, "appropriateness of the valuation of property, plant and equipment used in the carbon fibers business" was selected as a KAM. The aircraft industry has been greatly impacted by the COVID-19 pandemic, as it has led to restrictions on movement across the globe. This has brought about a delay in future supply plans for carbon fiber used in aircraft. Accordingly, there was no objection to choosing the impairment loss in the carbon fibers business as a KAM.

Maintaining the Functions of the Full-Time Statutory Auditors Going Forward

While I believe that the Company's current organizational structure is functioning effectively, I recognize that there will be a need to respond to the Corporate Governance Code in relation to the Prime Market, a new market segment that will be created through the upcoming restructuring of the Tokyo Stock Exchange. While the Board of Directors did examine

revisions to the Company's corporate governance structure in fiscal 2020, I feel that there should be continued discussion going forward on the vision for the Advisory Board and the transition from a company with a board of statutory auditors to a company with a nominating committee, etc. Teijin has already established a Nomination Advisory Committee and a Compensation Advisory Committee, which are chaired by outside directors, and I therefore do not believe there is a major difference between these committees and nomination and compensation committees under a company with a nominating committee, etc., structure. On the other hand, in terms of audits, there is a major difference between a board of statutory auditors, where full-time statutory auditors are required to be members of such board under the Companies Act, and an audit committee, where there is no such requirement. While there is a great deal of academic discussion regarding a company with a board of statutory auditors structure, as I mentioned previously, Teijin's full-time statutory auditors play a major role in enhancing the effectiveness of the Company's governance, so I personally feel there is little need to change to a company with a nominating committee, etc., structure. However, in the event that the Company does make such a transition, it is my hope that, at the very least, it maintains the functions that are currently being performed by the full-time statutory auditors.



Basic Concept

Based on the basic mission of the sustainable improvement of shareholder value, the Teijin Group has been strengthening its governance to fulfill its responsibilities to various stakeholders. The basics of corporate governance are “improving transparency,” “ensuring fairness,” “accelerating decision-making,” and “ensuring the independence of monitoring and supervision,” and we are working to establish and strengthen an effective corporate governance system through items such as an “Advisory Board,” a “Board of Directors including Independent Outside Directors and a Corporate Officer System,” and a “Board of Statutory Auditors System including Independent Outside Statutory Auditors.” Furthermore, the Group has established and published the Teijin Group Corporate Governance Guide, which serves as its corporate governance guidelines.

Major Initiatives for Strengthening Governance

1999	- Reduced the number of directors from 24 to 9 - Introduced the corporate officer system → Accelerating decision-making for execution of business and clarifying system of responsibility - Established Advisory Board → Enhancing management transparency - Appointed three outside statutory auditors (comprising the majority of the Board of Statutory Auditors)
2003	Appointed three outside directors
2012	Appointed four outside directors
2015	Established Nomination Advisory Committee and Compensation Advisory Committee

2021	- Ensured that an outside director will always chair the Board of Directors - Shortened the term of Chairman (internal regulation) - Revised the composition of the Nomination Advisory Committee and the Compensation Advisory Committee (now all outside directors participate in these committees) - Created a general rule that the role of senior advisor will only be established when there is a vacancy in the Chairman post*1 - Abolished the honorary advisor system*1 - Abolished the advisor/special advisor system*2 - Revised officer compensation system, introducing “restricted stock” and “performance share units” compensation
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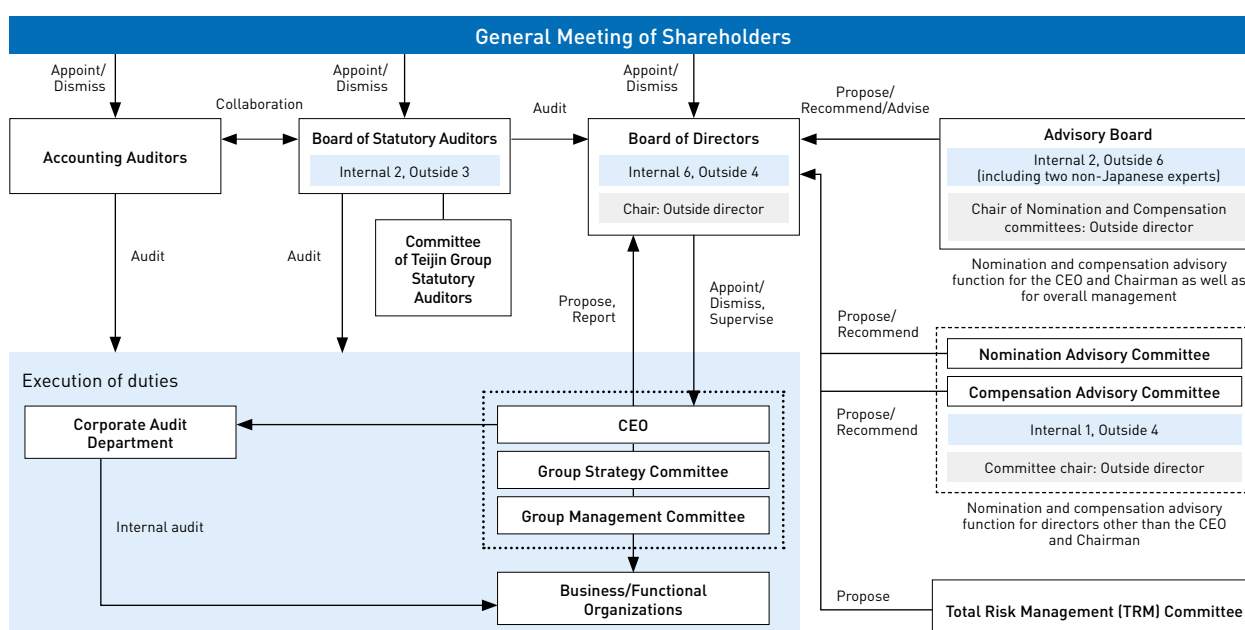
*1 Will be put into effect when the next Chairman is appointed

*2 Not applicable for relevant personnel as of April 2021

Corporate Governance System (As of June 2021)

Organization Structure Company with Board of Statutory Auditors

The current Companies Act requires the Board of Directors to appropriately carry out two roles: making important business decisions and monitoring and supervising management. To properly fulfill these roles, the Company deems that a corporate governance system based on two core functions—(1) the execution of business led by the Company’s inside directors (limited executive directors) and (2) management oversight and supervision focused on by outside directors and carried out by statutory auditors and the Board of Statutory Auditors—is appropriate. Therefore, the Company has decided to continue to be a company with a Board of Statutory Auditors, for the time being.



Corporate Governance

■ Status of Activities of Directors, Statutory Auditors, and Non-Japanese Experts

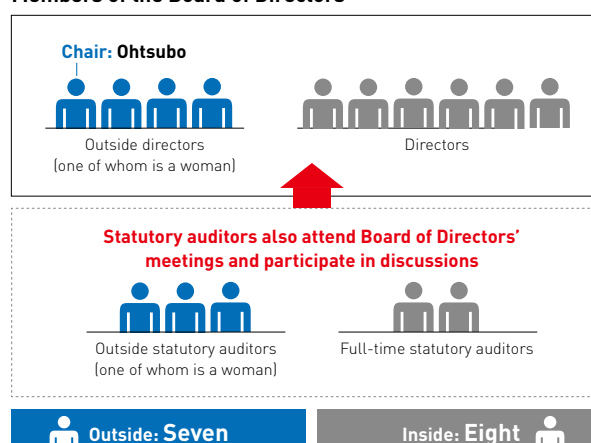
	Name	Areas where directors and statutory auditors can demonstrate their expertise and experience								
		Corporate management	Finance/Accounting	Legal and business risk management	Global management	Environmental solutions	Health and safety solutions	IT/DX/Innovation	Diversity and inclusion	
Directors	Jun Suzuki	✓			✓	✓	✓	✓		
	Akihisa Nabeshima	✓	✓				✓	✓		
	Toshiya Koyama			✓	✓	✓	✓	✓		
	Eiji Ogawa		✓	✓	✓			✓		
	Naohiko Moriyama						✓	✓		
	Akimoto Uchikawa				✓	✓	✓	✓		
Independent Outside Directors	Fumio Ohtsubo	✓			✓			✓		
	Yukako Uchinaga	✓			✓			✓	✓	
	Yoichi Suzuki			✓	✓					
	Masaru Onishi	✓				✓	✓	✓		
Statutory Auditors	Masanori Shimai		✓	✓						
	Akio Nakaishi				✓	✓		✓		
Independent Outside Statutory Auditors	Gen Ikegami		✓	✓	✓					
	Hitomi Nakayama			✓			✓		✓	
	Jun Arima			✓	✓	✓				
Non-Japanese Experts	Alexander H.G. Rinnooy Kan* ²	—								
	Thomas M. Connelly, Jr.* ³	—								

*1 Member from fiscal 2021 *2 Professor, University of Amsterdam, the Netherlands *3 Executive Director and CEO, American Chemical Society

■ Board of Directors

The Board of Directors meets once a month, in principle, and deliberates and determines/approves important matters, such as Groupwide management policies and plans, as well as any other items required by laws, regulations, and the Company's Articles of Incorporation. The Board also oversees directors' performance of their duties. To expedite decision-making and clarify accountability of business execution, the Company's Articles of Incorporation set the maximum number of directors at 10, and the Company has introduced a corporate officer system that delegates broad authority to corporate officers. Also, in the Articles of Incorporation, the term of office for directors is set at one year. The chair of the Board of Directors' meetings is selected from the outside directors as part of the Board's efforts to separate monitoring and supervision from business execution.

Members of the Board of Directors



Evaluation of Board of Directors' Effectiveness

In order to further ensure the effectiveness and enhance the functions of the Board of Directors, the Company conducts an analysis and evaluation of the effectiveness of the entire Board of Directors once a year. The method of the Board of Directors' effectiveness evaluation for fiscal 2020 and an overview of the

results are as follows.

Analysis and Evaluation Method

A self-evaluation questionnaire of all directors and statutory auditors (14, including outside directors and outside statutory

	Expected role	Advisory Board	Nomination Advisory Committee/ Compensation Advisory Committee	Status of meeting attendance in fiscal 2020
	President and CEO, responsible for formulating and executing management policies to enhance corporate value	✓	✓	Attended 12 out of 12 Board of Directors' meetings
	Help secure high-quality funding and maintain a sound financial base by leveraging his knowledge and insight cultivated in finance and accounting fields and the Company's businesses			Attended 12 out of 12 Board of Directors' meetings
	Pursue sustainable management and promote risk management by leveraging his knowledge and insight cultivated in the Material Business			Attended 9 out of 9 Board of Directors' meetings
	Draft and promote various strategies aimed at transforming business portfolio to create growth platforms and strengthening the Company's management base			Attended 9 out of 9 Board of Directors' meetings
	Further increase profitability in the Healthcare Business and grow new healthcare businesses, a Strategic Focus theme			—
	Further increase profitability of the Material Business and cultivate and expand prioritized business areas, a Strategic Focus theme			—
	Monitor business management and provide suggestions on business execution based on his experience as president and chairman of a listed company, abundance of business experience, and high level of insight	✓	✓	Attended 12 out of 12 Board of Directors' meetings
	Monitor business management and provide suggestions on business execution based on her experience as vice president of a listed company and deep knowledge of diversity	✓	✓*1	Attended 12 out of 12 Board of Directors' meetings
	Monitor business management and provide suggestions on business execution based on his experience as a diplomat, wealth of knowledge, and high level of insight from a global perspective	✓	✓*1	Attended 12 out of 12 Board of Directors' meetings
	Monitor business management and provide suggestions on business execution based on his experience as president and chairman of a listed company, abundance of business experience, and high level of insight	✓	✓	Attended 12 out of 12 Board of Directors' meetings
	Monitor overall management and provide advice based on his wealth of knowledge and experience in administration and accounting fields and his deep understanding of the Company's business.			Attended 12 out of 12 Board of Directors' meetings Attended 12 out of 12 Board of Statutory Auditors' meetings
	Monitor overall management and provide advice by leveraging his knowledge of technologies in the Material Business and wealth of practical experience			Attended 9 out of 9 Board of Directors' meetings Attended 9 out of 9 Board of Statutory Auditors' meetings
	Contribute to maintaining and improving the Company's compliance, monitor management, and provide advice based on his insight and experience as a certified public accountant			Attended 12 out of 12 Board of Directors' meetings Attended 12 out of 12 Board of Statutory Auditors' meetings
	Contribute to maintaining and improving the Company's compliance, monitor management, and provide advice based on her insight and experience as a lawyer			Attended 12 out of 12 Board of Directors' meetings Attended 12 out of 12 Board of Statutory Auditors' meetings
	Contribute to maintaining and improving the Company's compliance, monitor management, and provide advice based on his insight and experience with global environmental issues, etc.			Attended 9 out of 9 Board of Directors' meetings Attended 9 out of 9 Board of Statutory Auditors' meetings
	Provide advice and suggestions for management based on his wealth of knowledge related to global economies and business management and his high level of insight from a global perspective	✓		—
	Provide advice and suggestions to improve corporate value based on his abundance of corporate and business management experience on a global level	✓		—

auditors) where the respondents gave their name was conducted. The evaluation points in the questionnaire were compiled from the following eight fields. Respondents evaluated the questionnaire's 40 questions based on a five-step scale and made comments. In addition, external experts conducted interviews with a total of four directors and statutory auditors based on the questionnaire, aiming to deepen understanding of the management issues to be discussed at the Board of Directors' meetings and to formulate a concrete action plan to address the issues. Based on the results of these questionnaires and interviews, deliberations were held by the Board of Directors regarding the Board's effectiveness as well as issues to be addressed and improvement measures to be implemented.

- | | |
|--|---|
| 1 Strategy and execution thereof | 6 Management team evaluation, compensation, and succession planning |
| 2 Risk and crisis management | 7 Stakeholder dialogue |
| 3 Corporate ethics | 8 Composition and operation of the Board of Directors |
| 4 Performance monitoring | |
| 5 Organization and business restructuring-related transactions | |

Evaluation Results

The results of the Board of Directors' effectiveness evaluation conducted via the above process found that there was no issue with the current corporate governance system and its

implementation, and that the Company's Board of Directors was generally functioning properly and its effectiveness was verified. In addition, the questionnaire results indicated that there was a high ratio of positive evaluations (generally around 80%) for all items.

Status of Response to Issues Recognized in the Fiscal 2019 Evaluation

Deepening discussion regarding new business creation

In fiscal 2020, the Board of Directors discussed the use of digital technologies and activities to promote innovation. There, the Board confirmed how each business and function used digital technologies and how the Corporate Strategy Division promoted innovation. The Board also confirmed the need for further discussions to set directions in data and digital strategies as well as to create value from the customer's perspective.

Deepening discussion regarding the rationale behind the public listing of parent and subsidiary companies

In fiscal 2020, the Board of Directors discussed the rationale behind the public listing of both parent and subsidiary companies as well as other possible options aside from public listing. It confirmed the rationale for maintaining the public listing of Infocom Corporation (hereinafter, "Infocom") from the perspective of maximizing the corporate value of the Teijin Group and

Corporate Governance

Infocom, while also sharing other possible options if the Group were to discontinue the public listing of both parent and subsidiary companies. Also, the Company has resolved to acquire the shares of Japan Tissue Engineering Co., Ltd. (hereinafter, "J-TEC") through a tender offer, based on the assumption of maintaining the public listing of J-TEC. The decision was made after confirming the rationale for maintaining the listing. In fiscal 2021, the Board of Directors will continue to discuss the rationale for maintaining the public listing of Infocom and J-TEC.

Deepening discussion regarding the position of consultative bodies

In fiscal 2020, the Board of Directors discussed the direction with respect to organizational structure and modification of voluntary consultative bodies. While the Board confirmed that the Company should continue to be a company with a Board of Statutory Auditors, it decided that an outside director should always chair Board of Directors' meetings, effective from April 1, 2021. The Board has also revised the composition of the Nomination Advisory Committee and the Compensation Advisory Committee, effective

from the same date, by having all outside directors participate in both committees.

Issues Recognized in the Fiscal 2020 Evaluation

The following issues were recognized for enabling the Company's Board of Directors to perform its original function with greater effectiveness.

- Deepening discussions regarding business creation by utilizing data and digital technologies
- Deepening discussions on the Company's business portfolio
- Deepening discussions concerning the issues identified through the analysis of stakeholder dialogue
- Reviewing the agenda of Board of Directors' meetings and enhancing discussions regarding corporate strategies

Initiatives Going Forward

In fiscal 2021, the Company will continue to promote its initiatives from fiscal 2020. At the same time, the Company will strengthen efforts with a focus on addressing the newly recognized issues in the fiscal 2020 effectiveness evaluation.

Board of Statutory Auditors and Committee of Teijin Group Statutory Auditors

The Company's statutory auditors possess a high level of expertise and experience in fields such as law, finance, and accounting. These statutory auditors oversee the execution of duties by the directors based on their abundance of expert insight. Furthermore, the Committee of Teijin Group Statutory Auditors, which comprises statutory auditors of Group companies and other members, meets regularly to enhance the effectiveness of Groupwide monitoring and audits.

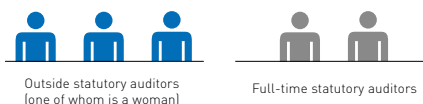
Basic Policy of the Board of Statutory Auditors in Fiscal 2020

- Conduct audits with a focus on the soundness of the Company's business activities
- Emphasize preventative audits based on the perspective of risks
- Collaborate appropriately with the accounting auditors and Corporate Audit Department

Key Audit Matters

- Response to COVID-19 pandemic
- Corporate ethics and compliance
- Governance
- Preparation for strategic risk
- Preparation for operational risk

Members of the Board of Statutory Auditors



Group Strategy Committee and Group Management Committee

Important matters related to business execution of the Company and the Teijin Group, for which authority has been delegated by the Board of Directors, are decided by the CEO through deliberation in the Group Strategy Committee, which meets at least twice a month in principle, and the Group Management Committee, which meets once a month in principle. The Group Strategy

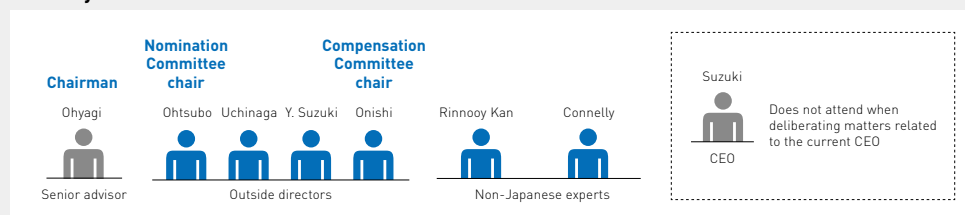
Committee and the Group Management Committee comprise the CEO, presidents of the Company's respective businesses, chief officers, and others designated by the CEO. The CEO convenes and chairs the meetings of both committees. In addition to these members, the committees are also attended by the full-time statutory auditors.

Advisory Board

The Advisory Board, comprising both Japanese and non-Japanese experts, has been established to provide advice to management in general and to evaluate top management, and operates as a consultative body to the Board of Directors. The Advisory Board is made up of five to seven outside advisors (currently, they comprise four outside directors and two non-Japanese experts) as well as the Chairman (or senior advisor in case of a vacancy in the Chairman post) and the CEO. The Advisory Board has set up the Nomination Committee and the Compensation Committee, both of which are chaired by outside directors. The activities of these committees include making recommendations regarding

the alternation of the CEO and nomination of a successor, selecting a successor CEO candidate, deliberating on a plan for training provided by the CEO to the successor candidate, reviewing the progress of the plan, deliberating on the selection of the Chairman, deliberating on the system and levels of officer compensation of the Teijin Group, and evaluating the performance of the CEO. For matters concerning the current CEO, in principle, the CEO leaves the room and does not participate in the deliberations. For matters concerning the Chairman, the Chairman leaves the room and does not participate in the deliberations.

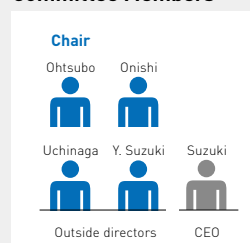
Advisory Board Members



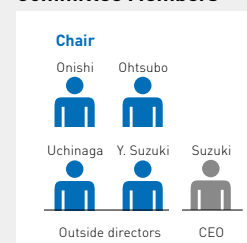
Nomination Advisory Committee and Compensation Advisory Committee

In addition to the Advisory Board, the Nomination Advisory Committee and the Compensation Advisory Committee are operated to further improve the transparency of executive personnel. Both committees comprise all of the Company's outside directors, the Chairman (in case of a vacancy in the Chairman post, this post is left vacant), and the CEO. Outside directors chair these advisory committees and their meetings. As consultative bodies of the Board of Directors, these committees have functions to make proposals and recommendations to the Board with respect to the election, resignation, evaluation, and amount of compensation of directors and senior management other than the Chairman and the CEO, as well as the election and resignation of statutory auditors.

Nomination Advisory Committee Members



Compensation Advisory Committee Members



Officer Compensation

The Company revised its officer compensation system in fiscal 2021 from the viewpoint of corporate governance and the stakeholders and to further enhance corporate value creation based on strengthening management from a medium- to long-term perspective, including in terms of sustainability and ESG initiatives. In line with this revision, the Company has discontinued the current stock compensation-type stock options as its share-based remuneration plan. In lieu of this plan, the Company has introduced "restricted stock" and "performance share units" systems with the aim of providing an incentive for directors to achieve the targets of the Company's medium-term management plan and enhance corporate value over the medium to long term. As a result of introducing these systems, the ratio of share-based remuneration has increased. In addition, this

revised officer compensation system will be applied to all corporate officers on a global basis in order to further strengthen the Group's management foundation.

Basic Policy on Compensation Systems (Revised in Fiscal 2021)

- The system should enhance awareness of contributing to medium- to long-term increases in earnings and corporate value.
- The system should be closely linked to the Company's performance and highly transparent and objective.
- The system should be primarily focused on sharing value with stakeholders and enhancing management's awareness of the interests of shareholders.
- The system should maintain sufficient compensation levels and content to act as incentives to secure high-quality management personnel.

Officer Compensation Amounts (Fiscal 2020)

Position	Total compensation amount (millions of yen)	Total compensation amount by type (millions of yen)			Number of officers receiving compensation
		Basic compensation	Performance-linked compensation	Stock compensation-type stock options	
Directors (excluding outside directors)	310	214	57	40	7
Statutory auditors (excluding outside statutory auditors)	70	70	—	—	3
Outside directors	66	66	—	—	4
Outside statutory auditors	36	36	—	—	4

Notes: 1. The maximum annual compensation for directors is ¥700 million (as resolved by the 140th Ordinary General Meeting of Shareholders, held on June 23, 2006).

2. The maximum monthly compensation for statutory auditors is ¥12 million (as resolved by the 133rd Ordinary General Meeting of Shareholders, held on June 25, 1999).

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■ Overview of Officer Compensation System

In accordance with the revision to the officer compensation system, the composition ratio for inside director compensation has been changed as follows.

Fiscal 2020 (Former System)

Position	Fixed compensation	Variable compensation		Total
	Basic compensation (cash)	Performance-linked compensation (cash)	Stock compensation-type stock options	
All directors	60%	25%	15%	100%

Notes: 1. Ratios of performance-linked compensation and stock compensation-type stock options are set based on the assumption that the standard figures from among the graded targets are achieved. These proportions increase or decrease depending on actual levels of achievement.

2. The portion of basic compensation was reduced from 65% in fiscal 2019 to 60% in fiscal 2020, while stock compensation-type stock options was raised from 10% to 15%.

Fiscal 2021 Onward (New System)

Position	Fixed compensation		Variable compensation		Total
	Basic compensation (cash)	Restricted stock (shares)	Performance-linked compensation (cash)	Performance share units (shares)	
President & Representative Director, CEO	45%	10%	20%	25%	100%
Other directors	50%	10%	25%	15%	100%

Fixed Compensation

Basic Compensation (Cash)

The amount paid to each director is determined according to their position and paid as fixed compensation, with 1/12 of the fixed amount by position being provided as monthly compensation.

Restricted Stock (Shares)

Restricted stock is a share-based compensation plan designed to further share value with shareholders and to enhance corporate value over the medium to long term. Based on a resolution by the Company's Board of Directors, monetary claims are paid to inside directors (excluding the Chairman and senior advisor) around July or August of every year. The eligible inside directors then pay all monetary claims to be paid to them to the Company in the form of property contributed in kind and, in return, receive ordinary shares of the Company that shall be issued or disposed of by the Company. Transfer restrictions are imposed on the issued ordinary shares of the Company, which are lifted on retirement.

Variable Compensation

Performance-Linked Compensation (Cash)

Performance-linked compensation is paid to inside directors (excluding the Chairman and senior advisor) as monetary compensation reflecting annual performance. It is based on the three items presented as key management indicators in the medium-term management plan: consolidated ROE, consolidated EBITDA, and consolidated ROIC based on consolidated

operating income. Also, the payment ratio is calculated based on the director's position, the achievement level of consolidated ROE, the achievement level against the budget of consolidated EBITDA, consolidated ROIC based on consolidated operating income, and the individual performance evaluation of the director. Performance-linked compensation is paid by the end of June as a year-end lump sum payment.

Performance Share Units (Shares)

Performance share units are a share-based compensation plan linked to performance, designed to further share value with shareholders and enhance corporate value over the medium to long term, as well as to further reinforce the commitment to achieving the targets of medium-term management plans. It is based on four performance evaluation indicators: consolidated ROE, consolidated EBITDA, total shareholder return (TSR), and the level of achievement of efforts toward (1) Changing Portfolio and (2) Diversity and Inclusion. A performance evaluation period, which can be one or multiple fiscal years, is set for each management indicator. After the performance evaluation period, the number of ordinary shares to be allotted to each inside director (excluding the Chairman and senior advisor) is determined based on the achievement level of each numerical target during its performance evaluation period. The payment ratio corresponds to the composition ratio of the performance evaluation indicators if the targets are achieved. The ratio will be zero if the targets are not achieved. Transfer restrictions are imposed on the issued ordinary shares of the Company, which are lifted on retirement.

Performance Evaluation Indicators and Performance Evaluation Period for Performance Share Units (Portion applicable during the period of the current medium-term management plan)

Performance evaluation indicators	Targets	Composition ratio of standard amounts of share-based compensation by position (annual amount)	Performance evaluation period	Timing of share allotment
Consolidated ROE	10% or more	40%	One year	Annually
Consolidated EBITDA	Fiscal 2022: ¥150.0 billion or more	40%	Two years	The year after the final year of the medium-term management plan*1
TSR	The Company's TSR >= Benchmark TSR	10%		
Non-financial indicators (1) Changing Portfolio (2) Diversity and Inclusion*2	(1) Fiscal 2022: Strategic Focus EBITDA >= 15% (2) More than six female executives and six non-Japanese executives in fiscal 2022	10%		

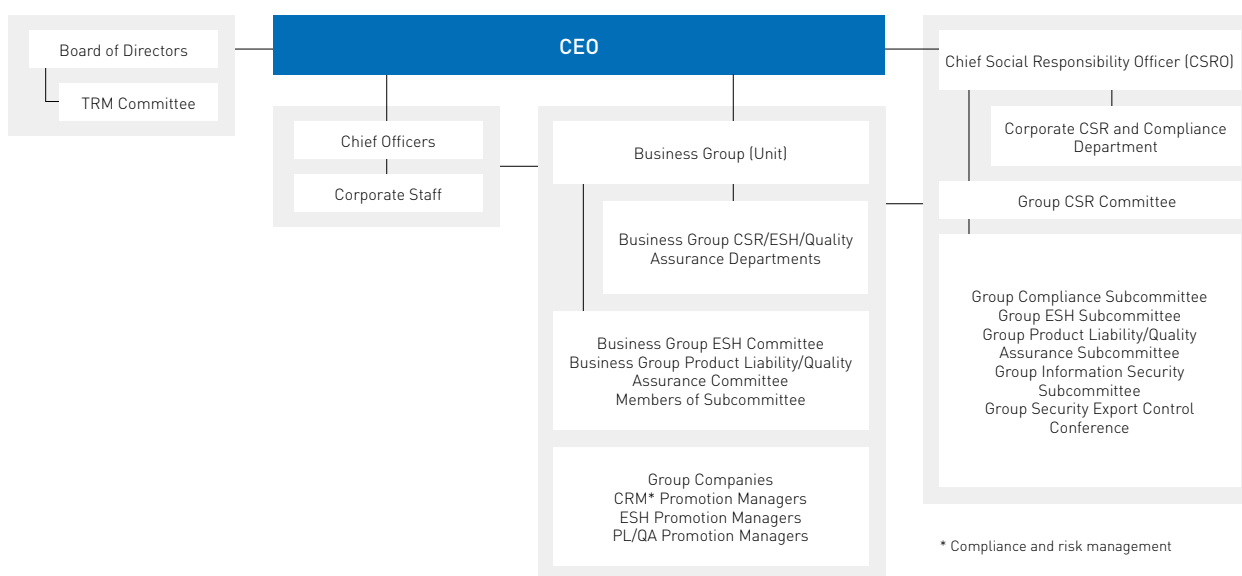
*1 The number of shares to be allotted for the performance evaluation period is calculated at once by multiplying the number of years in the performance evaluation period during the process of calculating the number of shares to be allotted. *2 The term "executives" includes executive officers and corporate officers.

Total Risk Management

The Teijin Group has in place a Total Risk Management (TRM) system targeting both strategic and operational risks in order to address the various risks that impact the sustainable growth of the Group. Under this system, the TRM Committee has been conducting total risk management. Established in fiscal 2003, the TRM Committee, chaired by the CEO, serves under the Board of Directors. The Board of Directors deliberates and decides the basic policy and annual plan related to TRM proposed by the TRM Committee. At the same time, the Board formulates systems for managing important risks and ensuring business continuity. Also, the statutory auditors conduct audits to check whether the Board of Directors is appropriately conducting policy decisions, overseeing, and monitoring with regard to TRM.

The CEO is in charge of assessing strategic risk and provides this assessment as valuable information to the decision-making process of the Board of Directors and other bodies. The Chief Social Responsibility Officer (CSRO) is in charge of overall Groupwide operational risk, including risks facing overseas Group companies, and works on a cross-organizational level to ascertain and confirm the status of risk management in each business group and at each Group company as well as to formulate consistent response policies. Through these efforts, the CSRO helps reinforce Groupwide risk management. In addition, the Group is working to clarify how risks and opportunities presented by trends in the macroeconomic environment relate to its materiality and follows up on such risks accordingly.

TRM Promotion System



Responding to Risks Related to the COVID-19 Pandemic

The Teijin Group is monitoring the impact of the COVID-19 pandemic on its businesses and preparing response measures on an ongoing basis in anticipation of a deteriorating business environment. In fiscal 2020, there was a significant slowdown in the global economy due to the COVID-19 pandemic, and this had a major impact on our performance in the Materials Business Field, for which automotive and aircraft applications serve as the main market. In particular, demand for carbon fibers for aircraft continues to be sluggish, and this trend could potentially lead to a long-term decline in profitability. As a measure to address this issue, we are working to increase profitability by enhancing production and operational efficiency and improving our sales mix. We are also promoting development geared toward the acquisition of large-scale programs for carbon fiber intermediate materials for aircraft, with a focus on a recovery in demand over the medium to long term. At the same time, we are rigorously monitoring profitability.

To respond to operational risks caused by the pandemic, we established the Emergency Task Force, led by the CSRO, in January 2020. From April to June 2020, when the virus began to spread across the globe, we adopted a structure under which the

CEO served as the chief of this task force. Since April 2021, the Teijin Group Novel Coronavirus Response Headquarters has been establishing policies and promoting initiatives from a global perspective to ensure the safety of our employees and their families and secure business continuity. In addition, our offices around the world have established operational guidelines in accordance with the laws and regulations in each country and region regarding the items stipulated in the Teijin Group Global Guidelines, which include infection prevention and health assurance measures; commuting and workstyle guidelines; procedures for business travel, meetings, and events; and consideration of human rights. Amid the challenging circumstances caused by the pandemic during fiscal 2020, we were able to ensure the ongoing operation of our Healthcare Business and other essential businesses. Additionally, we carried out efforts that leveraged our products, services, know-how, and global network to the greatest extent possible, including the prompt delivery of a large volume of medical gowns to medical institutions in response to the growing demand for medical supplies.

■ Details of Strategic Risk and Operational Risk and Relevant Response Measures

The details on the recognition of strategic risk and operational risk that the Group manages as significant risks under the TRM Committee are as follows.

 Business Risks
<https://www.teijin.com/ir/management/risks/>

Strategic risk	Main impacts if risk occurs	Response measures
1 Macroenvironment risk	- Fluctuations in sales due to the economic trends and conditions in each country and region of operation as well as the trends in the automotive and aircraft markets, which are major markets where the Group supplies products and services - Fluctuations in costs due to changes in raw material and fuel prices - Fluctuations in the exchange rates needed to reflect transactions in foreign currencies in the financial statements and convert the foreign currencies in the financial statements of overseas consolidated subsidiaries into yen [e.g., if the yen appreciates by ¥1 against the US\$, over the year it will push down operating income by approximately ¥0.3 billion] - Fluctuations in interest expenses due to changing interest rates	We are taking steps to identify and assess primarily trends that could have a substantial impact on our performance and financial position, such as the impact of the COVID-19 pandemic on the automotive and aircraft markets. We are also working to reduce risks through a broad range of measures. For example, we are stabilizing raw material and fuel prices by securing appropriate inventory levels and concluding long-term contracts. For exchange rates, we are also utilizing foreign exchange forward contracts and procuring funds for overseas investment in local currencies. In terms of interest rates, we are pursuing long-term debt with fixed interest rates.
2 Policy change risk	- Tightening of GHG emissions regulations, plastic product regulations, and other regulations to a greater extent than expected - Emergence of global protectionism including the recurrence of trade conflicts between the U.S. and China as well as rising economic security risks - Acceleration of domestic drug price revisions and other government policies to curtail medical costs	To respond to policy change risk such as tightening environmental regulations and the emergence of protectionism around the globe, as well as market and competitive environment fluctuation risk, we are creating contingency plans in advance for individual businesses affected by such risks. At the same time, we are promoting ongoing monitoring activities, including detecting signs of risk occurrences, and ensuring we are prepared to swiftly respond to risk by revising our strategies and other measures. In addition, we are working to collect relevant information on economic security to promptly ascertain a potential crisis.
3 Market and competitive environment fluctuation risk	- Fluctuations in supply-demand structure due to changes in the competitive environment - Inventory adjustments that exceed the real economy in each stage of the supply chain caused by changes in end-user demand within the materials, intermediate materials, and components supply businesses	
4 Resource investment risk	- Cancellation of or delay in the execution of capital expenditures or M&As due to the inability to find projects compatible with strategies - Major divergence of R&D results from targets against the R&D expenses invested	For large-scale investment projects to create and expand businesses, we are taking steps to ascertain the business environment and prioritizing follow-up measures toward action plans for individual issues.
5 Financial soundness risk	- Occurrence of an impairment loss on non-current assets owned by the Group, owing to such factors as a decline in profitability from an extreme worsening of the economic environment, among other factors - Occurrence of loss on deferred tax assets in the event some or all deferred tax assets are deemed unrecoverable due to changes in estimated future taxable income	In addition to regular monitoring of the ratio of net interest-bearing debt to EBITDA, the shareholders' equity ratio, and the debt-to-equity ratio, we are assessing the scale for risk of loss on shareholders' equity through the continuous monitoring of assets with impairment concerns and deferred tax assets. When procuring funds, we examine optimal procurement methods in consideration of financial soundness and based on demand for large-scale funding over the near to medium term as well as the risk of loss on shareholders' equity. Furthermore, we are making thorough efforts to streamline assets through working capital management and the reduction of cross-shareholdings.

Operational risk	Main impacts if risk occurs	Response measures
1 Natural disaster risk	- Natural disasters stemming from climate change - Occurrence of large-scale earthquakes, tsunamis, etc. - Rapid spread of infectious diseases  P47 Response to Climate Change (Disclosure based on TCFD recommendations)	In addition to our response to the COVID-19 pandemic, we aim to minimize damages and promptly recover when a disaster occurs through revisions of BCPs as needed and the implementation of various disaster training programs.
2 Manufacturing risk	- Burden on the global environment from the inappropriate handling of hazardous chemical substances, industrial waste, etc. - Occurrence of major accidents at chemical plants	We have set KPIs and are working to manage and reduce hazardous chemical substances and landfill waste. Also, we are carrying out various measures such as disaster-prevention examinations and educational activities and training based on disaster-prevention guidelines.
3 Product and quality risk	- Occurrence of major quality issues such as product and service defects - Quality issues for which we are liable	We have established independent divisions dedicated to secure quality and reliability at Teijin Limited and major subsidiaries such as Teijin Pharma Limited, thereby setting up a system to ensure quality assurance across all business activities based on strict quality management standards.
4 Legal and ethical risk	- Administrative sanctions by regulatory authorities, litigation, suspension of business activities, damage to corporate brand value, and loss of social trust resulting from violations of laws and regulations related to commerce, competition, anti-bribery, personal information protection, intellectual property, product liability, the environment, labor, taxation, security, and applicable business laws and regulations in the countries and regions in which we operate - Increased cost of adhering to laws and regulations - Impediment of business operations and loss of social trust due to human rights infringements in the supply chain and in-house	Amid increasing diversity of employees through M&As and other business activities, we are promoting activities to instill the corporate philosophy and the Code of Conduct on a global scale. In addition, we require not only relevant in-house personnel but also our suppliers to adhere to both laws and regulations and social norms. We are also strengthening efforts such as human rights due diligence and CSR procurement to respond to potential human rights infringement risks in the supply chain and in-house.
5 Information security risk	External leakage of information due to disasters, cyberattacks, unauthorized access, etc., as well as unauthorized use of information by third parties	We are implementing information security measures from both hard and soft perspectives in the handling of important information related to R&D, manufacturing, and sales as well as personal information in the Healthcare Business.

Efforts toward Respecting Human Rights



In its corporate philosophy, the Teijin Group pledges to “enhance the quality of life through a deep insight into human nature and needs, together with the application of our creative abilities.” In order to achieve this, it is essential to respect the rights and dignity of all human beings. Within all of its business activities, the Group strives to ensure that it does not directly contribute to human rights violations nor support violations indirectly through external parties.



Efforts toward Respecting Human Rights
https://www.teijin.com/csr/human_rights/

Efforts toward Human Rights Due Diligence

In March 2019, the Company’s Board of Directors passed a resolution to establish the Teijin Group Human Rights Policy. Under this policy, we are committed to establishing measures to prevent problems involving human rights violations, including at our suppliers, and are responding earnestly to address any problems should one arise. Since fiscal 2018, we have been working to establish frameworks for the human rights due diligence adopted under the Teijin Group Human Rights Policy. We have also been taking steps to evaluate and enact measures toward human rights risks by business and region.

In addition, we have been carrying out a CSR procurement survey of business partners every year since 2007. In fiscal 2020, we undertook awareness-raising and improvement promotion activities aimed at business partners who had an over-

all low ranking based on the results of these surveys.

We also began genuine examinations regarding grievance mechanisms.*

In fiscal 2021, we are expanding our impact assessment to identify human rights issues of foreign workers globally in not only the apparel industry but also other domains. In regard to grievance mechanisms, we will develop a new scheme in combination with our existing mechanisms. After doing so, we will start the trial implementation of this new scheme in order to acquire the necessary know-how.

* Mechanisms for receiving statements from victims of human rights violations and carrying out appropriate corrective action



Teijin Group Human Rights Policy
https://www.teijin.com/csr/human_rights/policy.html

Initiatives for Protecting Technical Intern Trainees: The Zero Fee Project

For many years the Fibers & Products Converting Business has made use of Japan’s technical intern training program to recruit technical interns from overseas. However, an internal survey indicated that such trainees were obligated to pay a large amount of recruitment expenses* in their home countries before coming to Japan. To address this issue, we commenced the Zero Fee Project in 2019, which aims to remove the burden of payment from overseas trainees by having the plant that accepts them cover the recruitment expenses.

* There have been cases where the trainee paid a large amount of fees to the organization, etc., that sent them from their home country to Japan before arriving in Japan. Furthermore, in certain countries, there have been cases where trainees had to pay amounts equivalent to several years of their income. Such cases have led to social issues, such as trainees volunteering to work long hours so that they can earn just a small amount for themselves or trainees disappearing before returning to their home countries.

Human Rights Dialogue

In 2020, at the Business and Human Rights Conference, hosted by Caux Round Table Japan, the Chief Social Responsibility Officer held a dialogue with global human rights experts on the human rights issues facing the Teijin Group and the status of efforts to address them.

Main Comments from Experts

- It is wonderful that Teijin conducts due diligence based on its human rights policy and that the Teijin Group takes firm action to improve not only itself but every stakeholder when an issue related to human rights occurs.
- There should be more of a focus on the story behind the Teijin Group’s management strategies, specifically what kinds of issues the Group will tackle to realize the SDGs and what results it will achieve.

Supply Chain Sustainability (CSR Procurement)

In the Fibers & Products Converting Business, we recognize that there are potential risks within sewing and converting processes. To that end, we compile lists of major suppliers among our 1,300 supplier companies, monitor the activities of these suppliers, and conduct on-site investigations on a regular basis. Furthermore, we hold regular CSR seminars on labor, human rights, and environmental issues in an effort to raise the level of awareness of our suppliers and other companies in

the same industry.

We will continue to strengthen our CSR procurement efforts going forward, such as conducting interviews with non-Japanese workers at our business partners and carrying out supply chain assessments in China.



Supply Chain Sustainability
https://www.teijin.com/csr/materiality5/csr_procurement.html

VOICE

Wendy Savage

Director, Social Responsibility,
Traceability and Animal Welfare
Patagonia, Inc.

At Patagonia, we believe that all people are entitled to fair and dignified work, which begins with recruitment. Those seeking employment should never have to pay for the opportunity to work. This is the foundation of the Employer Pays Principle, and we work hard with our suppliers around the world to ensure we follow those principles. We commend Teijin for its commitment to ensure its workforce is not subject to payments and other exploitative practices. These efforts are ongoing, and we are grateful for Teijin’s commitment to long-lasting impact.

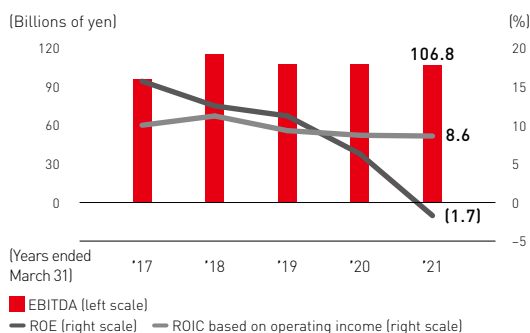


Eleven-Year Consolidated Financial Summary

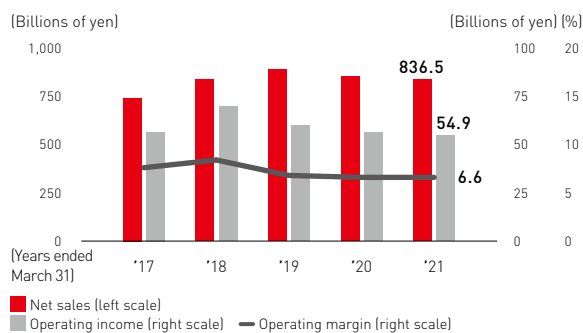
Years ended/As of March 31	2011	2012	2013	2014	2015
Management Indicators					
EBITDA	¥104,971	¥ 86,348	¥ 59,234	¥ 63,742	¥ 82,116
ROE (%)	9.1	4.2	(10.3)	3.0	(2.8)
ROIC (based on operating income) (%)	8.5	6.3	2.3	3.4	7.1
Operating Results					
Net sales	¥815,656	¥854,371	¥745,713	¥784,425	¥786,171
Operating income	48,560	34,044	12,358	18,078	39,086
Profit (loss) attributable to owners of parent	25,182	11,979	(29,131)	8,356	(8,086)
Financial Position					
Total assets	¥761,535	¥762,118	¥762,399	¥768,411	¥823,695
Interest-bearing debt	267,400	261,034	270,765	281,524	308,246
Shareholders' equity	284,236	292,030	271,252	281,680	287,074
Cash Flows					
Cash flows from operating activities	¥ 77,132	¥ 53,669	¥ 64,305	¥ 38,587	¥ 76,030
Cash flows from investing activities	(27,745)	(35,165)	(37,868)	(47,279)	(49,624)
Free cash flow	49,387	18,504	26,437	(8,692)	26,406
Cash flows from financing activities	(42,063)	(14,123)	(12,606)	(7,902)	10,394
Per Share Data					
Profit (loss) attributable to owners of parent	¥ 128.0	¥ 60.9	¥ (148.1)	¥ 42.5	¥ (41.1)
Shareholders' equity	1,444.0	1,483.5	1,380.0	1,433.1	1,460.4
Cash dividends	25.0	30.0	20.0	20.0	20.0
Other Data					
Capital expenditure	¥ 29,249	¥ 32,294	¥ 36,261	¥ 30,182	¥ 28,098
Depreciation and amortization	56,410	52,304	46,877	45,664	43,030
R&D expenses	31,483	31,845	33,184	32,234	32,366
Number of employees	17,542	16,819	16,637	15,756	15,780

Notes: 1. The U.S. dollar amounts represent translations of Japanese yen, for convenience only, at the rate of ¥110.71 to US\$1.00, the prevailing exchange rate at March 31, 2021.
2. Earnings before interest, tax, depreciation and amortization (EBITDA) is calculated as operating income plus depreciation and amortization. Return on equity (ROE) is calculated as profit attributable to owners of parent divided by the average shareholders' equity between the beginning and the end of the fiscal year. Return on invested capital (ROIC) based on operating income is calculated as operating income divided by the average invested capital between the beginning and the end of the fiscal year. Invested capital is calculated as net assets plus interest-bearing debt, minus cash and deposits.

EBITDA / ROE / ROIC (based on operating income)



Net Sales / Operating Income / Operating Margin

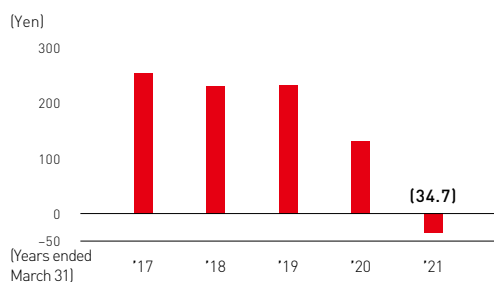


					Millions of yen	Percentage change	Thousands of U.S. dollars
2016	2017	2018	2019	2020	2021	2021/2020	2021
¥106,024	¥ 95,843	¥115,478	¥ 107,551	¥ 107,156	¥ 106,771		\$ 964,421
10.6	15.7	12.5	11.2	6.3	(1.7)		
12.7	10.0	11.2	9.3	8.7	8.6		
¥790,748	¥ 741,292	¥834,986	¥ 888,589	¥ 853,746	¥ 836,512	-2.0%	\$7,555,885
67,130	56,512	69,823	60,000	56,205	54,931	-2.3%	496,170
31,090	50,133	45,556	45,057	25,252	(6,662)	—	(60,175)
¥823,429	¥ 964,053	¥981,967	¥1,020,654	¥1,004,223	¥1,036,427	3.2%	\$9,361,639
303,298	376,218	344,242	369,195	381,928	380,043	-0.5%	3,432,779
300,113	338,384	392,925	410,727	394,162	406,150	3.0%	3,668,594
¥ 80,641	¥ 79,040	¥ 80,092	¥ 80,899	¥ 94,214	¥ 107,729		\$ 973,074
(40,323)	(127,650)	(51,307)	(41,288)	(67,922)	(79,587)		(718,878)
40,318	(48,610)	28,784	39,611	26,291	28,142		254,196
(8,317)	63,765	(31,485)	(15,353)	(8,059)	(20,878)		(188,583)
					Yen		U.S. dollars
¥ 158.2	¥ 254.9	¥ 231.3	¥ 232.4	¥ 131.6	¥ (34.7)		\$ (0.31)
1,526.2	1,720.1	1,986.3	2,141.3	2,053.6	2,115.6		19.11
35.0	55.0	60.0	70.0	60.0	50.0		0.45
					Millions of yen		Thousands of U.S. dollars
¥ 38,341	¥ 46,224	¥ 44,610	¥ 62,828	¥ 68,622	¥ 60,319		\$ 544,838
38,894	39,331	45,655	47,551	50,950	51,840		468,250
33,285	35,417	35,926	36,423	34,482	32,719		295,538
15,756	19,292	19,711	20,671	20,075	21,090		

3. Shareholders' equity is calculated as total net assets at year-end, less subscription rights to shares at year-end and non-controlling interests at year-end. The debt-to-equity ratio is calculated as interest-bearing debt at year-end divided by shareholders' equity at year-end.

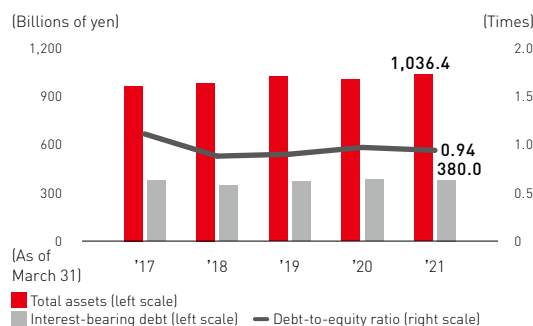
4. The Company has applied the "Partial Amendments to Accounting Standard for Tax Effect Accounting (ASBJ Statement No. 28, February 16, 2018)" from fiscal 2018, and the posted figures for total assets in fiscal 2017 have had these accounting standards retroactively applied.

Profit (Loss) Attributable to Owners of Parent per Share*



* Reflects the impact of changes in share numbers due to the consolidation of shares on October 1, 2016

Total Assets / Interest-Bearing Debt / Debt-to-Equity Ratio



Consolidated Balance Sheets

As of March 31	Millions of yen		Thousands of U.S. dollars*
	2020	2021	2021
ASSETS			
Current assets:			
Cash and time deposits	¥ 113,500	¥ 170,185	\$ 1,537,214
Receivables:			
Notes and accounts receivable—trade:			
Unconsolidated subsidiaries and affiliates	414	190	1,716
Other	166,780	180,830	1,633,366
Short-term loans receivable:			
Unconsolidated subsidiaries and affiliates	12,120	13,677	123,539
Other	8	129	1,165
Other	12,389	10,634	96,053
Securities	36,000	—	—
Inventories	143,099	141,044	1,273,995
Other current assets	21,537	18,226	164,628
Allowance for doubtful accounts	(523)	(334)	(3,017)
Total current assets	505,323	534,580	4,828,651
Property, plant and equipment:			
Land	43,174	42,813	386,713
Buildings and structures	184,425	190,319	1,719,077
Machinery, equipment and vehicles	547,279	562,672	5,082,395
Tools	105,171	113,788	1,027,802
Construction in progress	42,226	39,470	356,517
Other	14,530	15,698	141,794
Subtotal	936,805	964,761	8,714,308
Accumulated depreciation	(640,724)	(682,469)	(6,164,475)
Total property, plant and equipment	296,081	282,291	2,549,824
Intangible assets:			
Goodwill	23,813	39,355	355,478
Other	36,574	34,989	316,042
Total intangible assets	60,387	74,344	671,520
Investments and other assets:			
Investment securities:			
Unconsolidated subsidiaries and affiliates	24,321	22,895	206,802
Other	52,312	61,902	559,136
Long-term loans receivable:			
Unconsolidated subsidiaries and affiliates	1,428	1,443	13,034
Other	634	655	5,916
Net defined benefit assets	31,388	31,124	281,131
Deferred tax assets	9,578	4,642	41,929
Other	24,373	23,754	214,561
Allowance for doubtful accounts	(1,604)	(1,202)	(10,857)
Total investments and other assets	142,432	145,212	1,311,643
Total assets	¥1,004,223	¥1,036,427	\$ 9,361,639

* The U.S. dollar amounts represent translations of Japanese yen, for convenience only, at the rate of ¥110.71 to US\$1.00, the prevailing exchange rate at March 31, 2021.

As of March 31	Millions of yen		Thousands of U.S. dollars*
	2020	2021	2021
LIABILITIES AND NET ASSETS			
Current liabilities:			
Short-term loans payable	¥ 98,372	¥ 95,387	\$ 861,593
Current portion of long-term debt	34,268	38,075	343,917
Payables:			
Notes and accounts payable—trade:			
Unconsolidated subsidiaries and affiliates	838	915	8,265
Other	79,230	91,629	827,649
Other	29,828	33,408	301,761
Income taxes payable	5,464	5,577	50,375
Provision for business structure improvement	1,089	2,330	21,046
Accrued expenses	21,912	23,645	213,576
Other current liabilities	16,639	19,088	172,414
Total current liabilities	287,640	310,054	2,800,596
Long-term liabilities:			
Long-term debt	237,037	233,857	2,112,339
Net defined benefit liabilities	39,464	37,500	338,723
Asset retirement obligations	2,228	1,077	9,728
Deferred tax liabilities	2,929	4,346	39,256
Provision for business structure improvement	2,325	—	—
Lease obligations	10,764	11,275	101,843
Other long-term liabilities	10,426	10,061	90,877
Total long-term liabilities	305,174	298,116	2,692,765
Contingent liabilities			
Net assets			
Shareholders' equity:			
Common stock			
Authorized—600,000,000 shares in 2020			
600,000,000 shares in 2021			
Issued—197,953,707 shares in 2020			
197,953,707 shares in 2021	71,833	71,833	648,839
Capital surplus	103,692	103,756	937,187
Retained earnings	247,055	229,805	2,075,738
Treasury stock, at cost: 6,013,284 shares in 2020			
5,975,760 shares in 2021	(13,131)	(13,047)	(117,848)
Total shareholders' equity	409,449	392,346	3,543,908
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities	12,403	21,840	197,272
Deferred gains or losses on hedges	(1,020)	607	5,483
Foreign currency translation adjustments	(23,217)	(7,087)	(64,014)
Remeasurements of defined benefit plans	(3,452)	(1,557)	(14,064)
Total accumulated other comprehensive income	(15,286)	13,804	124,686
Subscription rights to shares			
	772	899	8,120
Non-controlling interests			
	16,475	21,209	191,573
Total net assets	411,409	428,257	3,868,277
Total liabilities and net assets	¥1,004,223	¥1,036,427	\$9,361,639

Consolidated Statements of Income

	Millions of yen		Thousands of U.S. dollars*
Years ended March 31	2020	2021	2021
Net sales	¥853,746	¥836,512	\$7,555,885
Costs and expenses:			
Cost of sales	590,321	581,515	5,252,597
Selling, general and administrative expenses	172,737	167,347	1,511,580
Research and development expenses	34,482	32,719	295,538
Operating income	56,205	54,931	496,170
Other income (expenses):			
Interest and dividend income	2,372	2,002	18,083
Interest expenses	(3,717)	(2,831)	(25,571)
Gain on sales of investment securities	5,998	2,626	23,720
Gain on sales of non-current assets	160	1,821	16,448
Foreign exchange gains (losses)	1,145	(3,615)	(32,653)
Contribution	(408)	(373)	(3,369)
Gain (loss) on valuation of derivatives	(2,161)	2,276	20,558
Loss on investments in partnerships	(324)	(998)	(9,015)
Loss on sales and retirement of non-current assets	(2,677)	(2,192)	(19,799)
Loss on valuation of investment securities	(114)	(1,001)	(9,042)
Impairment loss	(11,030)	(44,101)	(398,347)
Equity in earnings of unconsolidated subsidiaries and affiliates	1,997	2,548	23,015
Business structure improvement expenses	(4,232)	(125)	(1,129)
Gain on step acquisitions	—	2,009	18,147
Other, net	(1,657)	(3,628)	(32,770)
Total other income (expenses)	(14,648)	(45,580)	(411,706)
Income before income taxes	41,557	9,351	84,464
Income taxes:			
Current	12,306	12,467	112,610
Deferred	2,272	1,098	9,918
Total income taxes	14,578	13,565	122,527
Net income (loss)	26,980	(4,213)	(38,054)
Profit (loss) attributable to non-controlling interests	1,727	2,448	22,112
Profit (loss) attributable to owners of parent	¥ 25,252	¥ (6,662)	\$ (60,175)

	Yen		U.S. dollars*
Profit (loss) attributable to owners of parent per share	¥131.63	¥(34.70)	\$(0.31)
Profit attributable to owners of parent per share—diluted	124.43	—	—
Cash dividends applicable to the year	60.00	50.00	0.45

* The U.S. dollar amounts represent translations of Japanese yen, for convenience only, at the rate of ¥110.71 to US\$1.00, the prevailing exchange rate at March 31, 2021.

Consolidated Statements of Comprehensive Income

Years ended March 31	Millions of yen		Thousands of U.S. dollars*
	2020	2021	2021
Net income (loss)	¥ 26,980	¥ (4,213)	\$ (38,054)
Other comprehensive income:			
Valuation difference on available-for-sale securities	(14,656)	9,894	89,369
Deferred gains or losses on hedges	(967)	1,627	14,696
Foreign currency translation adjustments	(11,764)	15,195	137,250
Remeasurements of defined benefit plans, net of tax	(1,019)	1,912	17,270
Share of other comprehensive income of associates accounted for using the equity method	(11)	949	8,572
Total	(28,416)	29,577	267,157
Comprehensive income	¥ (1,436)	¥25,363	\$229,094
Breakdown of comprehensive income:			
Comprehensive income attributable to owners of the parent	¥ (2,762)	¥22,429	\$202,592
Comprehensive income attributable to non-controlling interests	1,325	2,935	26,511

* The U.S. dollar amounts represent translations of Japanese yen, for convenience only, at the rate of ¥110.71 to US\$1.00, the prevailing exchange rate at March 31, 2021.

Consolidated Statements of Changes in Net Assets

	Millions of yen					
	Number of shares of common stock	Shareholders' equity				
		Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance at March 31, 2019	197,953,707	¥71,833	¥104,256	¥235,324	¥(13,412)	¥398,000
Changes of items during the period:						
Dividends from surplus				(13,427)		(13,427)
Net income				25,252		25,252
Purchase of treasury stock					(12)	(12)
Disposal of treasury stock			(94)		293	199
Transfer of loss on disposal of treasury stock			94	(94)		—
Change in ownership interest of parent due to transactions with non-controlling interests			(564)			(564)
Net changes of items other than shareholders' equity						
Total		—	(564)	11,731	282	11,449
Balance at March 31, 2020	197,953,707	¥71,833	¥103,692	¥247,055	¥(13,131)	¥409,449
Changes of items during the period:						
Dividends from surplus				(10,557)		(10,557)
Net loss				(6,662)		(6,662)
Purchase of treasury stock					(8)	(8)
Disposal of treasury stock			(31)		91	60
Transfer of loss on disposal of treasury stock			31	(31)		—
Change in ownership interest of parent due to transactions with non-controlling interests			64			64
Net changes of items other than shareholders' equity						
Total		—	64	(17,250)	84	(17,102)
Balance at March 31, 2021	197,953,707	¥71,833	¥103,756	¥229,805	¥(13,047)	¥392,346

	Thousands of U.S. dollars*				
	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance at March 31, 2020	\$648,839	\$936,609	\$2,231,551	\$ (118,607)	\$3,698,392
Changes of items during the period:					
Dividends from surplus			(95,357)		(95,357)
Net loss			(60,175)		(60,175)
Purchase of treasury stock				(72)	(72)
Disposal of treasury stock		(280)		822	542
Transfer of loss on disposal of treasury stock		280	(280)		—
Change in ownership interest of parent due to transactions with non-controlling interests		578			578
Net changes of items other than shareholders' equity					
Total	—	578	(155,812)	759	(154,476)
Balance at March 31, 2021	\$648,839	\$937,187	\$2,075,738	\$ (117,848)	\$3,543,908

* The U.S. dollar amounts represent translations of Japanese yen, for convenience only, at the rate of ¥110.71 to US\$1.00, the prevailing exchange rate at March 31, 2021.

	Millions of yen							
	Accumulated other comprehensive income					Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains (losses) on hedges	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at March 31, 2019	¥ 26,720	¥ (52)	¥(11,402)	¥(2,538)	¥ 12,728	¥ 889	¥15,595	¥427,212
Changes of items during the period:								
Dividends from surplus								(13,427)
Net income								25,252
Purchase of treasury stock								(12)
Disposal of treasury stock								199
Transfer of loss on disposal of treasury stock								—
Change in ownership interest of parent due to transactions with non-controlling interests								(564)
Net changes of items other than shareholders' equity	(14,317)	(968)	(11,815)	(914)	(28,014)	(117)	880	(27,252)
Total	(14,317)	(968)	(11,815)	(914)	(28,014)	(117)	880	(15,803)
Balance at March 31, 2020	¥ 12,403	¥(1,020)	¥(23,217)	¥(3,452)	¥(15,286)	¥ 772	¥16,475	¥411,409
Changes of items during the period:								
Dividends from surplus								(10,557)
Net loss								(6,662)
Purchase of treasury stock								(8)
Disposal of treasury stock								60
Transfer of loss on disposal of treasury stock								—
Change in ownership interest of parent due to transactions with non-controlling interests								64
Net changes of items other than shareholders' equity	9,438	1,627	16,130	1,895	29,090	127	4,734	33,951
Total	9,438	1,627	16,130	1,895	29,090	127	4,734	16,848
Balance at March 31, 2021	¥ 21,840	¥ 607	¥(7,087)	¥(1,557)	¥ 13,804	¥ 899	¥21,209	¥428,257

	Thousands of U.S. dollars*							
	Accumulated other comprehensive income					Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains (losses) on hedges	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at March 31, 2020	\$112,031	\$(9,213)	\$(209,710)	\$(31,181)	\$(138,072)	\$6,973	\$148,812	\$3,716,096
Changes of items during the period:								
Dividends from surplus								(95,357)
Net loss								(60,175)
Purchase of treasury stock								(72)
Disposal of treasury stock								542
Transfer of loss on disposal of treasury stock								—
Change in ownership interest of parent due to transactions with non-controlling interests								578
Net changes of items other than shareholders' equity	85,250	14,696	145,696	17,117	262,759	1,147	42,760	306,666
Total	85,250	14,696	145,696	17,117	262,759	1,147	42,760	152,181
Balance at March 31, 2021	\$197,272	\$ 5,483	\$ (64,014)	\$(14,064)	\$ 124,686	\$8,120	\$191,573	\$3,868,277

* The U.S. dollar amounts represent translations of Japanese yen, for convenience only, at the rate of ¥110.71 to US\$1.00, the prevailing exchange rate at March 31, 2021.

Consolidated Statements of Cash Flows

	Millions of yen		Thousands of U.S. dollars*
Years ended March 31	2020	2021	2021
Cash flows from operating activities:			
Income before income taxes	¥ 41,557	¥ 9,351	\$ 84,464
Depreciation and amortization	50,950	51,840	468,250
Impairment loss	11,030	44,101	398,347
Increase (decrease) in net defined benefit liability	1,617	822	7,425
Decrease (increase) in net defined benefit asset	(665)	(307)	(2,773)
Increase (decrease) in allowance for doubtful accounts	(95)	(630)	(5,691)
Increase (decrease) in provision for business structure improvement	3,332	(5)	(45)
Interest and dividend income	(2,372)	(2,002)	(18,083)
Interest expenses	3,717	2,831	25,571
Equity in losses (earnings) of affiliates	(1,997)	(2,548)	(23,015)
Loss (gain) on sales and retirement of noncurrent assets	2,517	370	3,342
Loss (gain) on sales of investment securities	(5,986)	(2,626)	(23,720)
Loss (gain) on valuation of derivatives	2,161	(2,276)	(20,558)
Loss (gain) on valuation of investment securities	114	1,001	9,042
Loss (gain) on step acquisitions	—	(2,009)	(18,147)
Decrease (increase) in notes and accounts receivable—trade	19,875	(6,765)	(61,106)
Decrease (increase) in inventories	(4,460)	7,558	68,268
Increase (decrease) in notes and accounts payable—trade	(9,465)	7,455	67,338
Other, net	(5,488)	10,957	98,970
Subtotal	106,342	117,119	1,057,890
Interest and dividend income received	6,575	6,245	56,409
Interest expenses paid	(3,745)	(2,883)	(26,041)
Extra retirement payments	—	(1,058)	(9,556)
Income taxes paid	(14,958)	(11,694)	(105,627)
Net cash and cash equivalents provided by operating activities	94,214	107,729	973,074
Cash flows from investing activities:			
Purchase of property, plant and equipment	(66,301)	(56,817)	(513,206)
Proceeds from sales of property, plant and equipment	261	2,221	20,061
Purchase of intangible assets	(4,020)	(4,109)	(37,115)
Purchase of investment securities	(5,700)	(2,194)	(19,818)
Proceeds from sales of investment securities	9,250	6,991	63,147
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(12,681)	(22,226)	(200,759)
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	13,158	—	—
Payments for acquisition of businesses	(906)	—	—
Decrease (increase) in short-term loans receivable	1,147	(713)	(6,440)
Payments of long-term loans receivable	(1,277)	(131)	(1,183)
Collection of long-term loans receivable	1,273	42	379
Other, net	(2,127)	(2,650)	(23,936)
Net cash and cash equivalents used in investing activities	(67,922)	(79,587)	(718,878)
Cash flows from financing activities:			
Net increase (decrease) in short-term loans payable	(2,769)	(6,046)	(54,611)
Proceeds from long-term loans payable	16,675	35,692	322,392
Repayment of long-term loans payable	(6,735)	(37,835)	(341,749)
Purchase of treasury shares	(12)	(8)	(72)
Cash dividends paid	(13,427)	(10,557)	(95,357)
Cash dividends paid to non-controlling shareholders	(652)	(753)	(6,802)
Proceeds from share issuance to non-controlling shareholders	297	—	—
Proceeds from issuance of bonds	15,000	—	—
Redemption of bonds	(15,000)	—	—
Other, net	(1,437)	(1,371)	(12,384)
Net cash and cash equivalents used in financing activities	(8,059)	(20,878)	(188,583)
Effect of exchange rate changes on cash and cash equivalents	(2,438)	2,901	26,204
Net increase (decrease) in cash and cash equivalents	15,794	10,165	91,816
Cash and cash equivalents at beginning of year	140,434	156,290	1,411,706
Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries	62	—	—
Cash and cash equivalents at end of year	¥156,290	¥166,455	\$1,503,523

* The U.S. dollar amounts represent translations of Japanese yen, for convenience only, at the rate of ¥110.71 to US\$1.00, the prevailing exchange rate at March 31, 2021.

Independent Assurance Report



Independent Assurance Report

To the President and CEO of Teijin Limited

We were engaged by Teijin Limited (the “Company”) to undertake a limited assurance engagement of the environmental performance indicators and the number of female managers in Japan marked with a red star ★ (the “Indicators”) for the period from April 1, 2020 to March 31, 2021 included in its Integrated Report 2021 (the “Report”) for the fiscal year ended March 31, 2021, except for the number of female managers in Japan, which is as of April 1, 2021.

The Company’s Responsibility

The Company is responsible for the preparation of the Indicators in accordance with its own reporting criteria (the “Company’s reporting criteria”), as described in the Report.

Our Responsibility

Our responsibility is to express a limited assurance conclusion on the Indicators based on the procedures we have performed. We conducted our engagement in accordance with the ‘International Standard on Assurance Engagements (ISAE) 3000, Assurance Engagements other than Audits or Reviews of Historical Financial Information’ and the ‘ISAE 3410, Assurance Engagements on Greenhouse Gas Statements’ issued by the International Auditing and Assurance Standards Board. The limited assurance engagement consisted of making inquiries, primarily of persons responsible for the preparation of information presented in the Report, and applying analytical and other procedures, and the procedures performed vary in nature from, and are less in extent than for, a reasonable assurance engagement. The level of assurance provided is thus not as high as that provided by a reasonable assurance engagement. Our assurance procedures included:

- Interviewing the Company’s responsible personnel to obtain an understanding of its policy for preparing the Report and reviewing the Company’s reporting criteria.
- Inquiring about the design of the systems and methods used to collect and process the Indicators.
- Performing analytical procedures on the Indicators.
- Examining, on a test basis, evidence supporting the generation, aggregation and reporting of the Indicators in conformity with the Company’s reporting criteria, and recalculating the Indicators.
- Making inquiries and reviewing materials including documented evidence of the Company’s Mihara Factory selected on the basis of a risk analysis, as alternative procedures to a site visit.
- Evaluating the overall presentation of the Indicators.

Conclusion

Based on the procedures performed, as described above, nothing has come to our attention that causes us to believe that the Indicators in the Report are not prepared, in all material respects, in accordance with the Company’s reporting criteria as described in the Report.

Our Independence and Quality Control

We have complied with the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which includes independence and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior. In accordance with International Standard on Quality Control 1, we maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

KPMG AZSA Sustainability Co., Ltd.

KPMG AZSA Sustainability Co., Ltd.

Tokyo, Japan

September 2, 2021

SASB Standards Comparative Table

The comparative table below shows information on the following topics in reference to the standards for the Resource Transformation Sector/Chemicals Industry within the SASB Standards, which are disclosed by the Value Reporting Foundation (VRF) (formerly disclosed by the U.S.-based Sustainability Accounting Standards Board [SASB]). Going forward, the Group will take steps to continue to enhance its information disclosure.

Sustainability Disclosure Topics & Accounting Metrics

Topic	Code	Accounting Metric	Unit of Measure	Status of Response / Location of Disclosure
Greenhouse Gas Emissions	RT-CH-110a.1	Gross global Scope 1 emissions, percentage covered under emissions-limiting regulations	Metric tons (t) CO ₂ -e, Percentage (%)	Gross global Scope 1 emissions:  P. 49 Environmental Data
	RT-CH-110a.2	Discussion of long-term and short-term strategy or plan to manage Scope 1 emissions, emissions reduction targets, and an analysis of performance against those targets	n/a	 P. 47 Response to Climate Change [Disclosure based on TCFD recommendations]
Air Quality	RT-CH-120a.1	Air emissions of the following pollutants: (1) NO _x (excluding N ₂ O), (2) SO _x , (3) volatile organic compounds (VOCs), and (4) hazardous air pollutants (HAPs)	Metric tons (t)	(1) (2) (3)  P. 49 Environmental Data (4) —  Reducing Hazardous Substance Emissions https://www.teijin.com/csr/environment/hazardous_substance.html
Energy Management	RT-CH-130a.1	(1) Total energy consumed, (2) percentage grid electricity, (3) percentage renewable, (4) total self-generated energy	Gigajoules (GJ), Percentage (%)	(1)  Business Activities and Environmental Impact https://www.teijin.com/csr/environment/environmental_impact.html (2) 57.6% (3) 1.1% (4) 6.9 × 10 ⁶ GJ * (2) and (3) are percentages calculated with the inclusion of the amount of energy sold to other companies. (4) includes the amount of energy sold to other companies.
Water Management	RT-CH-140a.1	(1) Total water withdrawn, (2) total water consumed, percentage of each in regions with High or Extremely High Baseline Water Stress	Thousand cubic meters (m ³), Percentage (%)	—
	RT-CH-140a.2	Number of incidents of non-compliance associated with water quality permits, standards, and regulations	Number	—
	RT-CH-140a.3	Description of water management risks and discussion of strategies and practices to mitigate those risks	n/a	 P. 49 Reducing Water Consumption  Management of Water Resources https://www.teijin.com/csr/environment/water_resources.html
Hazardous Waste Management	RT-CH-150a.1	Amount of hazardous waste generated, percentage recycled	Metric tons (t), Percentage (%)	—
Community Relations	RT-CH-210a.1	Discussion of engagement processes to manage risks and opportunities associated with community interests	n/a	 Management System and Promotion Activities https://www.teijin.com/csr/sustainability/management.html
Workforce Health & Safety	RT-CH-320a.1	(1) Total recordable incident rate (TRIR) and (2) fatality rate for (a) direct employees and (b) contract employees	Rate	—
	RT-CH-320a.2	Description of efforts to assess, monitor, and reduce exposure of employees and contract workers to long-term (chronic) health risks	n/a	 ESH Management Activities https://www.teijin.com/csr/materiality5/esh.html



On our Sustainability website, we disclose more detailed information regarding our environmental and social initiatives and our non-financial data.

Sustainability
<https://www.teijin.com/csr/>

Non-Financial Data
<https://www.teijin.com/csr/data/>

Boundaries for Reporting of ESH Data
https://www.teijin.com/csr/data/esh_boundary.html

ESH-Related Accounting
https://www.teijin.com/csr/data/esh_data.html

Topic	Code	Accounting Metric	Unit of Measure	Status of Response / Location of Disclosure
Product Design for Use-phase Efficiency	RT-CH-410a.1	Revenue from products designed for use-phase resource efficiency	Yen	Total sales of Environmental Value Solutions, including products designed to enhance resource efficiency during the stage of product use, such as lightweight solutions: ¥331.9 billion
Safety & Environmental Stewardship of Chemicals	RT-CH-410b.1	(1) Percentage of products that contain Globally Harmonized System of Classification and Labeling of Chemicals (GHS) Category 1 and 2 Health and Environmental Hazardous Substances, (2) percentage of such products that have undergone a hazard assessment	Percentage (%) by revenue, Percentage (%)	—
	RT-CH-410b.2	Discussion of strategy to (1) manage chemicals of concern and (2) develop alternatives with reduced human and/or environmental impact	n/a	(1) P. 49 Reducing Hazardous Chemical Substance Emissions Reducing Hazardous Substance Emissions https://www.teijin.com/csr/environment/hazardous_substance.html (2) —
Genetically Modified Organisms	RT-CH-410c.1	Percentage of products by revenue that contain genetically modified organisms (GMOs)	Percentage (%) by revenue	0%
Management of the Legal & Regulatory Environment	RT-CH-530a.1	Discussion of corporate positions related to government regulations and/or policy proposals that address environmental and social factors affecting the industry	n/a	—
Operational Safety, Emergency Preparedness & Response	RT-CH-540a.1	Process Safety Incidents Count (PSIC), Process Safety Total Incident Rate (PSTIR), and Process Safety Incident Severity Rate (PSISR)	Number, Rate	Security, Disaster Prevention, and Occupational Safety Activities https://www.teijin.com/csr/materiality5/disaster_prevention_safety.html * Information on Process Safety Incidents is not disclosed. However, the Group promotes activities aimed at realizing zero disasters and zero accidents following its principle of safety first in everything. In fiscal 2020, the number of serious accidents (as defined by the Company) was zero.
	RT-CH-540a.2	Number of transport incidents	Number	—

Activity Metrics

Activity Metric	Code	Unit of Measure	Location of Disclosure
Production by reportable segment	RT-CH-000.A	Cubic meters (m³) and/or metric tons (t)	—

Corporate Data (As of March 31, 2021)

Established	June 17, 1918
Head Offices	Tokyo Head Office Kasumigaseki Common Gate West Tower, 2-1, Kasumigaseki 3-chome, Chiyoda-ku, Tokyo 100-8585, Japan Phone: +81-3-3506-4529 Osaka Head Office Nakanoshima Festival Tower West, 2-4, Nakanoshima 3-chome, Kita-ku, Osaka 530-8605, Japan Phone: +81-6-6233-3401
Fiscal Year-End	March 31
Common Stock Authorized	600,000,000 shares
Common Stock Issued	197,953,707 shares
Paid-in Capital	¥71,833 million
Shareholders	82,807
Number of Teijin Group Companies	Japan: 55 Overseas: 117 Total: 172
Number of Teijin Group Employees (Consolidated)	Japan: 9,583 Overseas: 11,507 Total: 21,090
Stock Exchange Listing	Tokyo
Stock Code	3401
Stock Transfer Agent	Mitsubishi UFJ Trust and Banking Corporation
Dividends	Dividends are usually declared in May and November.
Annual Meeting of Shareholders	The annual meeting of shareholders is held before the end of June.
Accounting Auditors	KPMG AZSA LLC
Website	https://www.teijin.com/ Teijin's website offers a wealth of corporate and product information, including the latest financial results, Corporate Governance Report, and corporate news.
Investor Relations	If you have any questions, please contact: Investor Relations Department, Kasumigaseki Common Gate West Tower, 2-1, Kasumigaseki 3-chome, Chiyoda-ku, Tokyo 100-8585, Japan

External ESG Evaluations and Stock Selections (As of August 2021)

- Status of inclusion in SRI indices

Member of
Dow Jones Sustainability Indices
Powered by the S&P Global CSA



- Included in JPX-Nikkei Index 400



- Included in all four ESG indices used by GPIF

**2021 CONSTITUENT MSCI JAPAN
ESG SELECT LEADERS INDEX**

**2021 CONSTITUENT MSCI JAPAN
EMPOWERING WOMEN INDEX (WIN)**



Note: THE INCLUSION OF TEIJIN LIMITED IN ANY MSCI INDEX, AND THE USE OF MSCI LOGOS, TRADEMARKS, SERVICE MARKS OR INDEX NAMES HEREIN, DO NOT CONSTITUTE A SPONSORSHIP, ENDORSEMENT OR PROMOTION OF TEIJIN LIMITED BY MSCI OR ANY OF ITS AFFILIATES. THE MSCI INDEXES ARE THE EXCLUSIVE PROPERTY OF MSCI. MSCI AND THE MSCI INDEX NAMES AND LOGOS ARE TRADEMARKS OR SERVICE MARKS OF MSCI OR ITS AFFILIATES.



(From left) Eiji Ogawa, Chief Officer, Corporate Strategy and
Toshiya Koyama, Chief Social Responsibility Officer

Editorial Note

This integrated report was created as an important medium for dialogue with our stakeholders, including our shareholders and other investors. The purpose of this report is to offer an easy-to-understand explanation of the Teijin Group's value creation story, which involves the Group's aim to realize a sustainable world.

The COVID-19 pandemic has brought about significant change to the structure of society. This change demonstrates the validity of our strategic direction under the medium-term management plan and encourages us to accelerate the plan's implementation. In addition to introducing the results of the various strategic initiatives we carried out in fiscal 2020, I believe that *Integrated Report 2021* will help readers understand how our materiality, which we established with a view to realizing a sustainable world, and ESG initiatives help us increase our competitiveness, achieve sustainable growth, and enhance corporate value. This report was produced through collaboration between the CEO, who was the head of the overall production structure, myself, who was responsible for the report's editing, and the Chief Social Responsibility (CSR) Officer, who compiled the report's non-financial information. I sincerely hope that this report serves as a tool for deepening our stakeholders' understanding of the Teijin Group.

Going forward, we will continue to enhance our efforts toward information disclosure and stakeholder dialogue as we work to further enhance our transparency. I therefore would be delighted to receive the honest opinions of our stakeholders regarding this report.

Eiji Ogawa

Executive Officer, Member of the Board
Chief Officer, Corporate Strategy

Editorial Policy

In the creation of *Integrated Report 2021*, we referenced the International Integrated Reporting Framework of the Value Reporting Foundation (formerly the International Integrated Reporting Council [IIRC]) as well as the Guidance for Collaborative Value Creation of the Ministry of Economy, Trade and Industry.

Furthermore, in regard to the ESG information contained in this report, we referenced Environmental Reporting Guidelines 2018 of the Ministry of the Environment, the Sustainability Reporting Standards of the Global Reporting Initiative, the latest report by the Task Force on Climate-related Financial Disclosures, and the standards for the Chemical Industry within the SASB standards disclosed by the VRF (formerly disclosed by the U.S.-based Sustainability Accounting Standards Board [SASB]).

Reporting Period

Unless otherwise specified, this report covers the period from April 2020 to March 2021. However, some activities in or after April 2021 are also included.

Reporting Organizations

This report covers the entire Teijin Group (Teijin Limited and 55 domestic Group companies, and 117 overseas Group companies).

Information in *Integrated Report 2021*

This report gives priority to information that is particularly important to the Teijin Group's value creation as well as to the Group's stakeholders. For more comprehensive and detailed information, please refer to Teijin's corporate website in conjunction with this report.

Financial Information

For Investors
<https://www.teijin.com/ir/>

Non-Financial Information

Sustainability
<https://www.teijin.com/csr/>

Disclaimer Regarding Forward-Looking Statements

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

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- Included in these three programs as a company with outstanding ESG initiatives



Participation in Initiatives

WE SUPPORT



UN Global Compact

Since 2011 the Teijin Group has endorsed and been participating in the UN Global Compact, which sets voluntary principles concerning "human rights," "labor," "the environment," and "anticorruption," to promote and practically implement high-quality CSR management as a global company engaged in business.



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